



FORM 10-K

COOPER COMPANIES INC - coo

Filed: January 26, 1995 (period: October 31, 1994)

Annual report which provides a comprehensive overview of the company for the past year

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED OCTOBER 31, 1994 COMMISSION FILE NO. 1-8597

THE COOPER COMPANIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION
OF INCORPORATION)
1 BRIDGE PLAZA, FORT LEE, NEW JERSEY
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

94-2657368
(I.R.S. EMPLOYER
IDENTIFICATION NO.)
07024
(ZIP CODE)

201-585-5100
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, \$.10 Par Value, and associated Rights	New York Stock Exchange Pacific Stock Exchange
10 5/8% Convertible Subordinated Reset Debentures due 2005	New York Stock Exchange Pacific Stock Exchange
10% Senior Subordinated Secured Notes due 2003	Pacific Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
None

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

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

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 1994: Common Stock, \$.10 Par Value -- \$58,791,677

Number of shares outstanding of the registrant's common stock, as of December 31, 1994: 34,116,722

DOCUMENTS INCORPORATED BY REFERENCE:

None

PART I

ITEM 1. BUSINESS.

INTRODUCTION

The Cooper Companies, Inc. ('TCC' or the 'Company'), through its subsidiaries, develops, manufactures and markets healthcare products, including a range of contact lenses and diagnostic and surgical instruments and

accessories, and provides healthcare services through the ownership and operation of certain psychiatric facilities and the management of other such facilities. TCC is a Delaware corporation which was organized on March 4, 1980.

COOPERVISION

CooperVision, Inc. ('CooperVision' or 'CVI'), develops, manufactures and markets a range of contact lenses in the United States and Canada. Approximately 75% of the lenses sold are conventional daily or flexible wear lenses and approximately 25% constitute frequent replacement lenses.

CooperVision's major brand name lenses are Hydrasoft'r', Preference'r', Vantage'r', Permaflex'r', Permalens'r' and Cooper Clear'tm'. These and other products enable CooperVision to fit the needs of a diverse group of wearers by offering lenses formulated from a variety of polymers containing varying amounts of water and different degrees of oxygen permeability, and having different design parameters, diameters, base curves and lens edges. Certain lenses offer special features such as protection against ultraviolet light, color tint, astigmatic correction or aphakic correction. Lenses are available in a wide range of prices.

Preference'r' is a frequent replacement product manufactured from the Tetrafilcon A polymer. Preference'r' was test marketed during the fourth quarter of fiscal 1991 and introduced in fiscal 1992. Three clinical studies, conducted at 31 investigative sites using 603 patients, have demonstrated Preference's superior performance in connection with deposit resistance, visual acuity and handling.

In April 1993, CooperVision acquired CoastVision, Inc. ('CoastVision'), a contact lens company which designs, manufactures and markets high quality soft toric lenses (the majority of which are custom made) designed to correct astigmatism. The acquisition has enabled CooperVision to expand into an additional niche in the contact lens market and to enlarge its customer base.

In October 1994, CooperVision introduced Preference Toric'tm', a toric frequent replacement product. Preference Toric'tm' combines the benefits of the Tetrafilcon A polymer and the low cost toric manufacturing techniques and design characteristics of CoastVision's Hydrasoft'r'. This new product enables CooperVision to compete in the fast-growing toric planned replacement market segment.

CooperVision is continuing to explore opportunities to expand and diversify its business into additional niche markets.

COOPERVISION PHARMACEUTICALS

CooperVision Pharmaceuticals, Inc. ('CVP') is a research and development company engaged in developing proprietary ophthalmic pharmaceuticals. Its current focus is on topical applications of calcium channel blocking drugs, a class of compounds traditionally used systemically to treat hypertension and selected cardiac disorders. CVP is also developing, on a smaller scale, a group of proprietary ophthalmic formulations for a number of ophthalmic diagnostic products.

Prior to February 1993, CVP marketed the EYEscrub'tm' product line. By December 1994, CVP had discontinued sales of EYEscrub'tm' and its branded generic line of ophthalmic pharmaceuticals.

CVP's efforts currently are being focused primarily on CalOptic'tm', CVP's brand of Verapamil HCl, a Class I calcium channel blocker. Studies sponsored by unrelated third parties have demonstrated the ability of some calcium channel blocking drugs to lower intraocular pressure after oral administration. In fiscal 1991, CVP obtained an exclusive license to the U.S. patent for the topical use of Class I calcium channel blockers as potential anti-glaucoma compounds. CVP has filed additional U.S. and international

patent applications. CVP received U.S. Food and Drug Administration ('FDA') clearance to begin human clinical trials in June 1991.

Studies conducted by CVP to date indicate that the topical administration of CalOptic'tm' may offer a novel approach to treating elevated intraocular pressure, one of the leading risk indicators of glaucoma. Elevated intraocular pressure appears to be caused, in part, by a decrease of aqueous humor outflow from the eye. CalOptic'tm' has demonstrated the ability to increase the outflow of aqueous humor. While leading glaucoma medications suppress the production of aqueous humor in the eye, they do not address the underlying cause of elevated intraocular pressure.

Calcium channel blocking drugs are also known to enhance blood flow in certain blood vessels following oral administration. Based on a number of medical publications, enhanced bloodflow to certain regions of the eye is believed to be of benefit in treating ocular diseases associated with the posterior segments of the eye. CVP's recently completed studies may provide information regarding the effect of the topical administration of CalOptic'tm' on ocular bloodflow.

During 1994, CVP expanded its Phase II and III clinical studies of CalOptic'tm'. These studies were designed to enable CVP to assess the extent of

intraocular pressure reduction and side effects from CalOptic'tm' in a larger patient population over a longer time period than in previous trials.

The analysis of clinical data from certain of those studies is anticipated to be completed during the first quarter of calendar 1995. At that time, CVP will be in a better position to determine the protocol for its future studies and whether to continue with its exclusive development of CalOptic'tm' or to seek one or more partners to assist in its further development.

COOPERSURGICAL

CooperSurgical, Inc. ('CooperSurgical' or 'CSI') was established in November 1990 to compete in niche segments of the rapidly expanding worldwide market for diagnostic and surgical instruments, accessories and disposable devices. Its business is developing, manufacturing and distributing electrosurgical, cryosurgical and general application diagnostic and surgical instruments, disposable devices and equipment used selectively in both traditional and minimally invasive surgical procedures, especially those performed by gynecologists. Unlike traditional surgical devices, electrosurgical instruments, which operate by means of high radio frequency, dissect and cause coagulation, making them useful in surgical procedures to minimize blood loss. Cryosurgical equipment is differentiated by its ability to apply cold or sub-zero temperatures to the body in order to cause adhesion, provoke an inflammatory response or destroy diseased tissue.

CooperSurgical's loop electrosurgical excision procedure products, marketed under the LEEP'tm' brand name, are viewed as an improvement over existing laser treatments for primary use in the removal of cervical and vaginal pre-cancerous tissue and benign external lesions. Unlike laser ablation, which tends to destroy tissue, the electrosurgery procedure removes affected tissue with minimal charring, thereby improving the opportunity to obtain an accurate histological analysis of the patient's condition by producing a viable tissue specimen for biopsy purposes. In addition, the loop electrosurgical excision procedure is less painful to the patient than laser ablation and is easily learned by practitioners. Because this procedure enables a gynecologist to both diagnose and treat a patient in one office visit, patients incur lower costs.

CooperSurgical's LEEP System 6000'r' branded products include an electrosurgical generator, sterile single application LEEP Electrodes'tm', the CooperSurgical Smoke Evacuation System 6080'tm', a single application LEEP RediKit'r', a series of educational video tapes and a line of autoclavable coated LEEP'tm' surgical instruments. LEEP System 1000'tm' branded products have been introduced for use abroad.

CooperSurgical's Euro-Med mail order business offers over 400 products for use in gynecologic and general surgical procedures. Over 60% of these products are exclusive to Euro-Med, including its 'signature' instrument series, cervical biopsy punches, clear plastic instruments used for unobstructed viewing, titanium instruments used in laser surgeries, colposcopy procedure kits and instrument care and sterilization systems. In September 1994, CooperSurgical introduced its Euro-Med catalog abroad.

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The catalog, which was printed in French and German, was mailed to physicians practicing in Belgium, France and Germany.

CooperSurgical's Frigitronics'r' instruments for cryosurgery are used primarily in dermatologic procedures to treat skin cancers, in ophthalmic procedures to treat retinal detachments and remove cataracts, and in certain gynecologic, cardiovascular and general surgical procedures. The primary products bearing the Frigitronics brand name are the Model 310 Zoom Colposcope, the CCS-200 Cardiac Cryosurgical System, the Model 2000 Ophthalmic Cryosurgical System and the Cryo-Plus System for gynecologic office procedures.

In August 1994, CooperSurgical entered into an agreement with InnerDyne, Inc. relating to InnerDyne's proprietary thermal ablation technology for gynecological applications such as the control of excessive uterine bleeding. Safety and efficacy studies are currently underway abroad. Upon completion of those studies, CooperSurgical will decide whether to exercise its option to acquire exclusive worldwide commercialization rights in exchange for an initial payment of \$4 million plus royalties on future sales of the system. If it elects to exercise its option, CooperSurgical and InnerDyne will continue to work together to develop and commercialize the proprietary technology. While the project is still in the exploratory stage, CooperSurgical has the right to terminate the agreement at any time with 30 days notice.

HOSPITAL GROUP OF AMERICA

In May 1992, a newly-formed subsidiary of the Company acquired all of the issued and outstanding stock of Hospital Group of America, Inc., a corporation indirectly owned by Nu-Med, Inc. ('Nu-Med'). In June 1992, that company was merged with TCC's subsidiary, with that subsidiary surviving the merger and changing its name to Hospital Group of America, Inc. ('HGA'). As a result, HGA acquired three psychiatric facilities: Hartgrove Hospital in Chicago, Illinois (which currently has 119 licensed beds), Hampton Hospital in Rancocas, New Jersey (which currently has 100 licensed beds) and MeadowWood Hospital in New Castle, Delaware (which currently has 50 licensed beds). In addition, the

Company, through its subsidiary, PSG Management, Inc. ('PSG Management'), entered into a management services agreement (the 'Management Services Agreement') with three indirectly owned subsidiaries of Nu-Med under which it assumed the management of three psychiatric facilities owned by such subsidiaries: Northwestern Institute of Psychiatry in Fort Washington, Pennsylvania (which currently has 146 licensed beds), Malvern Institute for Psychiatric and Alcohol Studies in Malvern, Pennsylvania (which currently has 36 licensed beds), and Pinelands Hospital in Nacogdoches, Texas (which currently has 40 licensed beds). The Management Services Agreement, which provides for monthly payments to PSG Management of \$166,667, will expire by its terms in May 1995.

HGA's three owned and three managed psychiatric facilities provide intensive and structured treatment for children, adolescents and adults suffering from a variety of mental illnesses and/or chemical dependencies, including treatment for women, older adults, survivors of psychological trauma and alcohol and substance abusers. Services include comprehensive psychiatric and chemical dependency evaluations, inpatient and outpatient treatment and partial hospitalization.

In response to market demands for an expanded continuum of care, HGA is in the process of expanding its outpatient and partial hospitalization programs. Six facilities, affiliated with either Hartgrove Hospital or MeadowWood Hospital, have been opened since January 1994. Several of those facilities offer day treatment to children and adolescents, others offer treatment to chronically mentally ill adults and others offer outpatient counseling. Additional programs are expected to commence operations in 1995.

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The following is a comparison of certain statistical data relating to inpatient treatment for fiscal years 1992, 1993 and 1994 for the psychiatric facilities owned by HGA:

	FISCAL YEAR ENDED OCTOBER 31,		
	1994	1993	1992 (1)
Total patient days.....	71,882	72,054	78,119
Admissions.....	4,787	4,310	3,726
Average length of stay (in days).....	15.0	16.8	21.0
Average occupancy.....	73.2%	76.2%	82.6%

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(1) Reflects operations of HGA when owned by Nu-Med and, after May 29, 1992, by TCC.

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During the three-year period for which information is provided, both total patient days and average length of stay have declined. This trend is due, in part, to pressure from managed care groups to limit the length of hospital stays.

Each psychiatric facility is accredited by the Joint Commission of Accreditation of Healthcare Organizations (JCAHO), a voluntary national organization which periodically undertakes a comprehensive review of a facility's staff, programs, physical plant and policies and procedures for purposes of accreditation of such healthcare facility. Accreditation generally is required for patients to receive insurance company reimbursement and for participation by the facility in government sponsored provider programs.

A medical group, which is not affiliated with the Company, is responsible for providing clinical and clinical administrative services at Hampton Psychiatric Institute ('Hampton Hospital'), the primary facility operated by Hospital Group of New Jersey, Inc. ('HGNJ'), a subsidiary of HGA. HGNJ is seeking to terminate its agreement with HMG based upon allegations that HMG has engaged in billing fraud with respect to the provision of such services. See Item 3, 'Legal Proceedings.'

On October 9, 1992, HGA filed a complaint against Nu-Med and several of its subsidiaries asserting claims in excess of \$4 million and asserted additional claims against the same defendants in excess of an additional \$6 million that are to be resolved by an independent auditor. In both instances, HGA's claims arose from the defendants' alleged breaches of certain provisions in the acquisition agreement pursuant to which the HGA facilities were acquired. Nu-Med has since been reorganized under bankruptcy, and the claims against Nu-Med are barred; however, the relevant subsidiaries of Nu-Med (including those that directly or indirectly own the three psychiatric facilities managed by PSG Management) were not part of Nu-Med's bankruptcy filing, and HGA's claims are still pending against those subsidiaries.

Patient and Third Party Payments. HGA receives payment for its psychiatric services either from patients, from their health insurers or through the Medicare, Medicaid and Civilian Health and Medical Program of Uniformed Services ('CHAMPUS') governmental programs. Medicare is a federal program which entitles persons 65 and over to a lifetime benefit of up to 190 days as an inpatient in an acute psychiatric facility. Persons defined as disabled, regardless of age, also receive this benefit. Medicaid is a joint federal and state program available to persons with limited financial resources. CHAMPUS is a federal program which provides health insurance for active and retired military personnel and their dependents.

While other programs may exist or be adopted in different jurisdictions, the following four categories reflect the primary methods by which HGA's three owned facilities receive payment for services:

(a) Standard reimbursement, consisting of payment by patients and their health insurers, is based on a facility's schedule of rates and is not subject to negotiation with insurance companies, competitive bidding or governmental limitation.

(b) Negotiated rate reimbursement is at prices established in advance by negotiation or competitive bidding for contracts with insurers and other payors such as managed care companies,

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health maintenance organizations ('HMO'), preferred provider organizations ('PPO') and similar organizations which can provide a reasonable number of referrals.

(c) Cost-based reimbursement is predicated on the allowable cost of services, plus, in certain cases, an incentive payment where costs fall below a target rate. It is used by Medicare, Medicaid and certain Blue Cross insurance programs to provide reimbursement in amounts lower than the standard or negotiated schedule of rates in effect at an HGA facility.

(d) CHAMPUS reimbursement is at either (1) regionally set rates, (2) a national rate adjusted upward periodically on the basis of the Medicare Market Basket Index or (3) a fixed discount rate per day at certain facilities where CHAMPUS contracts with a benefit administration group.

The Medicare, Medicaid and CHAMPUS programs are subject to statutory and regulatory changes and interpretations, utilization reviews and governmental funding restrictions, all of which may materially increase or decrease program payments and the cost of providing services, as well as the timing of payments to the facilities.

Limits on Reimbursement. Changes in government reimbursement programs have resulted in limitations on increases in, and in some cases in reduced levels of, reimbursement for, healthcare services, and additional changes are anticipated. Such changes are likely to result in further limitations on reimbursement levels. In addition, private payors, including managed care payors, increasingly are demanding discounted fee structures. Inpatient hospital utilization, average lengths of stay and occupancy rates continue to be negatively affected by payor-required pre-admission authorization and utilization review and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. In addition, efforts to impose reduced allowances, greater discounts and more stringent cost controls by government and other payors are expected to continue. Although it is unable to predict the effect these changes will have on its operations, as the number of patients covered by managed care payors increases, significant limits on the scope of services reimbursed and on reimbursement rates and fees could have an adverse effect on HGA's business and earnings.

RESEARCH AND DEVELOPMENT

During the fiscal years ended October 31, 1994, 1993 and 1992, expenditures for Company-sponsored research and development were \$4,407,000, \$3,209,000 and \$3,267,000, respectively. During fiscal 1994, approximately 63% of those expenditures was incurred by CVP, 21% was incurred by CooperVision and the balance was incurred by CooperSurgical. No customer-sponsored research and development has been conducted.

The Company employs 20 people in its research and development and manufacturing engineering departments. Product development and clinical research for CooperVision products are supported by outside specialists in lens design, formulation science, polymer chemistry, microbiology and biochemistry. At CVP, employees work with outside consultants. Product research and development for CooperSurgical is conducted in-house and by outside surgical specialists, including members of both the CooperSurgical and Euro-Med surgical advisory boards. Research involving endometrial ablation technology is performed by experts in fluidics and heat transfer at InnerDyne.

GOVERNMENT REGULATION

Healthcare Products. The development, testing, production and marketing of the Company's healthcare products is subject to the authority of the FDA and

other federal agencies as well as foreign ministries of health. The Federal Food, Drug and Cosmetic Act and other statutes and regulations govern the testing, manufacturing, labeling, storage, advertising and promotion of such products. Noncompliance with applicable regulations can result in fines, product recall or seizure, suspension of production and criminal prosecution.

The Company is currently developing and marketing both medical devices and drug products. Medical devices are subject to different levels of FDA regulation depending upon the classification of the device. Class III devices, such as flexible and extended wear contact lenses, require extensive

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premarket testing and approval procedures, while Class I and II devices are subject to substantially lower levels of regulation.

A multi-step procedure must be completed before a new contact lens can be sold commercially. Data must be compiled on the chemistry and toxicology of the lens, its microbiological profile and the proposed manufacturing process. All data generated must be submitted to the FDA in support of an application for an Investigational Device Exemption. Once granted, clinical trials may be initiated subject to the review and approval of an Institutional Review Board and, where a lens is determined to be a significant risk device, the FDA. Upon completion of clinical trials, a Premarket Approval Application must be submitted and approved by the FDA before commercialization may begin. A similar procedure will be followed in the United States in connection with the development of the InnerDyne thermal ablation technology should the Company determine to continue its development beyond the initial safety and efficacy trials being performed abroad.

The ophthalmic pharmaceutical products under development by the Company require extensive testing before marketing approval may be obtained. Preclinical laboratory studies are conducted to determine the safety and efficacy of a new drug. The results of these studies are submitted to the FDA in an Investigational New Drug Application under which the Company seeks clearance to commence human clinical trials. The initial clinical evaluation, Phase I, consists of administering the drug and evaluating its safety and tolerance levels. Phase II involves studies to evaluate the effectiveness of the drug for a particular indication, to determine optimal dosage and to identify possible side effects. If the new drug is found to be potentially effective, Phase III studies, which consist of additional testing for safety and efficacy with an expanded patient group, are undertaken. If results of the studies demonstrate safety and efficacy, marketing approval is sought from the FDA by means of filing a New Drug Application.

The Company, in connection with some of its new surgical products, can submit premarket notification to the FDA under an expedited procedure known as a 510(k) application, which is available for any product that is substantially equivalent to a device marketed prior to May 28, 1976. If the new product is not substantially equivalent to a pre-existing device or if the FDA were to reject a claim of substantial equivalence, extensive preclinical and clinical testing would be required, additional costs would be incurred and a substantial delay would occur before the product could be brought to market.

FDA and state regulations also require adherence to applicable 'good manufacturing practices' ('GMP'), which mandate detailed quality assurance and record-keeping procedures. In conjunction therewith, the Company is subject to unscheduled periodic regulatory inspections. The Company believes it is in substantial compliance with GMP regulations.

The Company also is subject to foreign regulatory authorities governing human clinical trials and pharmaceutical/medical device sales that vary widely from country to country. Whether or not FDA approval has been obtained, approval of a product by comparable regulatory authorities of foreign countries must be obtained before products may be marketed in those countries. The approval process varies from country to country, and the time required may be longer or shorter than that required for FDA approval.

The procedures described above involve expenditures of considerable resources and usually result in a substantial time lag between the development of a new product and its introduction into the marketplace. There can be no assurance that all necessary approvals will be obtained, or that they will be obtained in a time frame that allows the product to be introduced for commercial sale in a timely manner. Furthermore, product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur after marketing has begun.

Healthcare Services. The healthcare services industry is subject to substantial federal, state and local regulation. Government regulation affects the Company's business by controlling the use of its properties and controlling reimbursement for services provided. Licensing, certification and other applicable governmental regulations vary from jurisdiction to jurisdiction and are revised periodically.

The Company's facilities must comply with the licensing requirements of federal, state and local health agencies and with the requirements of municipal building codes, health codes and local fire department codes. In granting and renewing a facility's license, a state health agency considers, among

other things, the condition of the physical buildings and equipment, the qualifications of the administrative personnel and professional staff, the quality of professional and other services and the continuing compliance of such facility with applicable laws and regulations.

Most states in which the Company operates or manages hospital facilities have in effect certificate of need statutes. State certificate of need statutes provide, generally, that prior to the construction of new healthcare facilities, the addition of new beds or the introduction of a new service, a state agency must determine that a need exists for those facilities, beds or services. A certificate of need is generally issued for a specific maximum amount of expenditures or number of beds or types of services to be provided, and the holder is generally required to implement the approved project within a specific time period. Certificate of need issuances for new facilities are extremely competitive, often with several applicants for a single certificate of need.

Five of the six Company-owned or managed facilities are certified or approved as providers under one or more of the Medicaid or Medicare programs. In order to receive Medicare reimbursement, each facility must meet the applicable conditions promulgated by the United States Department of Health and Human Services relating to the type of facility, its equipment, its personnel and its standards of patient care. The sixth facility treats only substance abuse conditions and is not eligible for certification.

The Social Security Act contains a number of provisions designed to ensure that services rendered to Medicare and Medicaid patients are medically necessary and meet professionally recognized standards. Those provisions include a requirement that admissions of Medicare and Medicaid patients to healthcare facilities must be reviewed in a timely manner to determine the medical necessity of the admissions. In addition, the Peer Review Improvement Act of 1982 provides that a healthcare facility may be required by the federal government to reimburse the government for the cost of Medicare-paid services determined by a peer review organization to have been medically unnecessary.

Various state and federal laws regulate the relationships between providers of healthcare services and physicians. Among these laws are the Medicare and Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act, which prohibit individuals or entities participating in the Medicare or Medicaid programs from knowingly and willfully offering, paying, soliciting or receiving 'remuneration' (which includes anything of value) in order to induce referrals for items or services reimbursed under those programs. Sanctions for violating the Amendments include criminal penalties and civil sanctions, including fines and possible exclusion from the Medicare and Medicaid programs. In addition, Section 1877 of the Social Security Act was amended, effective January 1, 1995, to significantly broaden the prohibitions against physicians making referrals under Medicare and Medicaid programs to providers with which the physicians have financial arrangements. Many states have adopted, or are considering, similar legislative proposals, some of which (including statutes in effect in New Jersey and Illinois) extend beyond the Medicare and Medicaid programs to all healthcare services.

In addition, specific laws exist that regulate certain aspects of the Company's business, such as the commitment of patients to psychiatric hospitals and disclosure of information regarding patients being treated for chemical dependency. Many states have adopted a 'patient's bill of rights' which sets forth standards for dealing with issues such as use of the least restrictive treatment, patient confidentiality, patient access to telephones, mail and legal counsel and requiring the patient to be treated with dignity.

Healthcare Reform. In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would effect major changes in the healthcare system, either nationally or at the state level. Among the proposals under consideration are price controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance coverage to their employees and the creation of a government health insurance plan or plans that would cover all citizens. In 1993, President Clinton introduced a healthcare reform bill that included a number of measures that were broadly viewed as increasing the scope of government regulation of the healthcare industry. Key elements in the President's proposal and other healthcare reform proposals included various insurance market reforms, the requirement that businesses provide health insurance coverage for their employees, reductions or lesser increases in future Medicare and Medicaid reimbursement to providers and more stringent government cost controls. None of these proposals has been adopted. There continue to be efforts at the federal level to introduce various insurance market reforms, expanded fraud and abuse

and anti-referral legislation and further reductions in Medicare and Medicaid reimbursement. A broad range of both similar and more comprehensive healthcare reform initiatives is likely to be considered at the state level. It is uncertain which, if any, of these or other proposals will be adopted. The

Company cannot yet predict the effect such reforms or the prospect of their enactment may have on the business of the Company and its subsidiaries. Accordingly, no assurance can be given that the same will not have a material adverse effect on the Company's revenues, earnings or cash flows.

RAW MATERIALS

In general, raw materials required by CooperVision consist of various polymers as well as packaging materials. Alternative sources of all of these materials are available. Raw materials used by CooperSurgical or its suppliers are generally available from a variety of sources. Products manufactured for CooperSurgical are generally available from more than one source. However, because some products require specialized manufacturing procedures, CooperSurgical could experience inventory shortages if an alternative manufacturer had to be secured on short notice. CVP currently acquires its Verapamil compound pursuant to the terms of a long-term supply agreement.

MANUFACTURING

CooperVision manufactures products in the United States and Canada. CooperSurgical manufactures products in the United States and Europe.

Pursuant to a supply agreement entered into in May 1989 and subsequently amended between the Company and Pilkington plc, the buyer of the Company's contact lens business outside of the United States and Canada, CooperVision purchases certain of its lenses from Pilkington plc (see Note 12)1. These purchased lenses represented approximately 13%, 28% and 31% of the total number of lenses sold by the Company in fiscal 1994, 1993 and 1992, respectively.

MARKETING AND DISTRIBUTION

Healthcare Products. In the United States and Canada, CooperVision markets its products through its field sales representatives, who call on ophthalmologists, optometrists, opticians and optical chains. In the United States, field sales representatives also call on distributors.

CooperSurgical's LEEP'tm', Frigitronics'r', hysteroscopy and endoscopy products are marketed worldwide by a network of independent sales representatives and distributors. In the United States, CooperSurgical, as a principal method of increasing physician awareness of its products, conducts teaching seminars. Euro-Med instruments, as well as certain LEEP'tm' disposable products, are marketed in the United States and abroad through direct mail catalog programs.

Healthcare Services. HGA's marketing concept aims to position each psychiatric facility as the provider of the highest quality mental health services in its marketplace. HGA employs a combination of general advertising, toll-free 'help lines,' community education programs and facility-based continuing education programs to underscore the facility's value as a mental health resource center. HGA's marketing emphasizes discrete programs for select illnesses or disorders because of its belief that marketing a generic product without program differentiation will not generate the interest of, or be of value to, a referral source seeking treatment for specific disorders. Referral sources include psychiatrists, other physicians, psychologists, social workers, school guidance counselors, police, courts, clergy, care-provider organizations and former patients.

PATENTS, TRADEMARKS AND LICENSING AGREEMENTS

TCC owns or licenses a variety of domestic and foreign patents which, in the aggregate, are material to its businesses. Unexpired terms of TCC's United States patents range from less than one

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1 All references to Note numbers shall constitute the incorporation by reference of the text of the specific Note, contained in the Notes to Consolidated Financial Statements of the Company and its subsidiaries located in Item 8, into the Item number in which it appears.

year to a maximum of 17 years. CVP has the exclusive license to the U.S. patent for the topical use of Class I calcium channel blockers as agents to reduce intraocular pressure in ocular hypertensive conditions including glaucoma. In addition, CVP has filed and/or is in the process of filing additional U.S. and international patent applications. CooperVision holds a patent on certain manufacturing technologies employed in the production of certain of its contact lenses.

As indicated in the references to such products in this Item 1, the names of certain of TCC's products are protected by trademark registrations in the United States Patent and Trademark Office and, in some instances, in foreign trademark offices as well. Applications are pending for additional trademark registrations. TCC considers these trademarks to be valuable because of their contribution to the market identification of its various products.

DEPENDENCE UPON CUSTOMERS

At this time, no material portion of TCC's businesses is dependent upon any one customer or upon any one affiliated group of customers. However, approximately 17% and 22%, respectively, of HGA's fiscal 1994 net patient revenue was generated by Medicaid and Medicare, respectively.

GOVERNMENT CONTRACTS

No material portion of TCC's businesses is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the United States government.

COMPETITION

Each of TCC's business segments operates within a highly competitive environment. Competition in the healthcare industry revolves around the search for technological and therapeutic innovations in the prevention, diagnosis and treatment of illness or disease. TCC competes primarily on the basis of product quality, technological benefit, service and reliability, as perceived by medical professionals.

Healthcare Products. Numerous companies are engaged in the development and manufacture of contact lenses and ophthalmic pharmaceuticals. CooperVision competes primarily on the basis of product quality, service and reputation among medical professionals and by its participation in specialty niche markets. It has been, and continues to be, the sponsor of clinical lens studies intended to generate information leading to the improvement of CooperVision's lenses from a medical point of view. Major competitors have greater financial resources and larger research and development and sales forces than CooperVision. Furthermore, many of these competitors offer a greater range of contact lenses, plus a variety of other eyecare products, including lens care products and ophthalmic pharmaceuticals, which gives them a competitive advantage in marketing their lenses.

In the surgical segment, competitive factors are technological and scientific advances, product quality, price and effective communication of product information to physicians and hospitals. CooperSurgical believes that it benefits, in part, from the technological advantages of certain of its products and from the ongoing development of new medical procedures, which creates a market for equipment and instruments specifically tailored for use in such new procedures. CooperSurgical competes by focusing on distinct niche markets and supplying medical personnel working in those markets with equipment, instruments and disposable products that are high in quality and that, with respect to certain procedures, enable a medical practitioner to obtain from one source all of the equipment, instruments and disposable products required to perform such procedure. As CooperSurgical develops products to be used in the performance of new medical procedures, it offers training to medical professionals in the performance of such procedures. CooperSurgical competes with a number of manufacturers in each of its niche markets, including larger manufacturers that have greater financial and personnel resources and sell a substantially larger number of product lines.

Healthcare Services. In most areas in which HGA operates, there are other psychiatric facilities that provide services comparable to those offered by HGA's facilities. Some of those facilities are owned by governmental organizations, not-for-profit organizations or investor-owned companies having substantially greater resources than HGA and, in some cases, tax-exempt status. Psychiatric facilities frequently draw patients from areas outside their immediate locale, therefore, HGA's psychiatric facilities compete with both local and distant facilities. In addition, psychiatric facilities also compete with psychiatric units

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in acute care hospitals. HGA's strategy is to develop high quality programs designed to target specific disorders and to retain a highly qualified professional staff.

BACKLOG

TCC does not consider backlog to be a material factor in its businesses.

SEASONALITY

HGA's psychiatric facilities experience a decline in occupancy rates during the summer months when school is not in session and during the year-end holiday season. No other material portion of TCC's businesses is seasonal.

COMPLIANCE WITH ENVIRONMENTAL LAWS

Federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, do not currently have a material effect upon TCC's capital expenditures, earnings or competitive position.

WORKING CAPITAL

TCC's businesses have not required any material working capital arrangements in the past five years. In light of the substantial reduction in

TCC's current asset base and the net cash outflow anticipated in connection with the development of certain new products, the Company has obtained a line of credit from a commercial lender and is pursuing a variety of other alternatives to obtain funds. See Item 7 'Management's Discussion and Analysis of Financial Condition and Results of Operations -- Capital Resources and Liquidity.'

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS, GEOGRAPHIC AREAS, FOREIGN OPERATIONS AND EXPORT SALES

Note 14 sets forth financial information with respect to TCC's business segments and sales in different geographic areas.

EMPLOYEES

On October 31, 1994, TCC and its subsidiaries employed approximately 970 persons. In addition, HGA's psychiatric facilities are staffed by licensed physicians who have been admitted to the medical staff of an individual facility. Certain of those physicians are not employees of HGA. TCC believes that its relations with its employees are good.

ITEM 2. PROPERTIES.

The following are TCC's principal facilities as of December 31, 1994:

LOCATION	OPERATIONS	APPROXIMATE FLOOR AREA (SQ. FT.)	APPROXIMATE ANNUAL RENT	LEASE EXPIRATION
United States				
Fort Lee, NJ.....	Executive Offices	11,000 (1)	\$230,000 (1)	Feb. 2005
Pleasanton, CA.....	Offices	14,000	\$198,000	Sept. 1995
Chicago, IL.....	Psychiatric Hospital	74,000	Owned in fee	N/A(2)
New Castle, DE.....	Psychiatric Hospital	45,000	Owned in fee	N/A(2)
Mt. Holly, NJ.....	Learning Facility	22,000	\$235,000	Aug. 1996
Rancocas, NJ.....	Psychiatric Hospital	65,000	Owned in fee	N/A(2)
Wayne, PA.....	Offices	4,000	\$ 61,000	Jan. 1996

(table continued on next page)

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(table continued from previous page)

LOCATION	OPERATIONS	APPROXIMATE FLOOR AREA (SQ. FT.)	APPROXIMATE ANNUAL RENT	LEASE EXPIRATION
Irvine, CA.....	Offices, distribution and customer service	17,500	\$120,000	Jan. 1998
Huntington Beach, CA....	Manufacturing and technical offices	21,000	\$180,000	April 1997
Fairport, NY.....	Administrative offices and marketing	15,000	\$237,000 (3)	March 1997
Scottsville, NY.....	Manufacturing, distribution and warehouse facilities	20,000	Owned in fee	N/A
Shelton, CT.....	Manufacturing, research and development, marketing, distribution and warehouse facilities	25,000	\$225,000	Dec. 2001
Canada				
Markham, Ont.....	Offices, manufacturing distribution and warehouse facilities	23,000	\$ 75,000	Feb. 2000

(1) On December 9, 1994, the Company entered into a sublease pursuant to which it has subleased to a third party approximately 6,000 square feet of its Fort Lee, NJ office space at an annual base rent commencing at \$113,924 in year one and increasing to \$125,916 in years two through five, the last year of the sublease. The subtenant has an option to renew the sublease for an additional five years.

(2) Outstanding loans, totaling \$12,556,000 as of October 31, 1994, were secured by these properties.

(3) Includes utilities, common area charges and taxes.

The Company believes its properties are suitable and adequate for its businesses.

ITEM 3. LEGAL PROCEEDINGS.

The Company is a defendant in a number of legal actions relating to its past or present businesses in which plaintiffs are seeking damages. In the opinion of management, after consultation with counsel, the ultimate disposition of those actions will not materially affect the Company's financial condition.

The Company is named as a nominal defendant in a shareholder derivative action entitled Harry Lewis and Gary Goldberg v. Gary A. Singer, Steven G. Singer, Arthur C. Bass, Joseph C. Feghali, Warren J. Keegan, Robert S. Holcombe and Robert S. Weiss, which was filed on May 27, 1992 in the Court of Chancery, State of Delaware, New Castle County. On May 29, 1992, another plaintiff, Alfred Schecter, separately filed a derivative complaint in Delaware Chancery Court that was essentially identical to the Lewis and Goldberg complaint. Lewis and Goldberg later amended their complaint, and the Delaware Chancery Court thereafter consolidated the Lewis and Goldberg and Schecter actions as In re The Cooper Companies, Inc. Litigation, Consolidated C.A. 12584, and designated Lewis and Goldberg's amended complaint as the operative complaint (the 'First Amended Derivative Complaint'). The First Amended Derivative Complaint alleges that certain directors of the Company and Gary A. Singer, as Co-Chairman of the Board of Directors, caused or allowed the Company to be a party to the 'trading scheme' referenced in the SEC Complaint described below. The First Amended Derivative Complaint also alleges that the defendants violated their fiduciary duties to the Company by not vigorously investigating the allegations of securities fraud. The First Amended Derivative Complaint requests that the Court order the defendants (other than the Company) to pay damages and expenses to the Company and certain of the defendants to disgorge their profits to the Company. On October 16, 1992, the defendants moved to dismiss the First Amended Derivative Complaint on grounds that such

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Complaint fails to comply with Delaware Chancery Court Rule 23.1 and that Count III of the First Amended Derivative Complaint fails to state a claim. No further proceedings have taken place. The Company has been advised by the individual directors named as defendants that they believe they have meritorious defenses to this lawsuit and intend vigorously to defend against the allegations in the First Amended Derivative Complaint. The parties have engaged in preliminary settlement negotiations; however, there can be no assurances that these discussions will be concluded successfully.

The Company was named as a nominal defendant in a purported shareholder derivative action entitled Bruce D. Sturman v. Gary A. Singer, Steven G. Singer, Brad C. Singer, Martin Singer, John D. Collins II, Back Bay Capital, Inc., G. Albert Griggs, Jr., John and Jane Does 1-10 and The Cooper Companies, Inc., which was filed on May 26, 1992 in the Supreme Court of the State of New York, County of New York. The plaintiff, Bruce D. Sturman, a former officer and director of the Company, alleged that Gary A. Singer, as Co-Chairman of the Board of Directors, and various members of the Singer family caused the Company to make improper payments to alleged third-party co-conspirators as part of the 'trading scheme' that was the subject of the SEC Complaint. The complaint requested that the Court order the defendants (other than the Company) to pay damages and expenses to the Company, including reimbursement of payments made by the Company to the co-conspirators, and to disgorge their profits to the Company. Pursuant to its decision and order, filed August 17, 1993, the Court dismissed this action under New York Civil Practice Rule 327(a). On September 22, 1993, the plaintiff filed a Notice of Appeal, and the appeal was heard by the Appellate Division in early January 1995; no decision has been rendered by the Appellate Court to date.

On November 10, 1992, the SEC filed a civil Complaint for Permanent Injunction and Other Equitable Relief (the 'SEC Complaint') in the United States District Court for the Southern District of New York against the Company, Gary A. Singer (a former Co-Chairman of the Board of the Company), Steven G. Singer (the Company's former Executive Vice President and Chief Operating Officer and Gary Singer's brother), and, as relief defendants, certain persons related to Gary and Steven Singer and certain entities in which they and/or those related persons have an interest. The SEC Complaint alleged that the Company and Gary and Steven Singer violated various provisions of the Securities Exchange Act of 1934, as amended (the 'Securities Exchange Act'), including certain of its antifraud and periodic reporting provisions, and aided and abetted violations of the Investment Company Act, and the Investment Advisers Act, in connection with a 'trading scheme' to 'frontrun' high yield bond purchases by the Keystone Custodian Funds, Inc., a group of mutual funds. The SEC Complaint further alleged, among other things, federal securities law violations (i) by the Company and Gary Singer in connection with an alleged manipulation of the trading price of the Company's 10 5/8% Convertible Subordinated Reset Debentures due 2005 (the 'Debentures') to avoid an interest rate reset allegedly required on June 15, 1991 under the terms of the Indenture governing the Debentures, (ii) by Gary Singer in allegedly transferring profits on trades of high yield bonds from the Company to members of his family and failing to disclose such

transactions to the Company and (iii) by the Company in failing to disclose publicly on a timely basis such transactions by Gary Singer. The SEC Complaint asked that the Company and Gary and Steven Singer be enjoined permanently from violating the antifraud, periodic reporting and other provisions of the federal securities laws, that they disgorge the amounts of the alleged profits received by them pursuant to the alleged frauds (stated in the SEC's Litigation Release No. 13432 announcing the filing of the SEC Complaint as being \$1,296,406, \$2,323,180 and \$174,705, respectively), plus interest, and that they each pay appropriate civil monetary penalties. The SEC Complaint also sought orders permanently prohibiting Gary and Steven Singer from serving as officers or directors of any public company and disgorgement from certain Singer family members and entities of amounts representing the alleged profits received by such defendants pursuant to the alleged frauds. On December 20, 1994, a Final Judgment (on Consent) of Permanent Injunction and Other Relief was entered settling the SEC Complaint with respect to the Company. The principal terms of the settlement involve the Company's agreement to permanent injunctions against violation of Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) and 14(a) of the Securities Exchange Act from aiding and abetting violations of Section 204 of the Investment Advisers Act of 1940, and from employing Gary Singer, Steven Singer and/or any of their relatives. The Company agreed to the disgorgement of \$1,621,474 and the payment of a civil penalty of \$1,150,000. The Company had already disgorged \$1,310,166 in connection with the sentence imposed in a related criminal action involving the

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'frontrunning' arrangement; the balance of the disgorgement was paid in January, 1995. The civil penalty imposed by the SEC is offset by the larger fine to which the Company was sentenced in the criminal action.

In two virtually identical actions, Frank H. Cobb, Inc. v. The Cooper Companies, Inc., et al., and Arthur J. Korf v. The Cooper Companies, Inc., et al., class action complaints were filed in the United States District Court for the Southern District of New York in August 1989, against the Company and certain individuals who served as officers and/or directors of the Company after June 1987. In their Fourth Amended Complaint filed in September 1992, the plaintiffs allege that they are bringing the actions on their own behalf and as class actions on behalf of a class consisting of all persons who purchased or otherwise acquired shares of the Company's common stock during the period May 26, 1988 through February 13, 1989. The amended complaints seek an undetermined amount of compensatory damages jointly and severally against all defendants. The complaints, as amended, allege that the defendants knew or recklessly disregarded and failed to disclose to the investing public material adverse information about the Company. Defendants are accused of having allegedly failed to disclose, or delayed in disclosing, among other things: (a) that the allegedly real reason the Company announced on May 26, 1988 that it was dropping a proposed merger with Cooper Development Company, Inc. was because the Company's banks were opposed to the merger; (b) that the proposed sale of Cooper Technicon, Inc., a former subsidiary of the Company, was not pursuant to a definitive sales agreement but merely an option; (c) that such option required the approval of the Company's debentureholders and preferred stockholders; (d) that the approval of such sale by the Company's debentureholders and preferred stockholders would not have been forthcoming absent extraordinary expenditures by the Company; and (e) that the purchase agreement between the Company and Miles, Inc. for the sale of Cooper Technicon, Inc. included substantial penalties to be paid by the Company if the sale was not consummated within certain time limits and that the sale could not be consummated within those time limits. The amended complaints further allege that the defendants are liable for having violated Section 10(b) of the Securities Exchange Act and Rule 10(b)-5 thereunder and having engaged in common law fraud. Based on management's current knowledge of the facts and circumstances surrounding the events alleged by plaintiffs as giving rise to their claims, the Company believes that it has meritorious defenses to these lawsuits. The Company has reached a settlement with counsel for the class plaintiffs, which settlement will have no material impact on the Company's financial condition. In December 1994, the Court gave preliminary approval to the settlement, ordered notice to be given to putative class members, and set a hearing for April 7, 1995 to consider possible objections to the settlement. Therefore, there can be no assurance that the proposed settlement will ultimately end the litigation. In the event the case proceeds to trial, the Company intends to vigorously defend itself against the allegations in the amended complaint.

Under an agreement dated July 11, 1985, as amended (the 'HMG Agreement'), Hampton Medical Group, P.A. ('HMG'), which is not affiliated with the Company, contracted to provide clinical and clinical administrative services at Hampton Hospital, the primary facility operated by HGNJ, a subsidiary of HGA. On November 29, 1993 and February 1, 1994, HGNJ delivered notices to HMG asserting that HMG had defaulted under the HMG Agreement. The first notice was based upon the failure of HMG to provide to HGNJ records needed to analyze information HGNJ had received indicating that HMG allegedly had engaged in fraudulent billing practices; the second was based upon information uncovered in the review of those records, when they were ultimately produced, and other available information. At the request of HMG, a New York state court enjoined HGNJ from terminating the HMG Agreement based upon the initial notice and ordered the parties (on consent) to arbitrate whether HMG had defaulted. On February 2, 1994, HMG commenced an arbitration in New York, New York, entitled Hampton Medical Group, P.A. and Hospital Group of New Jersey, P.A. (American Arbitration Association). In the arbitration, HMG contests the alleged default under the HMG

Agreement and HGNJ's allegations regarding fraudulent conduct, and advances a claim against HGNJ that HMG has the right to provide clinical and clinical administrative services at all HGNJ-owned facilities in New Jersey (which would include, HMG contends, the outpatient clinics in Marlton and Toms River, New Jersey, and the Hampton Academy, at which certain non-HMG physicians have been employed at various times since the HMG Agreement was executed), regardless of whether these facilities are connected to Hampton Hospital. HMG maintains that it is entitled to an unspecified

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amount of damages for professional fees it would have received for the clinical services that were provided by non-HMG physicians at the outpatient facilities. HGNJ has responded to this claim asserting, among other things, (1) that HMG has no contractual right to provide services at those facilities, (2) that HMG has waived or lost any such right, if it ever had one, and (3) that the assertions of billing fraud are a defense to any such right.

As HGNJ's knowledge of HMG's billing practices developed, HGNJ notified the authorities and, subsequently, Blue Cross and Blue Shield of New Jersey, Inc. ('Blue Cross'), the largest of the third party payors from which HGNJ received payment for its hospital services from 1988 through 1994.

During December 1994, Blue Cross informed HGNJ that it had investigated matters at Hampton Hospital, that it had formed the view that it had been overcharged as a result of those matters, including fraudulent practices of HMG which resulted in increased hospital bills to Blue Cross subscribers, and that it intended promptly to commence a lawsuit to recover amounts inappropriately charged. On December 30, 1994, Blue Cross and HGNJ entered into an agreement to settle all claims against Hampton Hospital on behalf of Blue Cross subscribers and certain other subscribers for whom Blue Cross administers claims. The settlement includes a cash payment, over time, by HGNJ, offset by certain amounts owed by Blue Cross to HGNJ. On the same day, Blue Cross commenced a lawsuit against HMG and certain related entities and individuals unrelated to HGNJ or its affiliates alleging, among other things, fraudulent billing practices. HGNJ is cooperating with Blue Cross in Blue Cross' investigation of HMG. HGNJ has also received a request for information from the State of New Jersey Department of Insurance with respect to a related investigation, with which HGNJ is also cooperating.

HGNJ is continuing to seek the termination of the HMG Agreement and intends to seek recovery from HMG for any losses, expenses or other damages HGNJ incurs by reason of HMG's conduct, including amounts paid or offset pursuant to the Blue Cross settlement and any damages that may result from any future claims by other third party payors or others arising out of the billing practices at Hampton Hospital, which claims could, in the aggregate, be material; however, management of the Company, after consultation with counsel, does not believe that the outcome of such claims (should any be brought) would, in the aggregate, have a material adverse effect on the Company's financial condition. In addition, HGA is seeking to recover damages from Progressions Health Systems, Inc., the successor to the former owner of HGA, based upon breaches of representations and warranties in the purchase agreement or other rights of indemnification thereunder. There can be no assurance, however, that HGA will be able to recover the amount of any or all such losses, expenses or damages from HMG or Progressions Health Systems, Inc.

On September 2, 1993, a patent infringement complaint was filed against the Company in the United States District Court for the District of Nevada captioned Steven P. Shearing v. The Cooper Companies, Inc. On or about that same day, the plaintiff filed twelve additional complaints, accusing at least fourteen other defendants of infringing the same patent. The patent in these suits covers a specific method of implanting an intraocular lens into the eye. Until February 1989, the Company manufactured intraocular lenses and ophthalmic instruments, but did not engage in the implantation of such lenses. Subsequent to February 1989, the Company was not involved in the manufacture, marketing or sale of intraocular lenses. On April 4, 1994, all of Shearing's complaints were dismissed; thereafter, Shearing successfully moved for leave to file an amended complaint. The Company denies the material allegations of Shearing's amended complaint. The parties have executed a settlement agreement effective January 24, 1995, pursuant to which the litigation will be dismissed. The settlement has no material impact on the Company's financial condition.

On March 30, 1994, Envirodyne Industries, Inc. filed a lawsuit entitled Envirodyne Industries, Inc. v. Connecticut Mutual Life Insurance Company, The Cooper Companies, Inc., Presidential Life Insurance Company, M D Sass re/Enterprise Partners L.P. and Gruss Partners, in the Circuit Court of Cook County, Illinois against the Company, Connecticut Mutual Life Insurance Company, Presidential Life Insurance Company, M D Sass Re/Enterprise Partners L.P. and Gruss Partners. The complaint alleged that defendants, former holders of Envirodyne subordinated promissory notes (the '13 1/2% Notes'), filed an involuntary bankruptcy petition against Envirodyne without complying with the indenture issued in connection with the 13 1/2% Notes and that the improvident filing of the involuntary bankruptcy petition allegedly damaged Envirodyne in an amount in excess of \$100 million. Defendants removed the

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case to the United States Bankruptcy Court for the Northern District of Illinois and, on May 20, 1994, moved to dismiss the complaint, which motion was granted and the case was dismissed in December 1994. No appeal has been taken and the time to file a notice of appeal has expired.

The Company was named in an action entitled Bruce D. Sturman v. The Cooper Companies, Inc. and Does 1-100, Inclusive, first brought on July 24, 1992 in the Superior Court of the State of California, Los Angeles County. Mr. Sturman alleged that his suspension from his position as Co-Chairman of the Board of Directors constituted, among other things, an anticipatory breach of his employment agreement. On May 14, 1993, Mr. Sturman filed a First Amended Complaint in the Superior Court of the State of California, County of Alameda, Eastern Division, the jurisdiction to which the original case had been transferred. In the Amended Complaint, Mr. Sturman alleged that by first suspending and then terminating him from his position as Co-Chairman, the Company breached his employment agreement, violated provisions of the California Labor Code, wrongfully terminated him in violation of public policy, breached its implied covenant of good faith and fair dealing, defamed him, invaded his privacy and intentionally inflicted emotional distress, and was otherwise fraudulent, deceitful and negligent. After engaging in prolonged settlement negotiations, a settlement was reached, and on December 2, 1994, the case was dismissed with prejudice. The settlement has no material impact on the Company's financial condition.

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

The 1994 Annual Meeting of Stockholders was held on September 13, 1994.

Seven individuals were nominated to serve as directors of the Company. Information with respect to votes cast for or withheld from such nominees is set forth below:

DIRECTOR	VOTES FOR	VOTES WITHHELD
A. Thomas Bender.....	24,308,523	3,860,973
Mark A. Filler.....	24,181,083	3,988,413
Michael H. Kalkstein.....	24,179,541	3,989,955
Donald Press.....	24,299,105	3,870,391
Steven Rosenberg.....	24,298,726	3,870,770
Allan E. Rubenstein.....	24,193,306	3,976,190
Mel Schnell.....	24,295,511	3,873,985

Stockholders were also asked to ratify the appointment of KPMG Peat Marwick LLP as independent certified public accountants for the Company for the fiscal year which ended October 31, 1994. A total of 27,913,850 shares were voted in favor of the ratification, 99,152 shares were voted against it and 156,497 shares abstained.

PART II

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

The Company's common stock is traded on The New York Stock Exchange, Inc. and the Pacific Stock Exchange Incorporated. No cash dividends were paid with respect to the common stock in fiscal 1994 or 1993.

The Indenture, dated as of March 1, 1985, governing the Company's Debentures, as amended by the First Supplemental Indenture dated as of June 29, 1989 and the Second Supplemental Indenture dated as of January 6, 1994, and the Indenture dated as of January 6, 1994 governing the Company's 10% Senior Subordinated Secured Notes due 2003 (collectively, the 'Indentures'), prohibit the payment of cash dividends on the Company's common stock unless (i) no defaults exist or would exist under the Indentures, (ii) the Company's Cash Flow Coverage Ratio (as defined in the Indentures) for the most recently ended four full fiscal quarters has been at least 1.5 to 1, and (iii) such cash dividend, together with the aggregate of all other Restricted Payments (as defined in the Indentures), is less than the sum of 50% of the Company's cumulative net income plus the proceeds of certain sales of the Company's or its subsidiaries' capital stock subsequent to February 1, 1994. The Company does not

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anticipate, in the foreseeable future, being able to satisfy the foregoing test and, therefore, does not anticipate being able to pay cash dividends on its common stock in the foreseeable future.

The ability of the Company to declare and pay dividends is also subject to restrictions set forth in the Delaware General Corporation Law (the 'Delaware GCL'). As a general rule, a Delaware corporation may pay dividends under the Delaware GCL either out of its 'surplus,' as defined in the Delaware GCL, or, subject to certain exceptions, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Even if the

Company were to satisfy the requirements in the Indentures for the payment of cash dividends on the Company's common stock, the Company's ability to pay cash dividends will depend upon whether the Company satisfies the requirements of the Delaware GCL at the time any such proposed dividend is declared.

Other information called for by this Item is set forth in Note 15.

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ITEM 6. SELECTED FINANCIAL DATA.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES FIVE YEAR FINANCIAL HIGHLIGHTS SUMMARY CONSOLIDATED OPERATIONS

	YEARS ENDED OCTOBER 31,				
	1994	1993	1992	1991	1990
	(IN THOUSANDS, EXCEPT PER SHARE FIGURES)				
Net service revenue.....	\$44,611	\$ 45,283	\$ 19,406	\$ --	\$ --
Net sales of products.....	51,034	47,369	43,873	35,524	48,206
Net operating revenue.....	95,645	92,652	63,279	35,524	48,206
Cost of services provided.....	41,039	42,754	17,353	--	--
Cost of products sold.....	17,906	17,538	18,236	16,979	18,476
Research and development expense.....	4,407	3,209	3,267	2,268	1,000
Selling, general and administrative expense.....	31,027	49,382	44,600	45,627	41,663
Settlement of disputes.....	4,950	6,350	4,498	--	--
Debt restructuring costs.....	340	2,131	--	--	--
Costs associated with restructuring operations.....	--	451	--	--	70
Amortization of intangibles.....	843	772	742	946	341
Investment income (loss), net.....	(153)	1,615	14,254	12,268	16,152
Gain on sales of assets and businesses, net.....	214	620	1,030	--	1,076
Other income, net.....	42	174	772	574	1,226
Interest expense.....	4,533	6,129	6,697	7,148	8,999
Loss from continuing operations before income taxes and extraordinary items.....	(9,297)	(33,655)	(16,058)	(24,602)	(3,889)
Provision for (benefit of) income taxes.....	(4,600)	417	100	201	(2,907)
Loss from continuing operations before extraordinary items.....	(4,697)	(34,072)	(16,158)	(24,803)	(982)
Loss on sale of discontinued operations, net of taxes...	--	(13,657)	(9,300)	--	(734)
Loss before extraordinary items.....	(4,697)	(47,729)	(25,458)	(24,803)	(1,716)
Extraordinary items.....	--	924	640	5,428	10,167
Net income (loss).....	(4,697)	(46,805)	(24,818)	(19,375)	8,451
Less, dividend requirements on preferred stock.....	89	320	1,804	2,325	5,451
Net income (loss) applicable to common stock.....	\$ (4,786)	\$ (47,125)	\$ (26,622)	\$ (21,700)	\$ 3,000
Net income (loss) per common share:					
Continuing operations.....	\$ (.15)	\$ (1.13)	\$ (.64)	\$ (1.05)	\$ (.26)
Loss on sale of discontinued operations.....	--	(.45)	(.34)	--	(.03)
Loss before extraordinary items.....	(.15)	(1.58)	(.98)	(1.05)	(.29)
Extraordinary items.....	--	.03	.02	.21	.41
Net income (loss) per common share.....	\$ (.15)	\$ (1.55)	\$ (.96)	\$ (.84)	\$.12
Cash dividends per common share.....	\$ --	\$ --	\$ --	\$ --	\$ --
Average number of common shares outstanding...	31,082	30,377	27,669	25,878	24,895

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES FIVE YEAR FINANCIAL HIGHLIGHTS FINANCIAL POSITION

	OCTOBER 31,				
	1994	1993	1992	1991	1990
	(IN THOUSANDS)				
Current assets.....	\$43,505	\$ 51,875	\$119,282	\$173,857	\$197,061
Property, plant and equipment, net.....	34,787	39,895	39,732	3,593	3,083
Intangible assets, net.....	15,327	16,285	10,083	8,843	6,177
Other assets.....	1,439	1,469	3,910	1,340	11,107
Total assets.....	\$95,058	\$109,524	\$173,007	\$187,633	\$217,428
Current liabilities.....	\$42,956	\$ 51,995	\$ 68,119	\$ 67,274	\$ 60,982
Senior and subordinated debt.....	34,620	34,647	43,581	48,012	70,557
Other long-term debt.....	11,564	13,430	15,010	645	306
Other long-term liabilities.....	9,572	9,000	--	--	--
Total liabilities.....	98,712	109,072	126,710	115,931	131,845
Stockholders' equity (deficit).....	(3,654)	452	46,297	71,702	85,583
Total liabilities and stockholders' equity (deficit).....	\$95,058	\$109,524	\$173,007	\$187,633	\$217,428

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

CAPITAL RESOURCES & LIQUIDITY

As previously reported, the Company was convicted of six counts of mail fraud and one count of wire fraud based upon the conduct of its former Co-Chairman, Gary Singer. The Company was sentenced on July 15, 1994, at which time it was ordered to make restitution to Keystone Custodian Funds, Inc. of \$1,310,166, which restitution was made in August 1994. In addition, the Company was ordered to pay a noninterest bearing fine over the next three years in the amount of \$1,831,568. On December 12, 1994, the Company and the SEC entered into a settlement with respect to the SEC enforcement action described in Note 16, which became effective upon entry of the Order of Dismissal on December 20, 1994. The principal financial terms of the settlement involved the disgorgement of \$1,621,474 (which amount was reduced by the \$1,310,166 paid to Keystone Custodian Funds) and the payment of a civil penalty in the amount of \$1,150,000. The Company paid \$311,308 to the SEC on January 19, 1995, representing payment in full of the balance of the disgorgement. The civil penalty, which is smaller than the criminal fine, is offset by the fine to which the Company was sentenced in the criminal action.

At present, the Company's two most important strategic research projects are CVP's CalOptic™ (see "Business, CooperVision Pharmaceuticals" in Item 1 above) and CSI's thermal endometrial ablation technology. In 1994, CSI signed an

agreement with InnerDyne, Inc. covering the development and commercialization of InnerDyne's proprietary thermal ablation technology for gynecological applications such as the control of excessive uterine bleeding. Cash payments made by CSI in fiscal 1994 were approximately \$214,000. Additional funds in the amount of approximately \$70,000 per month on average are being advanced on a monthly basis. Pursuant to the terms of the agreement, CSI also has an option, in its sole discretion, to purchase for \$4,000,000 plus future royalties the exclusive world-wide rights to commercialize this technology. In addition, given that the project is still in the exploratory stage, CSI negotiated the right to terminate the agreement at any time with 30 days notice.

To augment the Company's internal cash flows, in September 1994, CVI entered into a credit agreement with a commercial lender providing for advances of up to \$8,000,000 (see Note 9). This credit

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agreement, together with the approximate \$10,000,000 in cash the Company had on hand as of October 31, 1994, affords the Company flexibility in planning future cash requirements, and assures short to mid-term financing of its strategic research projects. The Company is also exploring other potential sources of cash, including sales and leasebacks, factoring, out-licensing rights to one or more of its strategic research projects outside of North America and new issuances of stock.

RESULTS OF OPERATIONS

Comparison of each of the years in the three-year period ended October 31, 1994:

NET SERVICE REVENUE

Net service revenue consists of the following:

	1994	1993	1992*
	-----	-----	-----
	(IN THOUSANDS)		
Net patient revenue.....	\$42,611	\$43,283	\$18,558
Management fees.....	2,000	2,000	848
	-----	-----	-----
	\$44,611	\$45,283	\$19,406
	-----	-----	-----

Net patient revenue by major providers was as follows:

	1994		1993		1992*	
	AMOUNT	% TOTAL	AMOUNT	% TOTAL	AMOUNT	% TOTAL
	-----	-----	-----	-----	-----	-----
Commercial Insurance.....	\$ 9,170	21%	\$15,081	35%	\$ 7,153	38%
Medicare.....	9,225	22	6,654	15	3,360	18
Medicaid.....	7,254	17	4,353	10	532	3
Blue Cross.....	4,729	11	5,821	13	3,677	20
HMOs.....	7,722	18	8,408	20	2,275	12
Other.....	4,511	11	2,966	7	1,561	9
	-----	-----	-----	-----	-----	-----
	\$42,611	100%	\$43,283	100%	\$18,558	100%
	-----	-----	-----	-----	-----	-----

- -----
* From May 29, 1992

NET PATIENT REVENUE

Net patient revenue decreased by \$672,000 or 2% in 1994. Revenues have been pressured by the current industry trend towards increased managed care, which results in decreased daily rates and declines in average lengths of stay. Management is endeavoring to mitigate those pressures by increasing the number of admissions to its hospitals, and by providing outpatient and other ancillary services outside of its hospitals.

MANAGEMENT FEES

On May 29, 1992, PSG Management, Inc. ('PSG Management'), a subsidiary of the Company, entered into a three-year management agreement with three indirectly owned subsidiaries of Nu-Med, Inc. ('Nu-Med'), under which PSG Management is managing three additional hospitals owned by those subsidiaries, having a total of 220 licensed beds. PSG Management is receiving a management fee of \$166,667 per month under the agreement, which expires by its terms in May 1995.

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NET SALES OF PRODUCTS

The following table summarizes the increases and decreases in net sales of products of the Company's CVI and CSI business units over the three-year period. Sales generated by the Company's CVP unit, a start-up business, were \$394,000 in 1994, \$570,000 in 1993 and \$46,000 in 1992.

Business Unit	INCREASE (DECREASE)			
	1994 VS. 1993		1993 VS. 1992	
	(Dollars in thousands)			
CVI.....	\$ 5,673	18%	\$ 4,303	15%
CSI.....	\$ (1,832)	(12)%	\$ (1,331)	(8)%

1994 vs. 1993

The increase in CVI net sales is primarily due to CoastVision, a manufacturer of custom toric contact lenses for use by patients with astigmatic vision, being included in fiscal 1993 results for only seven months, as this company was acquired on April 1, 1993. Also the trend established in 1992 and 1993 continued in 1994, which reflects CVI's sales mix shifting towards daily wear and frequent replacement products, as well as specialty products, and away from extended wear products. The Company expects this trend to continue and considers itself to be well positioned to compete successfully in specialty niches of the contact lens market, particularly with its Preference'r' line of frequent replacement lenses and its line of custom toric lenses.

Net sales of CSI continued to decline primarily due to slower domestic sales of its capital equipment, including surgical systems launched in 1992 for use in the loop electrosurgical excision procedure, which is used diagnostically and operatively in the treatment of cervical cancer and other indications in gynecology. This decline was partially offset by increased sales in the international arena. CSI is continuing to direct its sales efforts towards the gynecology market to take advantage of the lower cost to service a highly focused market niche. CSI's products are subject to substantial government regulation and to competition from a large number of competitors.

1993 vs. 1992

Net sales of CVI increased primarily due to the April 1, 1993 acquisition of CoastVision.

The decline in net sales of CSI was primarily due to slower sales of its capital equipment, as noted above.

Consolidated net sales have grown 8% per year for both 1994 v. 1993 v. 1992.

COST OF SERVICES PROVIDED

Cost of services provided represents all of the costs (other than financing costs) incurred by HGA in generating net service revenue. The results of subtracting cost of services provided from net service revenue is an operating profit of \$3,572,000 or 8% of net service revenue in 1994, \$2,529,000 or 6% of net service revenue in 1993 and \$2,053,000 or 11% of net service revenue in 1992. The 1994 increased percentage of operating profit over 1993 is primarily attributable to reduced service costs. The 1993 decreased percentage of operating profit is primarily attributable to a lower number of patient days at the hospitals owned by HGA, exacerbated by a deterioration of payor mix. Also in 1993, HGA incurred non-recurring charges of approximately \$360,000 associated with severance and approximately \$400,000 to write down certain receivables.

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COST OF PRODUCTS SOLD

Gross profit (net sales of products less cost of products sold) as a percentage of net sales of products ('margin') was as follows:

	MARGIN %		
	1994	1993	1992
CVI.....	71	69	61
CSI.....	48	49	54
Consolidated.....	65	63	58

1994 vs. 1993

Margin for CVI has increased due to the inclusion of higher margin CoastVision products for a full year and also reduced cost on manufactured products as a result of higher production volumes. The margin decrease at CSI primarily relates to increased volume of lower margin international sales.

1993 vs. 1992

Margin for CVI increased due to the realization of efficiencies in manufacturing as well as the impact of cost reduction measures associated with downsizing. Also, the inclusion of higher margin CoastVision products resulted in a favorable product mix. The margin decrease at CSI reflected increased sales of endoscopic products used in laparoscopic surgical procedures and sales to international distributors, each of which generated lower margins than CSI's other products. CSI also incurred an inventory writedown of approximately \$450,000 in 1993.

RESEARCH AND DEVELOPMENT EXPENSE

Research and development expense was \$4,407,000 or 9% of net sales of products in 1994 compared to \$3,209,000 or 7% in 1993 and \$3,267,000 or 7% in 1992.

The increase in 1994 is primarily attributable to the increased development activity related to CalOptic'tm'. The decrease in 1993 was attributable to certain declines in research and development project expenses in the CVI and CSI business units, net of increased development activity at CVP.

CVP accounted for 63%, 51% and 40% of consolidated research and development expense in 1994, 1993 and 1992, respectively.

On August 25, 1994, CSI reported the signing of an agreement with InnerDyne, Inc. covering the development and commercialization of InnerDyne's proprietary thermal ablation technology for gynecological applications, such as the control of excessive uterine bleeding. The Company presently intends to continue to fund the ongoing development of strategic projects in ophthalmology and gynecology.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

The Company's selling, general and administrative expense ('SGA') by business unit and corporate was as follows:

	1994	1993	1992
	-----	-----	-----
	(IN THOUSANDS)		
CVI.....	\$13,621	\$13,386	\$12,299
CSI.....	6,125	10,305	9,871
CVP.....	369	598	333
Corporate/Other.....	10,912	25,093	22,097
	-----	-----	-----
	\$31,027	\$49,382	\$44,600
	-----	-----	-----

The decrease in 1994 vs. 1993 in Corporate/Other SGA reflects the impact on legal costs of an agreement reached on September 30, 1993 with Medical Engineering Corporation and its parent,

Bristol-Myers Squibb Company (the 'MEC Agreement'), which limited the Company's liability for breast implant litigation. This reduction, coupled with reductions in other areas, resulted in a 57% reduction in Corporate/Other SGA. The 1993 vs. 1992 increase in Corporate/Other SGA reflects increases in legal expenses associated with then ongoing litigation, which have outweighed reductions in other areas:

	1994	1993	1992
	-----	-----	-----
	(IN THOUSANDS)		
Legal.....	\$ 4,715	\$16,498	\$ 9,581
Other.....	6,197	8,595	12,516
	-----	-----	-----
	\$10,912	\$25,093	\$22,097
	-----	-----	-----
	-----	-----	-----

SGA for CVI increased by 2% and 9% in 1994 vs. 1993 and 1993 vs. 1992, respectively, due to the inclusion of SGA of CoastVision, which the Company acquired on April 1, 1993. As a percent of sales, however, CVI's SGA decreased in 1994 to 36% from 42% in 1993, and from 44% in 1992, reflecting cost synergies effected as a result of merging CoastVision's operations into CVI.

The 1994 decrease at CSI reflects savings generated by the consolidation of CSI facilities, and reductions in personnel. The 1993 increases at CSI reflected expanding CSI business, both by internal growth and acquisition, much of which reflected the Company's expansion into various laparoscopic procedures.

SETTLEMENT OF DISPUTES

In 1994, the Company recorded the following items related to settlement of disputes:

A credit of \$850,000 following receipt of funds by the Company to settle certain claims made by the Company associated with a real estate transaction.

A charge of \$5,800,000 which represents the Company's estimate of costs required to settle certain disputes and other litigations, including \$3,450,000 associated with the criminal conviction and SEC enforcement action described in Note 16.

The charge of \$6,350,000 in 1993 is comprised of \$4,850,000 paid in connection with the settlement reached between the Company and Cooper Life Sciences, Inc. ('CLS') (see Note 13), and \$1,500,000 for certain other disputes.

In 1992 the Company recorded a charge for settlement of disputes comprised of: 1) a \$650,000 charge related to a transaction with CLS, 2) a payment to Mr. Frederick R. Adler, a former director of the Company and 3) a provision to settle several other lawsuits and disputes.

DEBT RESTRUCTURING COSTS

The \$2,131,000 charge for debt restructuring costs in 1993 reflected the Company's estimate of transaction costs associated with the Exchange Offer and Solicitation (see Note 9). An additional charge of \$340,000 was required in 1994. These costs include amounts paid to the Company's attorneys, accountants, financial advisor, printer's fees, fees of the financial advisor to the informal committee of holders of Debentures and its attorneys, and fees of the Information Agent and the Exchange Agent.

COSTS ASSOCIATED WITH RESTRUCTURING OPERATIONS

In 1993, the Company recorded \$451,000 of restructuring costs for consolidation of CSI facilities and related reorganization and relocation costs.

AMORTIZATION OF INTANGIBLES

Amortization of intangibles was \$843,000 in 1994, \$772,000 in 1993 and \$742,000 in 1992. The changes in each year reflect acquisitions and divestitures during the three-year period (see Note 2).

INVESTMENT INCOME (LOSS), NET

Investment income, net includes interest income of \$377,000 in 1994, \$2,439,000 in 1993 and \$6,960,000 in 1992. The decrease in interest income for each year reflects the Company's use of cash for the acquisition of CoastVision on April 1, 1993 and HGA on May 29, 1992 (see Note 2), to purchase a portion of

its Debentures, operating cash use, declining interest rates during 1992 and 1993 and a shift in investment strategy towards more conservative instruments with lower risk and correspondingly lower returns. Also included in investment income, net are net realized and unrealized gains (losses) in marketable securities and investments of (\$530,000) in 1994, (\$824,000) in 1993 and \$7,294,000 in 1992.

GAIN ON SALE OF ASSETS AND BUSINESSES, NET

In 1994, the Company sold two parcels of land for cash and notes, for a net gain of \$134,000, and its EYEscrub'tm' trademark in Canada, for a net gain of \$80,000. In 1993, the Company sold its EYEscrub'tm' product line for \$1,400,000, which sale resulted in a \$620,000 gain. In 1992, the Company assigned its license to manufacture, have manufactured, sell, distribute and market certain intraocular lens products and disposed of certain other related rights and assets. Total cash consideration received by the Company for such assignment was approximately \$5,200,000 which resulted in a gain of \$1,030,000.

OTHER INCOME, NET

Other income, net was \$42,000 in 1994, \$174,000 in 1993 and \$772,000 in 1992. Other income, net in 1994 includes foreign exchange gains of \$53,000 on transactions denominated in currencies other than the local currency of the business unit. Other income in 1993 primarily included consent fees, extension fees and collection fees related to the Company's temporary investment activity and rental income from the Company's real estate ventures, all of which were partially offset by a foreign exchange loss realized on the sale of an investment denominated in other than U.S. dollars. Other income, net in 1992 primarily reflected the receipt by the Company of \$1,500,000 for business interruption insurance related to a fire at a CVI facility in 1991 offset by a foreign exchange loss resulting from an unhedged liability.

INTEREST EXPENSE

Interest expense was \$4,533,000 in 1994, \$6,129,000 in 1993 and \$6,697,000 in 1992. The decrease in interest expense in 1994 v. 1993 relates to: 1) reduction of outstanding debt, 2) reduced interest rate on approximately \$22,000,000 of outstanding debt and 3) amortization of deferred premium, all as a result of the Exchange Offer and Consent Solicitation (see Note 9) and reduced HGA debt. The 1993 v. 1992 decline was primarily due to the Company's purchases of its Debentures (see Note 9). Partially offsetting the reduction of Debenture interest expense was additional interest expense related to the assumed debt of HGA. (See Note 2.)

PROVISION FOR INCOME TAXES

Details with regard to the Company's provision for income taxes for each of the years in the three-year period ended October 31, 1994 are set out in Note 8. The 1994 provision for state income and franchise taxes of \$400,000 was offset by a reversal of \$5,000,000 of tax accruals no longer required following the successful resolution of certain tax issues. The 1993 provision of \$417,000 related entirely to state income and franchise taxes. The 1992 provision of \$100,000 related to state income and franchise taxes, a federal assessment and an offsetting reduction of liabilities for estimated income taxes relating to international operations which were no longer necessary.

LOSS ON SALE OF DISCONTINUED OPERATIONS, NET OF TAXES

A charge of \$14,000,000 in 1993 represented an increase to the Company's accrual for contingent liabilities associated with breast implant litigation involving the plastic and reconstructive surgical division of the Company's former Cooper Surgical business segment ('Surgical') which was sold in fiscal 1989 (the 'Breast Implant Accrual'). (See Note 3.) In 1993, the Company also recorded a reversal of \$343,000 of accruals no longer necessary related to another discontinued business.

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In 1992 the Company recorded a charge of \$9,300,000 to discontinued operations, of which \$7,000,000 represented an increase to the Company's Breast Implant Accrual. The balance of the charge reflected a \$2,000,000 settlement of a dispute involving the Company's former Surgical business segment, and a \$300,000 adjustment to the loss on the sale of the Company's former Cooper Technicon business segment.

No tax benefit has been applied against the above figures, as the Company was not profitable in either year.

EXTRAORDINARY ITEMS

Extraordinary items represent extraordinary gains on the Company's purchases of a portion of its Debentures:

PRINCIPAL AMOUNT PURCHASED	EXTRAORDINARY GAIN
----------------------------------	-----------------------

1993.....	\$4,846,000	\$ 924,000
1992.....	\$5,031,000	\$ 640,000

INFLATION AND CHANGING PRICES

Inflation has had little effect on the Company's operations in the last three years.

IMPACT OF STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED

In December 1992, the Financial Accounting Standards Board (the 'FASB') issued Statement of Financial Accounting Standards (a 'FAS') No. 112, 'Employers' Accounting for Postemployment Benefits' ('FAS 112'). FAS 112 establishes accounting standards for employers who provide benefits to former or inactive employees after employment but before retirement ('postemployment benefits'). Postemployment benefits include those benefits provided to former or inactive employees, their beneficiaries, and covered dependents. Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as healthcare benefits and life insurance coverage.

FAS 112 is effective for fiscal years beginning after December 15, 1993. Earlier application is encouraged. Previously issued financial statements shall not be restated. The Company intends to adopt FAS 112 when required, and does not believe that such adoption will have a material impact on its consolidated financial statements.

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The Board of Directors and Stockholders
THE COOPER COMPANIES, INC.:

We have audited the accompanying consolidated balance sheets of The Cooper Companies, Inc. and subsidiaries as of October 31, 1994 and 1993 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended October 31, 1994. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedules III and VIII. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Cooper Companies, Inc. and subsidiaries at October 31, 1994 and 1993 and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 1994, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

San Francisco, California
January 11, 1995

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

OCTOBER 31,	
1994	1993

(IN THOUSANDS)

ASSETS

Current assets:		
Cash and cash equivalents.....	\$ 10,320	\$ 10,113
Temporary investments.....	--	6,438
Receivables:		
Trade and patient accounts, less allowance for doubtful accounts of \$2,647,000 in 1994 and \$3,240,000 in 1993.....	17,240	14,298
Other.....	1,012	2,821
	18,252	17,119
Inventories.....	11,696	14,987
Prepaid expenses and other.....	3,237	3,218
Total current assets.....	43,505	51,875
Property, plant and equipment at cost.....	45,470	48,294
Less accumulated depreciation and amortization.....	10,683	8,399
	34,787	39,895
Intangibles, net of accumulated amortization.....	15,327	16,285
Other assets.....	1,439	1,469
	\$ 95,058	\$109,524
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current installments of long-term debt.....	\$ 1,453	\$ 5,849
Accounts payable.....	6,580	4,269
Employee compensation, benefits and severance.....	6,390	5,961
Other accrued liabilities.....	17,728	21,079
Income taxes payable.....	10,105	14,837
Total current liabilities.....	42,256	51,995
Long-term debt.....	46,184	48,077
Other noncurrent liabilities.....	10,272	9,000
Total liabilities.....	98,712	109,072
	-----	-----
Commitments and contingencies (See Notes 12 and 16)		
Stockholders' equity (deficit):		
Series B Preferred Stock, \$.10 par value, shares authorized 1,000 plus additional shares as required for dividends; aggregate liquidation preference value and shares issued and outstanding of \$3,450,000 and 345, respectively, at October 31, 1993. Zero outstanding at October 31, 1994.....	--	--
Common stock, \$.10 par value, shares authorized: 100,000,000; issued and outstanding: 33,880,111 and 30,129,125 at October 31, 1994 and 1993, respectively.....	3,388	3,013
Additional paid-in capital.....	179,883	179,810
Translation adjustments.....	(396)	(223)
Accumulated deficit.....	(186,529)	(181,743)
Unamortized restricted stock award compensation.....	--	(405)
Total stockholders' equity (deficit).....	(3,654)	452
	\$ 95,058	\$109,524
	-----	-----

See accompanying notes to consolidated financial statements.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED OPERATIONS

	YEARS ENDED OCTOBER 31,		
	1994	1993	1992
	(IN THOUSANDS, EXCEPT PER SHARE FIGURES)		
Net service revenue.....	\$44,611	\$ 45,283	\$ 19,406
Net sales of products.....	51,034	47,369	43,873
Net operating revenues.....	95,645	92,652	63,279
Cost of services provided.....	41,039	42,754	17,353
Cost of products sold.....	17,906	17,538	18,236
Research and development expense.....	4,407	3,209	3,267
Selling, general and administrative expense.....	31,027	49,382	44,600
Settlement of disputes.....	4,950	6,350	4,498
Debt restructuring costs.....	340	2,131	--
Costs associated with restructuring operations.....	--	451	--

Amortization of intangibles.....	843	772	742
Investment income (loss), net.....	(153)	1,615	14,254
Gain on sales of assets and businesses, net.....	214	620	1,030
Other income, net.....	42	174	772
Interest expense.....	4,533	6,129	6,697
	-----	-----	-----
Loss from continuing operations before income taxes.....	(9,297)	(33,655)	(16,058)
Provision for (benefit of) income taxes.....	(4,600)	417	100
	-----	-----	-----
Loss from continuing operations before extraordinary items.....	(4,697)	(34,072)	(16,158)
Loss on sale of discontinued operations, net of taxes.....	--	(13,657)	(9,300)
	-----	-----	-----
Loss before extraordinary items.....	(4,697)	(47,729)	(25,458)
Extraordinary items.....	--	924	640
	-----	-----	-----
Net loss.....	(4,697)	(46,805)	(24,818)
Less, dividend requirements on preferred stock.....	89	320	1,804
	-----	-----	-----
Net loss applicable to common stock.....	\$ (4,786)	\$ (47,125)	\$ (26,622)
	-----	-----	-----
Net loss per common share:			
Continuing operations.....	\$ (.15)	\$ (1.13)	\$ (.64)
Discontinued operations.....	--	(.45)	(.34)
	-----	-----	-----
Loss before extraordinary items.....	(.15)	(1.58)	(.98)
Extraordinary items.....	--	.03	.02
	-----	-----	-----
Net loss per common share.....	\$ (.15)	\$ (1.55)	\$ (.96)
	-----	-----	-----
Cash dividends per common share.....	\$ --	\$ --	\$ --
	-----	-----	-----
Average number of common shares outstanding.....	31,082	30,377	27,669
	-----	-----	-----

See accompanying notes to consolidated financial statements.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED OCTOBER 31, 1994, 1993 AND 1992

	SENIOR EXCHANGEABLE REDEEMABLE RESTRICTED VOTING PREFERRED STOCK		SERIES B PREFERRED STOCK		COMMON STOCK	
	SHARES	PAR VALUE	SHARES	PAR VALUE	SHARES	PAR VALUE
	-----	-----	-----	-----	-----	-----
(IN THOUSANDS)						
Balance October 31, 1991.....	595	\$ 60	0	\$ 0	25,694	\$ 2,569
	-----	-----	-----	-----	-----	-----
Net loss.....	--	--	--	--	--	--
Aggregate translation adjustment....	--	--	--	--	--	--
Unamortized stock compensation related to restricted stock grants.....	--	--	--	--	--	--
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions.....	--	--	--	--	(363)	(36)
Dividend requirements on Senior Preferred Stock.....	--	--	--	--	--	--
Issuance of Senior Preferred Stock.....	44	4	--	--	--	--
CLS Transaction -- June 12, 1992 (see Note 13).....	(488)	(49)	--	--	4,850	485
	-----	-----	-----	-----	-----	-----
Balance October 31, 1992.....	151	\$ 15	0	\$ 0	30,181	\$ 3,018
	-----	-----	-----	-----	-----	-----
Net loss.....	--	--	--	--	--	--
Aggregate translation adjustment....	--	--	--	--	--	--
Unamortized stock compensation related to restricted stock grants.....	--	--	--	--	145	15
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions.....	--	--	--	--	(197)	(20)
Dividend requirements on Senior						

Source: COOPER COMPANIES INC, 10-K, January 26, 1995

Preferred Stock.....	--	--	--	--	--	--
Issuance of Senior Preferred Stock.....	10	1	--	--	--	--
CLS Exchange Agreement -- June 14, 1993 (see Note 13).....	(161)	(16)	345	--	--	--
Balance October 31, 1993.....	0	\$ 0	345	\$ 0	30,129	\$ 3,013
Net loss.....	--	--	--	--	--	--
Aggregate translation adjustment....	--	--	--	--	--	--
Restricted stock amortization and share issuance, forfeiture, lifting of restrictions and exercise of stock options.....	--	--	--	--	301	30
Dividend requirements on Series B Preferred Stock.....	--	--	--	--	--	--
Conversion of Series B Preferred to Common (see Note 13).....	--	--	(345)	--	3,450	345
Balance October 31, 1994.....	0	\$ 0	0	\$ 0	33,880	\$ 3,388

	PAID-IN CAPITAL	TRANSLATION ADJUSTMENTS	ACCUMULATED DEFICIT	UNAMORTIZED RESTRICTED STOCK AWARD COMPENSATION	TOTAL
Balance October 31, 1991.....	\$ 182,567	\$ 202	\$ (110,120)	\$ (3,576)	\$ 71,702
Net loss.....	--	--	(24,818)	--	(24,818)
Aggregate translation adjustment....	--	(268)	--	--	(268)
Unamortized stock compensation related to restricted stock grants.....	874	--	--	(874)	0
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions.....	(2,254)	--	--	2,221	(69)
Dividend requirements on Senior Preferred Stock.....	(1,804)	--	--	--	(1,804)
Issuance of Senior Preferred Stock.....	1,800	--	--	--	1,804
CLS Transaction -- June 12, 1992 (see Note 13).....	(686)	--	--	--	(250)
Balance October 31, 1992.....	\$ 180,497	\$ (66)	\$ (134,938)	\$ (2,229)	\$ 46,297
Net loss.....	--	--	(46,805)	--	(46,805)
Aggregate translation adjustment....	--	(157)	--	--	(157)
Unamortized stock compensation related to restricted stock grants.....	75	--	--	(88)	2
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions.....	(778)	--	--	1,912	1,114
Dividend requirements on Senior Preferred Stock.....	(320)	--	--	--	(320)
Issuance of Senior Preferred Stock.....	320	--	--	--	321
CLS Exchange Agreement -- June 14, 1993 (see Note 13).....	16	--	--	--	0
Balance October 31, 1993.....	\$ 179,810	\$ (223)	\$ (181,743)	\$ (405)	\$ 452
Net loss.....	--	--	(4,697)	--	(4,697)
Aggregate translation adjustment....	--	(173)	--	--	(173)
Restricted stock amortization and share issuance, forfeiture, lifting of restrictions and exercise of stock options.....	418	--	--	405	853
Dividend requirements on Series B Preferred Stock.....	--	--	(89)	--	(89)
Conversion of Series B Preferred to Common (see Note 13).....	(345)	--	--	--	0

Balance October 31, 1994.....	\$ 179,883	\$ (396)	\$ (186,529)	\$ 0	\$ (3,654)
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

See accompanying notes to consolidated financial statements.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED OCTOBER 31,		
	1994	1993	1992
	-----	-----	-----
	(IN THOUSANDS)		
Cash flows from operating activities:			
Net loss.....	\$ (4,786)	\$ (46,805)	\$ (24,818)
Adjustments to reconcile net loss to net cash used by operating activities:			
Current and deferred income taxes.....	(132)	417	(498)
Depreciation expense.....	2,870	2,624	1,537
Provision for doubtful accounts.....	2,431	3,202	363
Restructuring charge.....	--	451	--
Amortization expenses:			
Intangible assets.....	975	904	877
Debt discount.....	39	201	208
Restricted stock.....	853	1,084	(33)
Accretion of premium.....	(538)	--	--
Net (gain) loss from:			
Sales of assets and businesses.....	(214)	(620)	(1,030)
Investments.....	530	824	(7,294)
Debt restructuring costs.....	340	--	--
Extraordinary items.....	--	(924)	(640)
Change in assets and liabilities net of effects from acquisitions and sales of assets and businesses:			
Net (increases) decreases in assets:			
Restricted cash.....	(8)	441	8,838
Receivables.....	(5,373)	5,101	(817)
Inventories.....	3,291	1,150	(3,728)
Other current assets.....	(423)	(383)	(631)
Other assets.....	836	287	393
Net increases (decreases) in liabilities:			
Accounts payable.....	2,311	(10,055)	6,900
Accrued liabilities.....	(925)	(11,155)	(1,084)
Income taxes payable.....	(4,600)	(581)	(1,264)
Other long-term liabilities.....	524	9,000	--
Total adjustments.....	2,787	1,968	2,097
Net cash used by operating activities.....	(1,999)	(44,837)	(22,721)
Cash flows from investing activities:			
Sales of assets and businesses (including releases of cash from escrow).....	2,720	9,700	5,959
Purchases of assets and businesses, net of cash acquired.....	--	(9,794)	(14,452)
Purchases of property, plant and equipment.....	(938)	(1,749)	(3,746)
Sales of temporary investments.....	7,302	32,088	265,352
Purchases of temporary investments.....	--	(3,689)	(263,464)
Collection of note receivable.....	--	--	2,183
Purchase of Cooper Life Sciences, Inc. common stock.....	--	--	(1,500)
Net cash provided (used) by investing activities.....	\$ 9,084	\$26,556	\$ (9,668)

See accompanying notes to consolidated financial statements.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED OCTOBER 31,		
	1994	1993	1992
	-----	-----	-----
	(IN THOUSANDS)		

Cash flows from financing activities:
Payments associated with the Exchange Offer and Consent Solicitation

Source: COOPER COMPANIES INC, 10-K, January 26, 1995

Intercompany transactions and accounts are eliminated in consolidation. Certain reclassifications have been applied to prior years' financial statements to conform such statements to the current year's presentation. None of these reclassifications had any impact on net loss.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of the Company's operations located outside the United States (primarily Canada) are translated at prevailing year-end rates of exchange. Related income and expense accounts are translated at weighted average rates for each year. Gains and losses resulting from the translation of financial statements in foreign currencies into U. S. dollars are recorded in the equity section of the consolidated balance sheet. Gains and losses resulting from the impact of changes in exchange rates on transactions denominated in foreign currencies are included in the determination of net income or loss for each period. Foreign exchange gains (losses) included in the Company's consolidated statement of operations for each of the years ended October 31, 1994, 1993 and 1992 were \$53,000, (\$550,000) and (\$769,000), respectively.

NET SERVICE REVENUE

Net service revenue consists primarily of net patient service revenue, which is based on the Hospital Group of America, Inc. ('HGA') hospitals' established billing rates less allowances and discounts principally for patients covered by Medicare, Medicaid, Blue Cross, HMO and other contractual programs. Payments under these programs are based on either predetermined rates or the cost of services. Settlements for retrospectively determined rates are estimated in the period the related services are rendered and are adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made for adjustments that may result from the final determination of amounts earned under these programs. Approximately 39%, 25% and 21%, respectively, of 1994, 1993 and 1992 net service revenues are from participation of hospitals in Medicare and Medicaid programs.

With respect to net service revenue, receivables from government programs represent the only concentrated group of potential credit risk to the Company. Management does not believe that there are any credit risks associated with these governmental agencies. Negotiated and private receivables consist of receivables from various payors, including individuals involved in diverse activities, subject to differing economic conditions, and do not represent any concentrated credit risks to the Company. Furthermore, management continually monitors and adjusts its reserves and allowances associated with these receivables.

The Company provides care to indigent patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Company maintains records to identify and monitor the level of charity care it provides. These

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges at the Company's established rates forgone for charity care provided by the Company amounted to \$2,498,000 during the year ended October 31, 1994, \$3,220,000 during the year ended October 31, 1993 and \$1,597,000 during the period from May 29, 1992 to October 31, 1992. Hampton Hospital is required by its Certificate of Need to incur not less than 10% of total patient days as free care.

NET SALES OF PRODUCTS

Net sales of products consists primarily of sales generated by the Company's CooperVision, Inc. ('CVI') and CooperSurgical, Inc. ('CSI') businesses. The Company recognizes revenue when risk of ownership has transferred to the buyer, with appropriate provisions for sales returns.

With respect to net sales of products, management believes trade receivables do not include any concentrated groups of credit risk.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes commercial paper and other short-term income producing securities with a maturity date at purchase of three months or less. These investments are readily convertible to cash, and are carried at cost which approximates market.

TEMPORARY INVESTMENTS

The Company had no temporary investments on its consolidated balance sheet as of October 31, 1994. At October 31, 1993, temporary investments were primarily current marketable equity and debt securities carried at the lower of aggregate cost or market, with unrealized losses included in investment income, net in the statement of consolidated operations. Gains or losses realized upon

sale (based on the first-in, first-out method) and write-downs necessitated by other than temporary declines in value for all securities and investments are also reflected in investment income, net.

As of October 31, 1993, aggregate cost and market value, and gross unrealized gains and losses for current marketable securities were as follows:

	EQUITY SECURITIES	DEBT SECURITIES
	-----	-----
	(IN THOUSANDS)	
Aggregate cost.....	\$4,937	\$ 2,651
Aggregate market value.....	4,428	2,010
Gross unrealized gains.....	--	163
Gross unrealized losses.....	509	804

Unrealized gains and losses on marketable securities included in the table above compare the market value of the Company's investment in securities as of October 31, 1993 versus the cost of such securities. The unrealized gains and losses do not indicate the actual gains or losses that were realized by the Company upon their disposition.

Included in the statement of consolidated operations in investment income, net for each of the years ended October 31, 1994, 1993 and 1992 are unrealized gains (losses) of zero, \$6,532,000 and (\$6,244,000), respectively, on current marketable securities. Also included in investment income, net for the years ended October 31, 1994, 1993, and 1992 are net realized gains (losses) of (\$530,000), (\$7,356,000) and \$13,538,000, respectively, on marketable equity and debt securities. The combined impact of the aforementioned net unrealized and realized gains (losses) for each of the years ended October 31, 1994, 1993 and 1992 was a net gain (loss) of (\$530,000), (\$824,000) and \$7,294,000, respectively.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Interest income for each of the years ended October 31, 1994, 1993 and 1992 was \$377,000, \$2,439,000 and \$6,960,000, respectively, and is included in investment income, net.

LOANS AND ADVANCES

Loans and advances were made by the Company to certain of its officers and employees at interest rates ranging from 7.0% to 9.5% per annum. The principal amount of loans and advances outstanding at October 31, 1994 and 1993 was \$29,000 and \$65,000, respectively.

INVENTORIES

Inventories are stated at the lower of cost, determined on a first-in, first-out or average cost basis, or market.

The components of inventories are as follows:

	OCTOBER 31, 1994	OCTOBER 31, 1993
	-----	-----
	(IN THOUSANDS)	
Raw materials.....	\$ 3,197	\$ 3,958
Work-in-process.....	973	865
Finished goods.....	7,526	10,164
	-----	-----
	\$11,696	\$14,987
	-----	-----

DEPRECIABLE ASSETS

Property, Plant and Equipment

1994	1993
-----	-----

Land and improvements.....	\$ 1,360	\$ 4,482
Buildings and improvements.....	33,391	33,828
Machinery and equipment.....	10,719	9,984
	-----	-----
	\$45,470	\$48,294
	-----	-----
	-----	-----

Depreciation is computed on the straight-line method in amounts sufficient to write-off depreciable assets over their estimated useful lives. Leasehold improvements are amortized over the shorter of their estimated useful lives or the period of the related lease.

Depreciation and leasehold amortization expense amounted to \$2,870,000, \$2,624,000 and \$1,537,000 for the years ended October 31, 1994, 1993 and 1992, respectively.

Expenditures for maintenance and repairs are expensed; major replacements, renewals and betterments are capitalized. The cost and accumulated depreciation of depreciable assets retired or otherwise disposed of are eliminated from the asset and accumulated depreciation accounts, and any gains or losses are reflected in operations for the period.

AMORTIZATION OF INTANGIBLES

Amortization is provided for on all intangible assets (primarily goodwill, which represents the excess of purchase price over fair value of net assets acquired) on a straight-line basis over periods of up to thirty years. Accumulated amortization at October 31, 1994 and 1993 was \$3,919,186 and \$2,940,117, respectively. The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through reasonably expected future results.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

RESTRICTED STOCK AND COMPENSATION EXPENSE

Under the Company's 1988 Long Term Incentive Plan, its 1990 Non-Employee Directors' Restricted Stock Plan and its predecessor Restricted Stock Plans (see Note 10), certain officers and key employees designated by the Board of Directors or a committee thereof have purchased, for par value, shares of the Company's common stock restricted as to resale ('Restricted Shares') unless or until certain prescribed objectives are met or certain events occur. The difference between market value and par value of the Restricted Shares on the date of grant is recorded as unamortized restricted stock award compensation, an equity account, and charged to operations as earned.

INCOME TAXES

Effective November 1, 1993, the Company adopted the liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, 'Accounting for Income Taxes' ('FAS 109'). The liability method under FAS 109 measures the expected tax impact of future taxable income or deductions resulting from temporary differences in the tax and financial reporting bases of assets and liabilities reflected in the consolidated balance sheet. Deferred tax assets and liabilities are determined using the enacted tax rates in effect for the year in which these differences are expected to reverse. Under FAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that the change was enacted. In 1993 and prior years, the Company accounted for income taxes under APB Opinion 11.

EARNINGS PER COMMON SHARE

Net income (loss) per common share is determined by using the weighted average number of common shares and common share equivalents (stock warrants) outstanding during each year. Stock options have not been included in the determination of earnings per common share for any period as they are anti-dilutive or resulted in dilution of less than 3%.

NOTE 2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

On April 1, 1993, CVI acquired via a purchase transaction the stock of CoastVision for approximately \$9,800,000 cash. CoastVision manufactures and markets a range of contact lens products, primarily custom soft toric contact lenses, which are designed to correct astigmatism. The purchase of CoastVision expanded CooperVision's customer base for its existing product lines. CoastVision had net sales of \$9,600,000 in its fiscal year ended October 31, 1992. Excess cost over net assets acquired recorded on the purchase was

\$7,279,000, which is being amortized over 30 years.

On May 29, 1992, the Company acquired all of the common stock of HGA from its ultimate parent, Nu-Med Inc. ('Nu-Med'), for a total consideration of approximately \$50,000,000, including \$15,898,000 in cash, the assumption of approximately \$22,000,000 of third party debt of HGA and the delivery of \$21,685,000 principal amount of Nu-Med debentures owned by the Company (including \$3,525,000 principal amount of 'Affiliate debentures,' defined and described below), in which the Company had a cost basis of approximately \$12,322,000. The Company used available cash to purchase the Nu-Med debentures and to make the \$15,898,000 payment at closing.

Except for the 'Affiliate debentures' defined and described below, the Company acquired the Nu-Med debentures in open market transactions for a total cost of approximately \$10,374,000. On April 13, 1992, the Company acquired, for a total cost of approximately \$1,948,000, an additional \$3,525,000 principal amount of Nu-Med debentures (the 'Affiliate debentures') from an individual and a corporation (together, the 'Affiliates') related to or affiliated with Messrs. Gary, Steven and Brad Singer. The Affiliate debentures were tendered to Nu-Med at the same price paid by the Company. At

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the time of the transaction, Gary and Steven Singer were each officers and directors of the Company, and Brad Singer was a director of the Company. The Affiliate debentures were purchased by the Company at the cost paid by the Affiliates plus accrued interest thereon, following the approval of the majority of the disinterested members of the Board of Directors of the Company. To protect the Company against any potential loss, it acquired the Affiliate debentures pursuant to an agreement that would have allowed the Company to 'put' the Affiliate debentures back to the Affiliates at the Company's cost if the acquisition of HGA had not occurred.

HGA provides psychiatric and substance abuse treatment through three hospitals with a total of 269 beds.

Concurrently, PSG Management, Inc. ('PSG Management'), a subsidiary of the Company, entered into a three-year management agreement with three indirect subsidiaries of Nu-Med under which PSG Management is managing three additional hospitals owned by such subsidiaries which have a total of 220 licensed beds. Under the management agreement, which expires by its terms in May 1995, PSG Management is entitled to receive a monthly management fee of \$166,667.

The acquisition of HGA was accounted for as a purchase. Accordingly, the results of HGA's operations were included in the Company's consolidated results from the acquisition date. The excess of cost over net assets acquired was initially estimated to be \$6,155,000, subject to purchase price adjustments per the sales agreement, and is being amortized over 30 years.

Had the acquisition of HGA occurred on November 1, 1991, the Company's unaudited pro forma combined net revenue, loss from continuing operations and loss from continuing operations per share would have been \$95,320,000, (\$15,586,000) and (\$.56), respectively, for the twelve months ended October 31, 1992.

During 1992, the Company acquired two parcels of land having an aggregate cost of \$3,149,000. The land was carried at cost in property, plant and equipment. Concurrently, the Company entered into two lease agreements under which the Company was entitled to receive rental payments. The subject parcels of land were sold in November 1993 for cash and notes aggregating the approximate original purchase price.

DISPOSITIONS

In January 1994, the Company's Canadian subsidiary, CooperVision Inc. ('CooperVision Canada'), sold its EYEscrub'tm' trademark for \$110,000 cash, resulting in an \$80,000 gain.

On February 12, 1993, the Company sold its EYEscrub'tm' product line for \$1,400,000 cash, which resulted in a \$620,000 gain. The Company retained the right to market certain ophthalmic pharmaceutical surgical kits containing EYEscrub'tm'. Sales of such products were discontinued by December 1994.

On January 31, 1992, the Company assigned its license to manufacture, have manufactured, sell, distribute and market certain intraocular lens products and disposed of certain other related rights and assets. Total cash consideration received by the Company for such assignment was approximately \$5,200,000, which resulted in a pretax gain of \$1,030,000.

NOTE 3. DISCONTINUED OPERATIONS

In 1993, the Company recorded a charge of \$14,000,000 to increase the Company's accrual (the 'Breast Implant Accrual') for contingent liabilities associated with breast implant litigation involving the plastic and reconstructive surgical division of the Company's former Cooper Surgical

business segment ('Surgical') which was sold in fiscal 1989 to Medical Engineering Corporation ('MEC'), a subsidiary of Bristol-Myers Squibb Company ('Bristol-Myers'). The Breast Implant Accrual will be charged for payments made and to be made to MEC under the agreement reached in September 1993

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

with MEC and Bristol-Myers, which limited the Company's liability for breast implant litigation (the 'MEC Agreement') (see Note 12 for the schedule of payments), as well as certain related charges. In October 1993 the Company made the initial payment of \$3,000,000 to MEC. At October 31, 1994, the Company's balance sheet included \$7,750,000 of the Breast Implant Accrual in 'other noncurrent liabilities' and \$1,250,000 in Accounts Payable (which was paid to MEC on December 31, 1994) for future payments to MEC. The Company also recorded, in 1993, a reversal of \$343,000 of accruals no longer necessary related to another discontinued business.

In 1992, the Company recorded a charge of \$9,300,000 to discontinued operations, of which \$7,000,000 represented an increase to the Company's Breast Implant Accrual. The balance of the charge reflected a \$2,000,000 settlement of a dispute involving the former Surgical business segment, and a \$300,000 adjustment to the loss on the sale of the Company's former business segment, Cooper Technicon, Inc. ('CTI').

No tax benefit has been applied against the above figures, as the Company was not profitable in either year.

NOTE 4. EXTRAORDINARY ITEMS

The extraordinary gain of \$924,000, or \$.03 per share, in 1993 represented gains on the Company's purchases of \$4,846,000 principal amount of its Debentures. The purchases were privately negotiated and executed at prevailing market prices.

The extraordinary gain of \$640,000, or \$.02 per share, in 1992 represented gains on the Company's purchases of \$5,031,000 principal amount of its Debentures. Substantially all of the purchases were privately negotiated and executed at prevailing market prices.

NOTE 5. STOCKHOLDERS RIGHTS PLAN

On October 29, 1987, the Board of Directors of the Company declared a dividend distribution of one right for each outstanding share of the Company's common stock, par value \$.10 per share (a 'Right'). Each Right entitles the registered holder of an outstanding share of the Company's common stock to initially purchase from the Company a unit consisting of one one-hundredth of a share of Series A Junior Participating Preferred Stock (a 'Unit'), par value \$.10 per share, at a purchase price of \$60.00 per Unit, subject to adjustment. The Rights are exercisable only if a person or group acquires (an 'Acquiring Person'), or generally obtains the right to acquire beneficial ownership of 20% or more of the Company's common stock, or commences a tender or exchange offer which would result in such person or group beneficially owning 30% or more of the Company's common stock.

If, following the acquisition of 20% or more of the Company's common stock, (i) the Company is the surviving corporation in a merger with an Acquiring Person and its common stock is not changed, (ii) a person or entity becomes the beneficial owner of more than 30% of the Company's common stock, except in certain circumstances such as through a tender or exchange offer for all the Company's common stock which the Board of Directors determines to be fair and otherwise in the best interests of the Company and its stockholders, (iii) an Acquiring Person engages in certain self-dealing transactions or (iv) an event occurs which results in such Acquiring Person's ownership interest being increased by more than 1%, each holder of a Right, other than an Acquiring Person, will thereafter have the right to receive, upon exercise, the Company's common stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the Right.

Under certain circumstances, if (i) the Company is acquired in a merger or other business combination transaction in which the Company is not the surviving corporation, unless (a) the transaction occurs pursuant to a transaction which the Board of Directors determines to be fair and in the best interests of the Company and its stockholders (b) the price per share of common stock offered in the transaction is not less than the price per share of common stock paid to all holders pursuant to

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the tender or exchange offer, and (c) the consideration used in the transaction is the same as that paid pursuant to the offer, or (ii) 50% or more of the

Company's assets or earning power is sold or transferred, each holder of a Right, other than an Acquiring Person, shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the Right.

At any time until the close of business on the tenth day following a public announcement that an Acquiring Person has acquired, or generally obtained the right to acquire, beneficial ownership of 20% or more of the Company's common stock, the Company will generally be entitled to redeem the Rights in whole, but not in part, at a price of \$.05 per Right. After the redemption period has expired, the Company's right of redemption may be reinstated if an Acquiring Person reduces his beneficial ownership to 10% or less of the outstanding shares of common stock in a transaction or series of transactions not involving the Company.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. The Rights expire on October 29, 1997.

In June 1993, the Board of Directors amended the Rights Agreement dated as of October 29, 1987, between the Company and The First National Bank of Boston, as Rights Agent, so that Cooper Life Sciences, Inc. ('CLS') and its affiliates and associates as of the amendment date would not be Acquiring Persons thereunder as a result of CLS's beneficial ownership of more than 20% of the outstanding common stock of the Company by reason of its ownership of Series B Preferred Stock or common stock issued upon conversion thereof. In January 1995, the Rights Agreement was further amended to provide that any person who becomes the beneficial owner of 10% or more, but not more than 30%, of the outstanding common stock of CLS, and is, therefore, deemed to be the beneficial owner of the shares of common stock of the Company held by CLS would not be an Acquiring Person, provided that such person is not otherwise, and does not thereafter become, the beneficial owner of more than 1% of the Company's outstanding common stock. (See 'Agreements With CLS' in Note 13.)

NOTE 6. SETTLEMENT OF DISPUTES

In 1994, the Company recorded the following items related to settlement of disputes:

A credit of \$850,000 following receipt of funds by the Company to settle certain claims made by the Company associated with a real estate transaction.

A charge of \$5,800,000, which represents the Company's estimate of costs required to settle certain disputes and other litigations including \$3,450,000 associated with the criminal conviction and SEC enforcement action described in Note 16.

The Company and CLS entered into a settlement agreement, dated June 14, 1993, pursuant to which CLS delivered a general release of claims against the Company, subject to exceptions for specified ongoing contractual obligations, and agreed to certain restrictions on its acquisitions, voting and transfer of securities of the Company, in exchange for the Company's payment of \$4,000,000 in cash and delivery of 200,000 shares of common stock of CLS owned by the Company and a general release of claims against CLS, subject to similar exceptions. See Note 13 for a discussion of the settlement terms. The cash paid and fair value of CLS shares returned to CLS were charged to the Company's statement of operations for 1993 as settlement of disputes. In addition, the Company charged another \$1,500,000 for certain other disputes.

Included in fiscal 1992 is a charge for settlement of disputes which includes 1) a \$650,000 charge related to a transaction with CLS, 2) a payment to Mr. Frederick R. Adler and 3) a provision to settle several other lawsuits and disputes.

In April 1992, Frederick R. Adler, a former director of the Company at that time, notified the Company that he would solicit proxies to elect his own slate of nominees at the 1992 Annual Meeting of

THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Shareholders (the 'Annual Meeting'), in opposition to the Board's nominees to the Board of Directors (the 'Proxy Contest'). On June 15, 1992, Mr. Adler and the Company entered into a settlement agreement with respect to the Proxy Contest pursuant to which the Board of Directors set the size of the Board at nine members, effective as of the Annual Meeting, and nominated Mr. Adler and Louis A. Craco, a partner in the law firm of Willkie, Farr & Gallagher, for election to the Board together with the Board's seven other nominees, Arthur C. Bass, Allen H. Collins, M.D., Joseph C. Feighali, Mark A. Filler, Michael H. Kalkstein, Allan E. Rubenstein, M.D., and Robert S. Weiss. The settlement agreement provided for the replacement of Mr. Adler by one of three designated persons if he was unable or unwilling to serve as a director following his election at the Annual Meeting. In December 1992, Mr. Adler resigned from the Company's Board of Directors and designated Michael R. Golding, M.D., as his replacement. As part of the settlement, in which the parties exchanged mutual

releases of claims arising out of the Proxy Contest and litigation brought in connection therewith, Mr. Adler agreed, among other things, not to solicit proxies in opposition to the election of the Board's nine nominees at the Annual Meeting and not to take any action to call a special meeting of stockholders or solicit stockholder consents with respect to the election or removal of directors prior to the 1993 annual meeting of stockholders of the Company. The Company also reimbursed Mr. Adler for \$348,000 of expenses actually incurred by him in connection with the Proxy Contest and negotiation of the settlement agreement.

In 1992 the Company reached an agreement involving the settlement of Guenther v. Cooper Life Sciences, et al., a class and shareholder derivative action filed against CLS, the Company, Cooper Development Company, a Delaware corporation ('CDC'), Parker G. Montgomery, A. Kenneth Nilsson, Charles Crocker, Robert W. Jamplis, Barbara Foster as executrix of the Estate of Hugh K. Foster, Michael Mitzmacher, Joseph A. Dornig, Martin M. Koffel, Richard W. Turner, John Vuko, Randolph Stockwell, Hambrecht & Quist, Incorporated, Peat Marwick Main & Co., Gryphon Associates, L.P. and The Gryphon Management Group, Ltd. in June 1988 in the United States District Court for the District of Minnesota and transferred in December 1988 to the District Court for the Northern District of California. As amended, the action alleged various securities law violations and shareholder derivative claims in connection with the public disclosures by, and management of, CLS from 1985 to 1988. The Company formerly shared certain officers and directors with CLS and is alleged to have controlled CLS. The settlement resolved all claims asserted against the Company and its former officers and directors. On April 30, 1993, the court approved the settlement after notice to the plaintiff class and a court hearing. In accordance with the settlement, the case has been dismissed as to the Company and all other defendants. The settlement provided for a payment by Optics Cayman Islands Insurance Ltd., a subsidiary of the Company (which provided directors' and officers' liability insurance to some of the above-named individuals), in the amount of \$2,200,000 on behalf of the directors and officers of CLS, as well as a payment of \$1,800,000 by the Company. The settlement amount was fully reserved in the books of the Company at July 31, 1992 and paid into escrow by October 31, 1992.

NOTE 7. PREFERRED STOCK

On June 14, 1993, the Company acquired from CLS, all of the remaining outstanding shares of the Company's Senior Exchangeable Redeemable Restricted Voting Preferred Stock ('SERPS'), having an aggregate liquidation preference of \$16,060,000, together with all rights to any dividends or distributions thereon, in exchange for shares of Series B Preferred Stock having an aggregate liquidation preference of \$3,450,000 and a par value of \$.10 per share. The 345 shares of the Series B Preferred Stock, and any shares of the Series B Preferred Stock issued as dividends, were convertible into one share of common stock of the Company for each \$1.00 of liquidation preference, subject to customary antidilution adjustments. The Company also had the right to compel conversion of the Series B Preferred Stock at any time after the market price of the common stock on its principal trading market averaged at least \$1.375 for 90 consecutive calendar days and closed at not less than \$1.375 on at least 80% of the trading days during such period.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On September 26, 1994 the Company's common stock met the above requirements, and the Series B Preferred Stock was converted into 3,450,000 shares of the Company's common stock. In a Form 4 dated October 4, 1994 filed by CLS with the Securities and Exchange Commission, CLS reported that as of September 30, 1994, it owned 7,467,000 shares (or approximately 22%) of the Company's outstanding common stock.

During 1994 the Company paid \$89,000 or \$258.90 per share in dividends on the Series B Preferred Stock.

NOTE 8. INCOME TAXES

As discussed in Note 1, the Company adopted FAS 109 as of November 1, 1993. The adoption had no impact on the statement of consolidated operations for the year ended October 31, 1994. The tax benefit for net operating loss and tax credit carryforwards has not been recognized since the related tax assets were fully offset by a valuation allowance.

The provision for (benefit of) income taxes consists of the following components, all of which related to current taxes:

YEAR ENDED OCTOBER 31,		
1994	1993	1992
(IN THOUSANDS)		

Federal.....	\$ --	\$--	\$ 354
State.....	(4,600)	417	420
Outside the United States.....	--	--	(674)
	-----	-----	-----
	\$ (4,600)	\$417	\$ 100
	-----	-----	-----

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A reconciliation of the provision for (benefit of) income taxes included in the Company's statement of consolidated operations and the amount computed by applying the federal income tax rate to income (loss) from continuing operations before extraordinary items and income taxes follows:

	YEAR ENDED OCTOBER 31,		
	1994	1993	1992

	(IN THOUSANDS)		
Computed expected provision for (benefit of) taxes.....	\$ (3,161)	\$ (11,443)	\$ (5,460)
Increase (decrease) in taxes resulting from:			
Income outside the United States operations, subject to lower rates.....	(65)	(186)	(376)
Amortization of intangibles.....	185	148	65
State taxes, net of federal income tax benefit.....	264	275	277
Reversal of prior years' estimated tax liabilities no longer required.....	(5,000)	--	(674)
Dividends from subsidiaries outside the United States.....	--	11	1,358
Amortization of restricted stock compensation.....	(31)	335	(14)
Net operating losses for which no tax benefit was recognized.....	3,293	11,546	4,552
Prior year federal assessment.....	--	--	354
Interest expense related to original issue discount.....	(100)	--	--
Other.....	15	(269)	18
	-----	-----	-----
Actual provision for (benefit of) income taxes.....	\$ (4,600)	\$ 417	\$ 100
	-----	-----	-----

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at October 31, 1994 are as follows:

	(IN THOUSANDS)
Deferred tax assets:	
Accounts receivable, principally due to allowance for doubtful accounts.....	\$ 886
Inventories, principally due to obsolescence reserves.....	675
Investments, principally due to unrealized losses.....	112
Accrued liabilities, principally due to litigation reserves.....	4,571
Deferred income, principally due to the debenture exchange.....	1,199
Net operating loss carryforwards.....	83,417
Tax credits carryforwards.....	2,455
Other.....	259

Total gross deferred tax assets.....	93,574
Less valuation allowance.....	(87,175)

Net deferred tax assets.....	6,399

Deferred tax liabilities:	
Plant and equipment, principally due to purchase accounting requirements.....	(6,037)
Other, principally due to differences in accounting methods for financial and tax purposes.....	(362)

Total gross deferred tax liabilities.....	(6,399)

Net deferred tax assets.....	\$ 0

The valuation allowance for deferred tax assets as of November 1, 1993 was \$84,848,000. The net change in the total valuation allowance for the year ended October 31, 1994 was an increase of \$2,327,000.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of October 31, 1994 will be allocated as follows:

(IN THOUSANDS)

Income tax benefit that would be reported in the consolidated statement of earnings.....	\$85,684
Goodwill and other noncurrent intangible assets.....	1,491

	\$87,175

At October 31, 1994 the Company had net operating loss carryforwards of approximately \$245,000,000 available to offset future taxable income. The Company also has tax credit carryforwards of \$2,455,000 available to reduce future tax liabilities. The net operating loss and credit carryforwards expire commencing in 1999.

NOTE 9. LONG-TERM DEBT

Long-term debt consists of the following:

	OCTOBER 31,	
	1994	1993

	(IN THOUSANDS)	
10% Senior Subordinated Secured Notes due 2003 ('Notes')	\$ 25,410	\$ --
10 5/8% Convertible Subordinated Reset Debentures due 2005 ('Debentures').....	9,210	38,997
Bank term loan ('HGA Term Loan').....	10,556	11,222
Industrial Revenue Bonds ('HGA IRB').....	2,000	2,495
Mortgage Note; interest at 9.5%.....	--	450
Capitalized leases, interest from 11.5% to 13.0% maturing 1997.....	\$ 461	\$ 762
	-----	-----
	47,637	53,926
Less current installments.....	1,453	5,849
	-----	-----
	\$ 46,184	\$ 48,077
	-----	-----

Aggregate annual maturities, including current installments, for each of the five years subsequent to October 31, 1994 are as follows:

(IN THOUSANDS)

1995.....	\$1,453
1996.....	\$2,237
1997.....	\$9,222
1998.....	\$ 105
1999.....	\$--

On January 6, 1994, the Company completed an Exchange Offer and Consent Solicitation, pursuant to which the Company issued approximately \$22,000,000 aggregate principal amount of Notes and paid approximately \$4,350,000 in cash (\$725 principal amount of Notes and \$145 in cash for each \$1,000 principal amount of Debentures) in exchange for approximately \$30,000,000 aggregate principal amount of its Debentures (out of \$39,384,000 aggregate principal amount then outstanding). Following the exchange, \$9,290,000 aggregate principal amount of Debentures remains outstanding.

In connection with the Exchange Offer and Consent Solicitation, the Company amended the indenture governing the Debentures (the 'Indenture') to, among other things, eliminate a covenant, with which the Company was not in compliance, requiring the Company to repurchase Debentures. The amendment also reduced the conversion price at which holders may convert Debentures into shares of the Company's common stock from \$27.45 to \$5.00 per share, subject to adjustment under certain

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

conditions to prevent dilution to the holders. The Company also obtained a waiver (the 'Waiver') of any and all Defaults and Events of Default (as such terms are defined in the Indenture) that occurred or may have occurred prior to the expiration of the Exchange Offer and Consent Solicitation on January 6, 1994.

The consummation of the Exchange Offer and Consent Solicitation also satisfied a condition of the MEC Agreement. Such condition would have allowed MEC to terminate the agreement if the Exchange Offer and Consent Solicitation (or an alternative restructuring of the Debentures) was not completed by February 1, 1994.

The Exchange Offer and Consent Solicitation has been accounted for in accordance with Statement of Financial Accounting Standards No. 15 'Accounting by Debtors and Creditors for Troubled Debt Restructurings.' Consequently, the difference between the carrying value of the Debentures exchanged less the face value of the Notes issued and the aggregate cash payment for the Debentures was recorded as a deferred premium aggregating approximately \$4,000,000 as of the date of the Exchange. The Company is recognizing the benefit of the deferred premium as a reduction to the effective interest rate on the Notes over the life of the issue. In addition, the Company recorded a charge of \$2,131,000 in the fourth quarter of fiscal 1993 and an additional charge of \$340,000 in fiscal 1994 for costs related to the Exchange Offer and Consent Solicitation.

The Debentures mature on March 1, 2005, with interest payments due semi-annually each March 1 and September 1. During 1993 and 1992, the Company purchased \$4,846,000 and \$5,031,000, respectively, principal amount of Debentures, all of which were retired. The extraordinary gains which resulted from these purchases were \$924,000 and \$640,000, respectively.

The Notes mature on June 1, 2003, and bear interest at a rate equal to 10% per annum, which is payable quarterly on each March 1, June 1, September 1 and December 1. The Notes are redeemable solely at the option of the Company, in whole or in part, at any time, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest thereon to the redemption date. The Company is not required to effect any mandatory redemptions or make any sinking fund payments with respect to the Notes, except in connection with certain sales or other dispositions of, or certain financings secured by, the collateral securing the Notes. Pursuant to a pledge agreement dated as of January 6, 1994, between the Company and the trustee for the holders of the Notes, the Company has pledged a first priority security interest in all of its right, title and interest in stock of its subsidiaries HGA and CSI, all additional shares of stock of, or other equity interests in HGA and CooperSurgical from time to time acquired by the Company, all intercompany indebtedness of HGA and CooperSurgical from time to time held by the Company, except as set forth in the indenture governing the Notes, and the proceeds received from the sale or disposition of any or all of the foregoing.

The Debentures and the Notes each contain various covenants, including limitations on incurrence and ranking of indebtedness, payment of cash dividends, acquisition of the Company's common stock and transactions with affiliates.

Substantially all of the property and equipment and accounts receivable of HGA collateralize its outstanding debt. The HGA Term Loan carries interest at 4 percentage points over the prime interest rate, with a floor of 12% per annum, which rate was in effect at October 31, 1994. Interest and principal payments on the HGA Term Loan are due monthly through August 1997. The HGA IRB carries interest at 85% of prime, or approximately 6.6% per annum at October 31, 1994. Interest and principal payments on the HGA IRB are due monthly and holders have elected their right to accelerate all payments of outstanding principal at December 31, 1995. The HGA Term Loan and the HGA IRB each contain covenants including the maintenance by HGA of certain ratios and levels of net worth (as defined), capital expenditures, interest and debt payments, as well as restrictions on payment of cash dividends.

On September 20, 1994, CVI entered into a Loan and Security Agreement with a commercial lender providing for revolving advances of up to \$8,000,000. To date, no funds have been drawn under

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

this agreement. If and when funds are drawn, they will bear interest at 2 1/2 percentage points above the highest most recently announced prime rate of the three financial institutions of national repute named in the agreement, with a floor of 8.5% per annum. As of December 30, 1994, this rate would have been 2 1/2 points above 8.5%, or 11.0% per annum. CVI agreed to the payment of various fees, including minimum interest of \$150,000 per year. The aggregate

amount of advances under the agreement will be capped at the lesser of \$8,000,000, or a percentage of CVI's levels of eligible receivables and inventory as defined in the agreement (approximately \$6,200,000 in total line availability at October 31, 1994) and will be collateralized by virtually all of the assets of CVI.

A covenant of the Loan and Security Agreement states that CVI (provided that no Event of Default, as defined, has occurred and is continuing) may make loans, advances, investments, capital contributions and distributions to the Company, and pay management fees to the Company, so long as the total amount of all such amounts does not exceed an amount equal to the sum of (i) 75% of CVI's Tangible Net Worth, as defined, on the closing date, plus (ii) all amounts in excess of required increases in CVI's Tangible Net Worth for each fiscal year ending after October 31, 1994. At September 30, 1994 CVI's Tangible Net Worth was \$11,480,000. At that time, CVI could have upstreamed to the Company \$8,480,000. At October 31, 1994, CVI had net assets of \$20,164,000, of which \$11,077,000 was restricted under the terms of the Loan and Security Agreement.

The Loan and Security Agreement contains various additional covenants, including the maintenance of certain ratios and levels of net worth (as defined), limitations on capital expenditures and incurrence of indebtedness as well as limitations regarding change in control and transactions with affiliates.

In connection with the Loan and Security Agreement, the Company guaranteed all of the obligations under the HGA Term Loan and CVI's obligations under the Loan and Security Agreement and the Company pledged all of the outstanding stock of CVI as collateral for the HGA Term Loan guaranty.

UNAMORTIZED BOND DISCOUNT AND DEFERRED PREMIUM

The difference between the carrying amount and the principal amount of the Company's 10 5/8% Convertible Subordinated Reset Debentures due 2005 represents unamortized discount which is being charged to expense over the life of the issue. As of October 31, 1994, the amount of unamortized discount was approximately \$80,000.

The carrying value of the Debentures exchanged less the face value of the Notes issued and the aggregate cash payment for the Debentures was recorded as a deferred premium. The Company is recognizing the benefit of the deferred premium as a reduction to the effective interest rate on the Notes over the life of the issue. As of October 31, 1994, the amount of the unamortized deferred premium was \$3,467,000.

NOTE 10. EMPLOYEE STOCK PLANS

1988 LONG-TERM INCENTIVE PLAN ('LTIP')

The LTIP is a vehicle for the Company to attract, retain and motivate key employees and consultants to the Company and its subsidiaries and affiliates, who are directly linked to the profitability of the Company and to increasing stockholder value.

The LTIP authorizes a committee consisting of three or more individuals not eligible to participate in the LTIP or, if no committee is appointed, the Company's Board of Directors, to grant to eligible individuals during a period of ten years from September 15, 1988, stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights, phantom stock units and long term performance awards for up to 6,376,710 shares of common stock, subject to adjustment for future stock

THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

splits, stock dividends, expirations, forfeitures and similar events. As of October 31, 1994, 3,445,475 shares remained available under the LTIP for future grants.

In February and June 1992, the Administrative Committee of the LTIP authorized grants to employees and consultants covering an aggregate of 223,250 restricted shares. These restricted shares were to have had restrictions removed in 20% increments at various price levels attained by the Company's common stock or have restrictions removed based on performance criteria or at the end of ten years. Of these grants, restrictions were removed from a total of 12,300 shares in 1992, and the remainder, not otherwise forfeited, had restrictions removed during 1993 as a result of a 'Change of Control' as defined by the LTIP in connection with the issuance by the Company of Series B Preferred Stock. (See Note 7.)

As of August 1, 1993, there were outstanding options to purchase an aggregate of 1,102,500 shares of common stock granted to, and not subsequently forfeited by, optionholders at exercise prices ranging from \$.69 to \$4.25. The Company offered each employee who held options granted under the LTIP an opportunity to exchange those options for a smaller number of substitute options. Each new option is exercisable at \$.56 per share. The number of shares each employee was entitled to purchase pursuant to such option was computed by

an independent nationally recognized compensation consulting firm using an option exchange ratio derived under the Black-Scholes option pricing model. Each person who elected to participate in the option exchange program received an option to purchase an individually calculated percentage ranging from 21% to 70% of the shares such person was originally entitled to purchase. A percentage of the new option, equal to the percentage of the outstanding option that was already exercisable, was immediately exercisable, and the remainder became exercisable in 1994 in 25% tranches when the trading price of the Company's common stock over 30 days averaged, \$1.00, \$1.50, \$2.00 and \$2.50 per share, respectively. The option exchange program provided optionholders the opportunity to exchange options with exercise prices well in excess of the then current market price of the Company's common stock with a lesser number of options exercisable at a price that, while still above the then price, was lower than the exercise price on the surrendered options. Under the terms of the option exchange offer, each person who elected to participate waived the vesting of options that otherwise would have resulted from the Change in Control (as such term is defined in the LTIP) that occurred when stockholders approved the conversion rights of the Series B Preferred Stock on September 14, 1993. (See Note 7.)

1990 NON-EMPLOYEE DIRECTORS RESTRICTED STOCK PLAN ('NEDRSP')

Under the terms of the NEDRSP, each director of the Company who is not also an employee of or a consultant to the Company or any subsidiary of the Company ('Non-Employee Director') is granted the right to purchase, for \$.10 per share, 5,000 shares of the Company's common stock, subject to restrictions, which can be lifted either by the fair market value of the Company's common stock achieving stated targets, or upon the passage of a stated period of time, typically 10 years after the grant. One hundred thousand shares of such common stock were authorized and reserved for issuance under the NEDRSP. Shares which are forfeited become available for new awards under such plan.

Transactions involving the grant of options or restricted shares of the Company's common stock in connection with the LTIP and NEDRSP during each of the years in the three year period ended October 31, 1994 are summarized below. At October 31, 1994, there were 3,445,475 and 45,000 shares of the Company's common stock available for future grants under the LTIP and NEDRSP, respectively.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	NUMBER OF SHARES	
	LTIP	NEDRSP
1994		
Balance at beginning of year.....	2,367,797	55,000
Options granted.....	410,000	--
Options forfeited.....	(144,340)	--
Restricted shares granted.....	297,778	--
Balance at end of year.....	2,931,235	55,000
Consisting of:		
Options issued but not exercisable.....	586,656	
Options issued and exercisable.....	210,012	
Options exercised at \$.56 per share.....	3,220	
Restricted shares issued with restrictions in force.....	163,333	
Restricted shares issued with restrictions removed.....	1,968,014	55,000
	2,931,235	55,000

Options issued and outstanding have option prices ranging from \$0.56 to \$3.75 per share.

	NUMBER OF SHARES	
	LTIP	NEDRSP
1993		
Balance at beginning of year.....	2,805,519	35,000
Options granted.....	620,000	--
Options forfeited.....	(962,089)	--
Restricted shares granted.....	125,000	20,000
Restricted shares purchased by the Company.....	(196,633)	--
Restricted shares forfeited.....	(24,000)	--
Balance at end of year.....	2,367,797	55,000

Consisting of:		
Options issued but not exercisable.....	519,269	--
Options issued and exercisable.....	14,959	--
Restricted shares issued with restrictions in force.....	182,611	5,000
Restricted shares issued with restrictions removed.....	1,650,958	50,000
	2,367,797	55,000

	NUMBER OF SHARES	
	LTIP	NEDRSP
1992		
Balance at beginning of year.....	2,543,827	21,000
Options granted.....	660,000	--
Options forfeited.....	(20,000)	--
Restricted shares granted.....	223,250	20,000
Restricted shares purchased by the Company.....	(576,558)	(6,000)
Restricted shares forfeited.....	(25,000)	--
Balance at end of year.....	2,805,519	35,000
Consisting of:		
Options issued but not exercisable.....	772,500	--
Options issued and exercisable.....	103,817	--
Restricted shares issued with restrictions in force.....	795,022	23,000
Restricted shares issued with restrictions removed.....	1,134,180	12,000
	2,805,519	35,000

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The excess of market value over \$.10 per share of LTIP and NEDRSP restricted shares on respective dates of grant is recorded as unamortized restricted stock award compensation, a separate component of stockholders' equity. Restricted shares and other stock compensation charged (credited) to selling, general and administrative expense for the twelve months ended October 31, 1994, 1993 and 1992 was approximately \$55,000, \$1,084,000 and (\$33,000), respectively.

PRIOR STOCK OPTION PLANS

Prior to the September 15, 1988 implementation of the LTIP, the Company had two stock option plans (the 'Stock Option Plans'). With the adoption of the LTIP, all authorized but unallocated options under the Stock Option Plans (options for approximately 430,500 shares of the Company's common stock) were transferred to the LTIP. No further grants are allowed from the Stock Option Plans, although previously existing grants remained in effect.

Transactions in the Company's common stock during each of the three years ended October 31, 1994 in connection with the Stock Option Plans are summarized below:

	NUMBER OF SHARES	OPTION PRICE PER SHARE
1994		
Outstanding and exercisable at beginning of year.....	29,150	\$16.13-\$19.75
Expired or canceled.....	(6,200)	\$16.13-\$19.75
Outstanding and exercisable at end of year.....	22,950	\$16.13-\$19.75
1993		
Outstanding and exercisable at beginning of year.....	40,238	\$16.13-\$19.75
Expired or canceled.....	(11,088)	\$16.13-\$19.75
Outstanding and exercisable at end of year.....	29,150	\$16.13-\$19.75

Outstanding and exercisable at beginning of year.....	48,493	\$ 5.33-\$19.75
Expired or canceled.....	(8,255)	\$ 5.33-\$16.13

Outstanding and exercisable at end of year.....	40,238	\$16.13-\$19.75

NOTE 11. EMPLOYEE BENEFITS

THE COMPANY'S RETIREMENT INCOME PLAN

The Company adopted The Cooper Companies, Inc. Retirement Income Plan (the 'Retirement Plan') in December 1983. The Retirement Plan is a non-contributory pension plan covering substantially all full-time United States employees of CVI, CVP and the Company's Corporate Headquarters. The Company's customary contributions are designed to fund normal cost on a current basis and to fund over thirty years the estimated prior service cost of benefit improvements (fifteen years for annual gains and losses). The unit credit actuarial cost method is used to determine the annual cost. The Company pays the entire cost of the Retirement Plan and funds such costs as they accrue. Retirement costs applicable to continuing and discontinued operations of the Company for the years ended October 31, 1994, 1993 and 1992 were approximately \$123,000, \$181,000 and \$265,000, respectively. Virtually all of the assets of the Retirement Plan are comprised of participations in equity and fixed income funds.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Based on the latest actuarial information available, the following tables set forth the net periodic pension costs, funded status and amounts recognized in the Company's consolidated financial statements for the Retirement Plan:

NET PERIODIC PENSION COST

	YEAR ENDED OCTOBER 31,		
	1994	1993	1992
	-----	-----	-----
	(IN THOUSANDS)		
Service cost.....	\$ 173	\$ 180	\$ 187
Interest cost.....	479	453	426
Actual return on assets.....	(531)	(628)	(364)
Net amortization and deferral.....	2	176	16
	-----	-----	-----
Net periodic pension cost.....	\$ 123	\$ 181	\$ 265
	-----	-----	-----

SCHEDULE RECONCILING THE FUNDED STATUS OF THE PLAN
WITH PROJECTED AMOUNTS FOR THE FINANCIAL STATEMENTS

	1994	1993
	-----	-----
Assumptions:		
Discount rate on plan liabilities.....	8.0%	8.0%
Long-range rate of return on plan assets.....	9.0%	9.0%
Salary increase rate.....	6.0%	6.0%
Average remaining service.....	15.27 years	15.22 years

	OCTOBER 31,	
	1994	1993
	-----	-----
	(IN THOUSANDS)	
Vested benefit obligation.....	\$5,861	\$5,592

Non-vested benefit obligation.....	84	48
Accumulated benefit obligation.....	5,945	5,640
Effect of projected earnings levels.....	546	532
Projected benefit obligation.....	6,491	6,172
Fair value of plan assets.....	5,828	5,993
Projected benefit obligation in excess of assets.....	663	179
Add (Deduct):		
Unrecognized net gain.....	379	926
Prior service cost remaining to be amortized, including unrecognized net assets.....	(465)	(490)
Pension liability recognized.....	\$ 577	\$ 615

THE COMPANY'S 401(k) SAVINGS PLAN

The Company's 401(k) Plan provides for the deferral of compensation as described in the Internal Revenue Code, and is available to substantially all full-time United States employees of the Company. United States resident employees of the Company who participate in the 401(k) Plan may elect to have from 2% to 10% of their pre-tax salary or wages, but not more than \$5,000 (for highly compensated employees) for the calendar year ended December 31, 1994, deferred and contributed to the trust established under the 401(k) Plan. The Company's contribution to the 401(k) Plan on account of the

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Company's participating employees, net of forfeiture credits, was \$80,000, \$90,000 and \$72,000 for the years ended October 31, 1994, 1993 and 1992, respectively.

THE COMPANY'S INCENTIVE PAYMENT PLAN

The Company's Incentive Payment Plan ('IPP') is available to officers and other key executives. Participants may, in certain years, receive bonuses based on Company and subsidiary performance. Total payments earned for the years ended October 31, 1994, 1993 and 1992, were approximately \$1,296,000, \$439,000 and \$456,000, respectively. The Board of Directors of the Company also approved discretionary bonuses outside of the IPP for the years ended October 31, 1993 and October 31, 1992 of approximately \$124,000 and \$343,000, respectively.

THE COMPANY'S TURN-AROUND INCENTIVE PLAN

The Company's Turn-Around Incentive Plan ('TIP') was adopted by the Compensation Committee of the Board and the 1988 Long Term Incentive Plan Administrative Committee of the Board on May 18, 1993. The TIP was adopted, upon the recommendation of the Company's independent compensation consultants, to recognize the special efforts of certain individuals in guiding the Company through a resolution of its difficulties arising from its then current capital structure and its former ownership of companies that manufactured and distributed breast implants.

The TIP provided for awards in varying amounts to be made to designated participants. Before any awards could become payable, however, the Company had to significantly reduce its liabilities relating to the former breast implant business to levels approved by the Board of Directors, which condition was satisfied when the MEC Agreement became final on January 6, 1994 (see Note 14). Upon satisfaction of such condition, one-third of the award was payable when the average per share price of the Company's common stock over a period of thirty days equaled or exceeded \$1.50 per share. That occurred on May 25, 1994, and participants in the TIP were, therefore, awarded one-third of the total award for which they were eligible under the TIP. The payments were made in cash (\$246,667) and by means of the issuance of 297,778 shares of restricted stock under the Company's 1988 Long Term Incentive Plan. That stock generally will remain restricted and non-transferable for a period of two years. The remaining two-thirds of the allocated TIP awards will be payable at such time as the 30-day average of the price of the Company's common stock equals or exceeds \$3.00 per share. The maximum value of the awards that could be made (whether paid in stock or cash), assuming both targets are satisfied, is \$2,250,000.

NOTE 12. LEASE AND OTHER COMMITMENTS

Total minimum annual rental obligations under noncancelable operating leases (substantially all real property and equipment) in force at October 31, 1994 are payable in subsequent years as follows:

(IN THOUSANDS)

1995.....	\$2,018
1996.....	1,257
1997.....	774
1998.....	482
1999.....	384
2000 and thereafter.....	2,222

	\$7,137

Aggregate rental expense for both cancelable and noncancelable contracts amounted to \$2,438,000, \$2,105,000 and \$2,828,000 in 1994, 1993 and 1992, respectively.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The \$9,000,000 liability recorded for payments to be made to MEC under the MEC Agreement (see Note 3) will become due as follows:

DECEMBER 31,

1994.....	\$1,250,000
1995.....	1,500,000
1996.....	1,750,000
1997.....	2,000,000
1998.....	2,500,000

	\$9,000,000

Additional payments to be made to MEC beginning December 31, 1999 are contingent upon the Company's earning net income before taxes in each fiscal year, and are, therefore, not recorded in the Company's financial statements. Such payments are limited to the smaller of 50% of the Company's net income before taxes in each such fiscal year on a noncumulative basis or the amounts shown below:

DECEMBER 31,

1999.....	\$3,000,000
2000.....	\$3,500,000
2001.....	\$4,000,000
2002.....	\$4,500,000
2003.....	\$3,000,000

Under the terms of a supply agreement most recently modified in 1993, the Company agreed to purchase by December 31, 1997, certain contact lenses from a British manufacturer, Pilkington plc with an aggregate cost of approximately \$4,063,000. Approximately \$400,000, \$213,000, \$7,000 was purchased under the terms of the supply agreement in fiscal years 1994, 1993 and 1992, respectively. As of December 31, 1994, there remained a commitment of approximately \$3,381,000.

WARRANTS

In connection with agreements to extend the due date on certain of the Company's outstanding debt in 1988, the Company issued warrants to a group of its lenders. Warrants to purchase 658,950 shares of the Company's common stock vested in December 1988 and currently have an expiration date of December 29, 1995. All other warrants related to the agreements expired.

The terms of the warrants provide that the exercise price is to be reset every six months to the lower of the then current exercise price or 80% of the market value as defined in the warrant agreement. As of January 12, 1994, the most recent reset date, the exercise price was \$.37 per share.

The Company issued a warrant to Foothill Capital Corporation ('Foothill') to purchase 80,000 shares of the Company's common stock at \$1.875 per share in

connection with the loan and security agreement among Foothill, CVI, and CooperVision Canada. The warrant becomes exercisable on September 21, 1997 and expires on May 26, 1999. Both the number of shares under the warrant and the exercise price per share are adjustable under certain circumstances to avoid dilution.

NOTE 13. RELATIONSHIPS AND TRANSACTIONS BETWEEN THE COMPANY, CLS, COOPER DEVELOPMENT COMPANY (CDC') AND THE COOPER LABORATORIES, INC. STOCKHOLDERS' LIQUIDATING TRUST (THE TRUST')

ADMINISTRATIVE SERVICES

Pursuant to separate agreements between the Company and CDC, CLS and the Trust, which was formed in connection with the liquidation of the Company's former parent, Cooper Laboratories, Inc., the Company provided certain administrative services to CDC, CLS and the Trust, including the

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

services of the Company's treasury, legal, tax, data processing, corporate development, investor relations and accounting staff. Expenses were charged on the basis of specific utilization or allocated based on personnel, space, percent of assets used or other appropriate bases. The agreements relating to the provision of administrative services to CDC and CLS terminated on September 17, 1988. The Company has not performed any services for CDC and CLS since September 17, 1988, other than historic tax services pursuant to the Trust. Combined corporate administrative expenses charged to the Trust by the Company were \$213,000 in 1992 and \$560,000 in 1991. On July 9, 1992, the Trust filed a petition in Bankruptcy under Chapter 7 of the Bankruptcy Code; and, effective July 31, 1992, the Company ceased providing services to the Trust. The Company has asserted a claim for approximately \$750,000 in the Trust's bankruptcy proceedings, primarily representing unpaid administrative service fees and expenses and legal fees advanced by the Company on behalf of the Trust.

AGREEMENTS WITH CLS

On October 21, 1988, the Company and CLS entered into a settlement agreement (the '1988 CLS Settlement Agreement') pursuant to which certain claims between the two corporations were settled. Among other things, the 1988 CLS Settlement Agreement provided that (a) the discovery period under the directors and officers liability insurance policy issued by the Company covering directors and officers of CLS would be extended pursuant to an option contained in the insurance policy (see 'Liability Insurance' below), (b) CLS would indemnify the Company for certain claims made by a former consultant to the Company, (c) CLS would have no further liability to the Company with respect to the termination of the contract pursuant to which the Company had agreed to purchase ophthalmic laser systems from CLS, (d) CLS would pay the Company \$2,750,000 and (e) CLS, in its capacity as a holder of the Company's Senior Exchangeable Redeemable Restricted Voting Preferred Stock (the 'SERPS'), would consent to the Company's proposed sales of its CTI business and its Cooper Surgical business and to the proposed deletion of the mandatory redemption provision of the SERPS. The 1988 CLS Settlement Agreement did not allocate the \$2,750,000 settlement amount among the various items contained therein. The \$2,750,000 was paid in full by CLS in December 1988.

On November 27, 1989, the Company and CLS entered into another separate settlement agreement (the '1989 CLS Settlement Agreement'). Pursuant to the 1989 CLS Settlement Agreement, among other things, the Company and CLS (i) entered into a mutual standstill arrangement precluding each party from acquiring each other's common stock and precluding CLS from acquiring additional shares of the SERPS, (ii) dismissed most of the outstanding litigations among the Company and CLS, (iii) reaffirmed the Company's obligation to register the SERPS, and (iv) obtained the consent of CLS, as a holder of outstanding SERPS, to any future sale of all or any portion of the Company's remaining contact lens business, subject to the receipt of a fairness opinion and following a 90-day period (since expired) in which the Company would negotiate the sale of the business exclusively with CLS and CDC.

On June 12, 1992, the Company consummated a transaction with CLS, which eliminated approximately 80% of the SERPS (the '1992 CLS Transaction'). Pursuant to an Exchange Agreement between the Company and CLS dated as of June 12, 1992 (the '1992 Exchange Agreement'), the Company acquired from CLS 488,004 shares of the SERPS owned by CLS, and all of CLS's right to receive, by way of dividends pursuant to the terms of the SERPS, an additional 11,996 shares of SERPS (such 11,996 shares together with the 488,004 shares being referred to collectively as the SERPS) in exchange for 4,850,000 newly issued shares of the Company common stock (the 'Company Shares'). In addition, the Company purchased 200,000 unregistered shares of CLS common stock (the 'CLS Shares'), for a purchase price of \$1,500,000 in cash and entered into a settlement agreement with CLS dated as of June 12, 1992 (the '1992 Settlement Agreement'), with respect to certain litigation and administrative proceedings in which the Company and CLS were involved. Pursuant to the 1992 Settlement Agreement, CLS, among other things, released its claim against the Company for unliquidated damages arising from the Company's failure to register the SERPS, in return for the Company's payment of \$500,000, the reimbursement of certain legal fees and expenses in the amount of

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

\$650,000 incurred by CLS in connection with certain litigation and administrative proceedings, and the payment of \$709,000 owed by the Company to CLS pursuant to tax sharing agreements between them. The Company also agreed to reimburse CLS for up to \$250,000 of legal and other fees and expenses incurred by CLS in connection with the 1992 CLS Transaction and, if requested by CLS, to use its reasonable best efforts to cause the election to the Company's Board of Directors of one or two designees of CLS, reasonably acceptable to the Company (the number of designees depending, respectively, on whether CLS owns more than 1,000,000 but less than 2,400,000 shares, or more than 2,400,000 shares of the Company's common stock).

As part of the 1992 CLS Transaction, pursuant to Registration Rights Agreements, dated as of June 12, 1992, each between the Company and CLS (the 'Registration Rights Agreements'), the Company and CLS each agreed to use its reasonable best efforts to register, respectively, the Company Shares and the CLS Shares. On July 27, 1992, the Company filed with the Securities and Exchange Commission a registration statement for the Company Shares which became effective November 20, 1992. If a registration statement covering the Company Shares had not been declared effective within 180 days following June 12, 1992, the Company had agreed to pay \$1,250,000 in cash (an amount equal to the value of 'pay-in-kind' dividends it would have accrued on the SERPS but for the exchange). CLS has agreed that if CLS had not registered the CLS Shares within 17 months from the closing date, the Company could require CLS to repurchase the CLS Shares, at the Company's cost of \$1,500,000, by either, at CLS's option, (a) payment of cash, (b) delivery of shares of Senior Preferred Stock, valued at \$39 per share, or (c) delivery of shares of the Company's common stock, valued at \$3 per share. The CLS shares were delivered to CLS as part of the 1993 CLS Settlement Agreement (as defined and described below).

On June 14, 1993, the Company acquired from CLS all of the remaining outstanding SERPS of the Company, having an aggregate liquidation preference of \$16,060,000, together with all rights to any dividends or distributions thereon, in exchange for shares of Series B Preferred Stock having an aggregate liquidation preference of \$3,450,000 and a par value of \$.10 per share (the '1993 Exchange Agreement'). Such shares, and any shares of Series B Preferred Stock issued as dividends, were convertible into one share of common stock of the Company for each \$1.00 of liquidation preference, subject to customary antidilution adjustments.

The Company also had the right to compel conversion of Series B Preferred Stock at any time after the market price of the common stock on its principal trading market averaged at least \$1.375 for 90 consecutive calendar days and closed at not less than \$1.375 on at least 80% of the trading days during such period. On September 26, 1994, the Company's common stock met the above requirements, and the Series B Preferred Stock was converted into 3,450,000 shares of the Company's common stock.

No dividends accrued on the Series B Preferred Stock through June 14, 1994. Subsequently, dividends accrued and were paid in cash, at the rate of 9% (of liquidation preference) per annum, through the date of conversion.

The Company and CLS also entered into a Registration Rights Agreement, dated June 14, 1993, providing for the registration under the Securities Act of the shares of common stock issued upon such conversion of any of the Series B Preferred Stock and any of the 4,850,000 shares of common stock currently owned by CLS which have not been sold prior thereto.

On June 14, 1993, the Board of Directors amended the Rights Agreement dated as of October 29, 1987, between the Company and The First National Bank of Boston, as Rights Agent, so that CLS and its affiliates and associates as of the amendment date would not be Acquiring Persons thereunder as a result of CLS's beneficial ownership of more than 20% of the outstanding common stock of the Company by reason of its ownership of Series B Preferred Stock or common stock issued upon conversion thereof. (See Note 5.)

CLS obtained 4,850,000 shares of the Company's common stock pursuant to the 1992 Exchange Agreement described above. In Amendment No. 1 to its Schedule 13D, filed with the SEC on

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November 12, 1992, CLS disclosed that 'in light of the recent public disclosures relating to the Company and the recent significant decline in the public trading price of the common stock, CLS is presently considering various courses of action which it may determine to be necessary or appropriate in order to maintain and restore the value of the common stock. Included among the actions which CLS is considering pursuing are the initiation of litigation against the Company and the replacement of management and at least a majority of the members

of the Board of Directors of the Company.'

On June 14, 1993, in order to resolve all disputes with CLS, the Company and CLS entered into a Settlement Agreement (the '1993 Settlement Agreement'), pursuant to which CLS delivered a general release of claims against the Company, subject to exceptions for specified ongoing contractual obligations, and agreed to certain restrictions on its voting and transfer of securities of the Company, in exchange for the Company's payment of \$4,000,000 in cash and delivery of 200,000 shares of common stock of CLS owned by the Company and a general release of claims against CLS, subject to similar exceptions. The cash paid and fair value of CLS shares returned have been charged to the Company's statement of operations as settlement of disputes. (See Note 6.)

Pursuant to the 1993 Settlement Agreement, the Company agreed to nominate, and to vote all of its shares of common stock of the Company in favor of the election of, a Board of Directors of the Company consisting of eight members, up to three of whom will, at CLS's request, be designated by CLS (such designees to be officers or more than 5% stockholders of CLS as of June 14, 1993 or otherwise be reasonably acceptable to the Company). The number of CLS designees will decline as CLS's ownership of common stock declines. A majority of the Board members (other than CLS designees) are to be individuals who are not officers or employees of the Company. Pursuant to the Settlement Agreement, CLS designated, and on August 10, 1993 the Board of Directors elected, one person to serve as a director of the Company until the 1993 Annual Meeting. CLS also designated that individual along with two other people as its three designees to the eight-member Board of Directors that was elected at the 1993 Annual Meeting. Each of those three CLS designees was reelected to the Board at the 1994 Annual Meeting.

CLS also agreed in the 1993 Settlement Agreement not to acquire any additional securities of the Company and to certain limitations on its transfer of securities of the Company. In addition, CLS agreed, among other things, not to seek control of the Company or the Board or otherwise take any action contrary to the 1993 CLS Settlement Agreement. CLS is free, however, to vote all voting securities owned by it as it deems appropriate on any matter before the Company's stockholders.

The agreements with respect to Board representation and voting, and the restrictions on CLS's acquisition and transfer of securities of the Company, were to terminate on June 14, 1995, or earlier if CLS beneficially owned less than 1,000,000 shares of common stock (including as owned the common stock into which shares of Series B Preferred Stock owned by CLS were converted). The agreements were to be extended if the market price of the common stock increased to specified levels prior to each of June 12, 1995, and June 12, 1996, or if the Company agreed to nominate one CLS designee, who was independent of CLS and reasonably acceptable to the Company, in addition to that number of designees to which CLS was then entitled on each such date, which would have resulted in such agreements continuing through October 31, 1996, and CLS having up to five designees on the Board (which would then have a total of ten members, or eleven members if a new chairman or chief executive officer was then serving on the Board). In January 1995, in connection with the further amendment to the Rights Agreement (see Note 5), the Company and CLS amended the 1993 Settlement Agreement to provide that the provisions relating to CLS representation on the Company's Board, CLS's obligations with respect to voting its securities of the Company and the restrictions on CLS's acquisition and transfer of securities of the Company, will now end on the earlier of (i) the first date on which CLS beneficially owns fewer than 1,000,000 shares of the Company's outstanding common stock or (ii) October 31, 1996, or if any person (other than two specified individuals) becomes the beneficial owner of 20% or more of the outstanding shares of common stock of CLS, April 30, 1997.

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Following termination of the 1993 Settlement Agreement and through June 12, 2002, CLS will continue to have the contractual right that it had pursuant to the 1992 CLS Settlement Agreement to designate two directors of the Company, so long as CLS continues to own at least 2,400,000 shares of common stock, or one director, so long as it continues to own at least 1,000,000 shares of common stock.

OTHER

CLS was formerly an 89.5% owned subsidiary of the Company's former parent, Cooper Laboratories, Inc. ('Labs').

On June 14, 1993, CLS acquired 345 shares of Series B Preferred Stock which were convertible into 3,450,000 shares of common stock. Those shares were converted on September 26, 1994 and according to a report on beneficial ownership on Form 4 dated October 9, 1994 filed by CLS with the SEC, as of September 30, 1994, CLS owned 7,467,000 shares (or approximately 22%) of common stock of the Company.

Two members of the Company's Board of Directors are also officers of CLS. Mel Schnell, President and Director of CLS, and Steven Rosenberg, Vice President and Chief Financial Officer of CLS, each owns 5,000 shares of the Company's

common stock, obtained through the NEDRSP. (See Note 10.)

NOTE 14. BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION

The Company's operations are attributable to four business segments:

HGA, which provides healthcare services through the ownership and operation of certain psychiatric facilities, and the management of other such facilities,

CVI, which develops, manufactures and markets a range of contact lenses in the United States and Canada,

CVP, a development stage business, which develops proprietary ophthalmic pharmaceuticals, and

CSI, which develops, manufactures and distributes diagnostic and surgical instruments and disposables, primarily for gynecology.

Total revenues by business segment represents service and sales revenue as reported in the Company's statement of consolidated operations. Total net sales revenue by geographic area includes intercompany sales which are generally priced at terms that allow for a reasonable profit for the seller. Operating income (loss) is total revenue less cost of products sold (or services provided, in the case of HGA revenues), research and development expenses, selling, general and administrative expenses, costs of restructuring and amortization of intangible assets. Corporate operating loss is principally corporate headquarters expense. Investment income, net, settlement of disputes, debt restructuring costs, gain on sales of assets and businesses, net, other income (expense), net, and interest expense were not allocated to individual businesses or geographic segments.

Identifiable assets are those assets used in continuing operations (exclusive of cash and cash equivalents) or which are allocated thereto when used jointly. Corporate assets include cash and cash equivalents and temporary investments.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Information by business segment for each of the years in the three-year period ended October 31, follows:

1994	HGA	CVI	CVP	CSI	CORPORATE & ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS)						
Revenue from non-affiliates.....	\$44,611	\$37,793	\$ 394	\$12,847	\$ --	\$ 95,645
Operating income (loss).....	\$ 3,321	\$11,963	\$(3,063)	\$ (932)	\$(10,866)	\$ 423
Investment income (loss), net.....						(153)
Settlement of disputes.....						(4,950)
Debt restructuring costs.....						(340)
Gain on sale of assets and businesses, net.....						214
Other income (expense), net.....						42
Interest expense.....						(4,533)
Loss from continuing operations before income taxes and extraordinary items.....						(9,297)
Identifiable assets.....	\$50,522	\$22,814	\$ 442	\$ 9,289	\$ 11,991	\$ 95,058
Depreciation expense.....	\$ 1,387	\$ 1,025	\$ 36	\$ 339	\$ 83	\$ 2,870
Amortization expense.....	\$ 205	\$ 448	\$ 22	\$ 302	\$ --	\$ 977
Capital expenditures.....	\$ 338	\$ 524	\$ 12	\$ 58	\$ 6	\$ 938

1993	HGA	CVI	CVP	CSI	CORPORATE & ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS)						

Revenue from non-affiliates.....	\$45,283	\$32,120	\$ 570	\$14,679	\$ --	\$ 92,652
Operating income (loss).....	\$ 2,124	\$ 7,842	\$ (2,045)	\$ (3,407)	\$ (25,968)	\$ (21,454)
Investment income, net.....						1,615
Settlement of disputes.....						(6,350)
Debt restructuring costs.....						(2,131)
Gain on sales of assets and businesses, net.....						620
Other income (expense), net.....						174
Interest expense.....						(6,129)
Loss from continuing operations before income taxes and extraordinary items.....						\$ (33,655)
Identifiable assets.....	\$48,434	\$24,339	\$ 833	\$12,133	\$ 23,785	\$109,524
Depreciation expense.....	\$ 1,324	\$ 807	\$ 46	\$ 343	\$ 104	\$ 2,624
Amortization expense.....	\$ 205	\$ 187	\$ 90	\$ 290	\$ --	\$ 772
Capital expenditures.....	\$ 774	\$ 398	\$ 91	\$ 305	\$ 181	\$ 1,749

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1992	HGA (1)	CVI	CVP	CSI	CORPORATE & ELIMINATIONS	CONSOLIDATED
(IN THOUSANDS)						
Revenue from non-affiliates.....	\$19,406	\$27,817	\$ 46	\$16,010	\$ --	\$ 63,279
Operating income (loss).....	\$ 1,967	\$ 3,772	\$ (1,652)	\$ (2,909)	\$ (22,097)	\$ (20,919)
Investment income, net.....						14,254
Settlement of disputes.....						(4,498)
Gain on sales of assets and businesses, net.....						1,030
Other income (expense), net.....						772
Interest expense.....						(6,697)
Loss from continuing operations before income taxes and extraordinary items.....						\$ (16,058)
Identifiable assets.....	\$56,707	\$21,245	\$ 410	\$10,974	\$ 83,671	\$173,007
Depreciation expense.....	\$ 546	\$ 540	\$ 4	\$ 189	\$ 258	\$ 1,537
Amortization expense.....	\$ 86	\$ 202	\$ 22	\$ 308	\$ 124	\$ 742
Capital expenditures.....	\$ 101	\$ 498	\$ 45	\$ 555	\$ 3,211 (2)	\$ 4,410

(1) Results from May 29, 1992.

(2) Includes \$3,149,000 for two real estate investments made by Cooper Real Estate Group.

Information by geographic area for each of the years in the three year period ended October 31, follows:

1994	UNITED STATES	EUROPE	CANADA	OTHER	ELIMINATIONS AND CORPORATE	CONSOLIDATED
(IN THOUSANDS)						

Revenue from non-affiliates.....	\$84,871	\$ 946	\$7,406	\$2,422	\$ --	\$ 95,645
Sales between geographic areas.....	3,859	--	--	--	(3,859)	--
Net operating revenue.....	\$88,730	\$ 946	\$7,406	\$2,422	\$ (3,859)	\$ 95,645
Operating income (loss).....	\$10,939	\$ 12	\$ 168	\$ 170	\$ (10,866)	\$ 423
Identifiable assets.....	\$80,084	\$ 603	\$3,560	\$ --	\$ 10,811	\$ 95,058

1993

Revenue from non-affiliates.....	\$83,189	\$ 795	\$7,131	\$1,537	\$ --	\$ 92,652
Sales between geographic areas.....	4,593	--	--	--	(4,593)	--
Net operating revenue.....	\$87,782	\$ 795	\$7,131	\$1,537	\$ (4,593)	\$ 92,652
Operating income (loss).....	\$ 4,161	\$ (72)	\$ 561	\$ (136)	\$ (25,968)	\$ (21,454)
Identifiable assets.....	\$85,962	\$ 832	\$3,059	\$ --	\$ 19,671	\$109,524

1992

Revenue from non-affiliates.....	\$54,036	\$ 648	\$7,316	\$1,279	\$ --	\$ 63,279
Sales between geographic areas.....	2,872	--	--	--	(2,872)	--
Net operating revenue.....	\$56,908	\$ 648	\$7,316	\$1,279	\$ (2,872)	\$ 63,279
Operating income(loss).....	\$ 480	\$ (45)	\$ 826	\$ (146)	\$ (22,034)	\$ (20,919)
Identifiable assets.....	\$84,997	\$1,613	\$4,339	\$1,152	\$ 80,906	\$173,007

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NOTE 15. QUARTERLY FINANCIAL DATA (UNAUDITED)

1994	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
(IN THOUSANDS, EXCEPT PER SHARE FIGURES)				
Net operating revenue.....	\$22,907	\$ 24,455	\$ 23,901	\$ 24,382
Income (loss) applicable to common stock from continuing operations.....	(5,150)	(3,850)	3,000	1,214
Net income (loss) applicable to common stock.....	\$ (5,150)	\$ (3,850)	\$ 3,000	\$ 1,214
Net income (loss) per common share*: Continuing operations.....	\$ (.17)	\$ (.13)	\$.09	\$.04
Net income (loss) per common share.....	\$ (.17)	\$ (.13)	\$.09	\$.04
Common Stock price range:				
High.....	\$ 0.750	\$ 1.250	\$ 1.875	\$ 3.500
Low.....	\$ 0.500	\$ 0.4688	\$ 1.000	\$ 1.625
1993				
Net operating revenue.....	\$22,360	\$ 23,659	\$ 24,495	\$ 22,138
Loss applicable to common stock from continuing operations.....	(2,844)	(6,343)	(13,705)	(11,500)
Loss on disposition of discontinued operations.....	--	(13,657)	--	--
Extraordinary items.....	924	--	--	--
Loss applicable to common stock.....	\$ (1,920)	\$ (20,000)	\$ (13,705)	\$ (11,500)

Net income (loss) per common share*:				
Continuing operations.....	\$ (.09)	\$ (.22)	\$ (.46)	\$ (.38)
Loss on disposition of discontinued operations.....	--	(.45)	--	--
Extraordinary items.....	.03	--	--	--
	-----	-----	-----	-----
Net loss per common share*.....	\$ (.06)	\$ (.67)	\$ (.46)	\$ (.38)
	-----	-----	-----	-----
Common Stock price range:				
High.....	\$ 1.375	\$ 1.125	\$ 0.750	\$ 0.500
Low.....	\$ 0.875	\$ 0.406	\$ 0.344	\$ 0.344

* The sum of income (loss) per common share for the four quarters is different from the full year net income (loss) per common share as a result of computing the quarterly and full year amounts on weighted average number of common shares outstanding in the respective periods.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----	-----	-----	-----
	(IN THOUSANDS)			
Included in the 1994 quarters are the following items:				
Investment income (loss), net.....	\$ (351)	\$ (129)	\$ 209	\$ 118
Interest expense.....	(1,402)	(1,024)	(1,042)	(1,065)
Settlement of disputes.....	(1,950)	(2,000)	(1,000)	--
Gain on sales of assets and businesses, net.....	214	--	--	--
Dividend requirements on Senior Preferred Stock.....	--	--	(54)	(35)
Tax reserve adjustment.....	--	--	4,000	1,000
All other components of net income (loss).....	(1,661)	(697)	887	1,196
	-----	-----	-----	-----
Net income (loss) applicable to common stock.....	\$ (5,150)	\$ (3,850)	\$ 3,000	\$ 1,214
	-----	-----	-----	-----
Included in the 1993 quarters are the following items:				
Investment income (loss), net.....	\$ 3,677	\$ (249)	\$ (199)	\$ (1,614)
Interest expense.....	(1,634)	(1,536)	(1,430)	(1,529)
Settlement of disputes.....	--	--	(4,850)	(1,500)
Debt restructuring costs.....	--	--	--	(2,131)
Cost of restructuring operations.....	--	(451)	--	--
Gain on sales of assets and businesses, net.....	--	620	--	--
Discontinued operations.....	--	(13,657)	--	--
Extraordinary items.....	924	--	--	--
Dividend requirements on Senior Preferred Stock.....	(160)	(160)	--	--
All other components of net loss.....	(4,727)	(4,567)	(7,226)	(4,726)
	-----	-----	-----	-----
Loss applicable to common stock.....	\$ (1,920)	\$ (20,000)	\$ (13,705)	\$ (11,500)
	-----	-----	-----	-----

At December 31, 1994 and 1993 there were 4,495 and 4,550 common stockholders of record, respectively.

NOTE 16. LEGAL PROCEEDINGS

The Company is a defendant in a number of legal actions relating to its past or present businesses in which plaintiffs are seeking damages. In the opinion of management, after consultation with counsel, the ultimate disposition of those actions will not materially affect the Company's financial position.

On November 10, 1992, the Company was charged in an indictment (the 'Indictment'), filed in the United States District Court for the Southern District of New York, with violating federal criminal laws relating to a 'trading scheme' by Gary A. Singer, a former Co-Chairman of the Company (who went on a leave of absence on May 28, 1992, begun at the Company's request, and who subsequently resigned on January 20, 1994), and others, including G. Albert Griggs, Jr., a former analyst of The Keystone Group, Inc., and John D. Collins II, to 'frontrun' high yield bond purchases by the Keystone Custodial Funds, Inc., a group of mutual funds. The Company was named as a defendant in 10 counts. Gary Singer was named as a defendant in 24 counts, including violations of the Racketeer Influenced and Corrupt Organizations Act and the mail and wire fraud statutes (including defrauding the Company by virtue of the 'trading scheme,' by, among other things, transferring profits on trades on DR Holdings, Inc. 15.5% bonds (the 'DR Holdings Bonds') from the Company to members of his family during fiscal 1991), money laundering, conspiracy, and aiding and abetting violations of the Investment Advisers Act of 1940, as amended (the 'Investment Advisers Act'), by an investment advisor. On January 13, 1994, the Company was found guilty on six counts of mail fraud and one count of wire fraud

based upon Mr. Singer's conduct, but was acquitted of charges of conspiracy and aiding and abetting violations of the Investment Advisers Act. Mr. Singer was found guilty on 21 counts. One count against Mr. Singer and the Company was dismissed at trial and two counts against Mr. Singer relating to forfeiture penalties were resolved by stipulation between the government and Mr. Singer. Mr. Singer's attorney has advised

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the Company that Mr. Singer intends to appeal his conviction. Although the Company may be obliged under its Certificate of Incorporation to advance the costs of such appeal, the Company and Mr. Singer have agreed that Mr. Singer will not request such advances, but that he will reserve his rights to indemnification in the event of a successful appeal. The Company was sentenced on July 15, 1994, at which time it was ordered to make restitution to Keystone Custodian Funds, Inc. of \$1,310,166 within 30 days of such date. Such restitution has been made. In addition, the Company was ordered to pay a non-interest bearing fine over the next three years in the amount of \$1,831,568.

On November 10, 1992, the SEC filed a civil Complaint for Permanent Injunction and Other Equitable Relief (the 'SEC Complaint') in the United States District Court for the Southern District of New York against the Company, Gary A. Singer (a former Co-Chairman of the Board of the Company), Steven G. Singer (the Company's former Executive Vice President and Chief Operating Officer and Gary Singer's brother), and, as relief defendants, certain persons related to Gary and Steven Singer and certain entities in which they and/or those related persons have an interest. The SEC Complaint alleged that the Company and Gary and Steven Singer violated various provisions of the Securities Exchange Act of 1934, as amended (the 'Securities Exchange Act'), including certain of its antifraud and periodic reporting provisions, and aided and abetted violations of the Investment Company Act, and the Investment Advisers Act, in connection with a 'trading scheme' to 'frontrun' high yield bond purchases by the Keystone Custodian Funds, Inc., a group of mutual funds. The SEC Complaint further alleged, among other things, federal securities law violations (i) by the Company and Gary Singer in connection with an alleged manipulation of the trading price of the Company's 10 5/8% Convertible Subordinated Reset Debentures due 2005 (the 'Debentures') to avoid an interest rate reset allegedly required on June 15, 1991 under the terms of the Indenture governing the Debentures, (ii) by Gary Singer in allegedly transferring profits on trades of high yield bonds from the Company to members of his family and failing to disclose such transactions to the Company and (iii) by the Company in failing to disclose publicly on a timely basis such transactions by Gary Singer. The SEC Complaint asked that the Company and Gary and Steven Singer be enjoined permanently from violating the antifraud, periodic reporting and other provisions of the federal securities laws, that they disgorge the amounts of the alleged profits received by them pursuant to the alleged frauds (stated in the SEC's Litigation Release No. 13432 announcing the filing of the SEC Complaint as being \$1,296,406, \$2,323,180 and \$174,705, respectively), plus interest, and that they each pay appropriate civil monetary penalties. The SEC Complaint also sought orders permanently prohibiting Gary and Steven Singer from serving as officers or directors of any public company and disgorgement from certain Singer family members and entities of amounts representing the alleged profits received by such defendants pursuant to the alleged frauds. On December 20, 1994, a Final Judgment (on Consent) of Permanent Injunction and Other Relief was entered settling the SEC Complaint with respect to the Company. The principal terms of the settlement involve the Company's agreement to permanent injunctions against violation of Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) and 14(a) of the Securities Exchange Act from aiding and abetting violations of Section 204 of the Investment Advisers Act of 1940, and from employing Gary Singer, Steven Singer and/or any of their relatives. The Company agreed to the disgorgement of \$1,621,474 and the payment of a civil penalty of \$1,150,000. The Company had already disgorged \$1,310,166 in connection with the sentence imposed in a related criminal action involving the 'frontrunning' arrangement; the balance of the disgorgement was paid in January 1995. The civil penalty imposed by the SEC is offset by the larger fine to which the Company was sentenced in the criminal action.

The Company is named as a nominal defendant in a shareholder derivative action entitled Harry Lewis and Gary Goldberg v. Gary A. Singer, Steven G. Singer, Arthur C. Bass, Joseph C. Feghali, Warren J. Keegan, Robert S. Holcombe and Robert S. Weiss, which was filed on May 27, 1992 in the Court of Chancery, State of Delaware, New Castle County. On May 29, 1992, another plaintiff, Alfred Schecter, separately filed a derivative complaint in Delaware Chancery Court that was essentially identical to the Lewis and Goldberg complaint. Lewis and Goldberg later amended their complaint, and the Delaware

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Chancery Court thereafter consolidated the Lewis and Goldberg and Schecter actions as In re The Cooper Companies, Inc. Litigation, Consolidated C.A. 12584, and designated Lewis and Goldberg's amended complaint as the operative complaint

(the 'First Amended Derivative Complaint'). The First Amended Derivative Complaint alleges that certain directors of the Company and Gary A. Singer, as Co-Chairman of the Board of Directors, caused or allowed the Company to be a party to the 'trading scheme' referenced in the SEC Complaint described above. The First Amended Derivative Complaint also alleges that the defendants violated their fiduciary duties to the Company by not vigorously investigating the allegations of securities fraud. The First Amended Derivative Complaint requests that the Court order the defendants (other than the Company) to pay damages and expenses to the Company and certain of the defendants to disgorge their profits to the Company. On October 16, 1992, the defendants moved to dismiss the First Amended Derivative Complaint on grounds that such Complaint fails to comply with Delaware Chancery Court Rule 23.1 and that Count III of the First Amended Derivative Complaint fails to state a claim. No further proceedings have taken place. The Company has been advised by the individual directors named as defendants that they believe they have meritorious defenses to this lawsuit and intend vigorously to defend against the allegations in the First Amended Derivative Complaint. The parties have engaged in preliminary settlement negotiations; however, there can be no assurances that these discussions will be concluded successfully.

The Company was named as a nominal defendant in a purported shareholder derivative action entitled Bruce D. Sturman v. Gary A. Singer, Steven G. Singer, Brad C. Singer, Martin Singer, John D. Collins II, Back Bay Capital, Inc., G. Albert Griggs, Jr., John and Jane Does 1-10 and The Cooper Companies, Inc., which was filed on May 26, 1992 in the Supreme Court of the State of New York, County of New York. The plaintiff, Bruce D. Sturman, a former officer and director of the Company, alleged that Gary A. Singer, as Co-Chairman of the Board of Directors, and various members of the Singer family caused the Company to make improper payments to alleged third-party co-conspirators as part of the 'trading scheme' that was the subject of the SEC Complaint. The complaint requested that the Court order the defendants (other than the Company) to pay damages and expenses to the Company, including reimbursement of payments made by the Company to the co-conspirators, and to disgorge their profits to the Company. Pursuant to its decision and order, filed August 17, 1993, the Court dismissed this action under New York Civil Practice Rule 327(a). On September 22, 1993, the plaintiff filed a Notice of Appeal, and the appeal was heard by the Appellate Division in early January 1995; no decision has been rendered by the Appellate Court to date.

In two virtually identical actions, Frank H. Cobb, Inc. v. The Cooper Companies, Inc., et al., and Arthur J. Korf v. The Cooper Companies, Inc., et al., class action complaints were filed in the United States District Court for the Southern District of New York in August 1989, against the Company and certain individuals who served as officers and/or directors of the Company after June 1987. In their Fourth Amended Complaint filed in September 1992, the plaintiffs allege that they are bringing the actions on their own behalf and as class actions on behalf of a class consisting of all persons who purchased or otherwise acquired shares of the Company's common stock during the period May 26, 1988 through February 13, 1989. The amended complaints seek an undetermined amount of compensatory damages jointly and severally against all defendants. The complaints, as amended, allege that the defendants knew or recklessly disregarded and failed to disclose to the investing public material adverse information about the Company. Defendants are accused of having allegedly failed to disclose, or delayed in disclosing, among other things: (a) that the allegedly real reason the Company announced on May 26, 1988 that it was dropping a proposed merger with Cooper Development Company, Inc. was because the Company's banks were opposed to the merger; (b) that the proposed sale of Cooper Technicon, Inc., a former subsidiary of the Company, was not pursuant to a definitive sales agreement but merely an option; (c) that such option required the approval of the Company's debentureholders and preferred stockholders; (d) that the approval of such sale by the Company's debentureholders and preferred stockholders would not have been forthcoming absent extraordinary expenditures by the Company; and (e) that the purchase agreement between the Company and Miles, Inc. for the sale of

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Cooper Technicon, Inc. included substantial penalties to be paid by the Company if the sale was not consummated within certain time limits and that the sale could not be consummated within those time limits. The amended complaints further allege that the defendants are liable for having violated Section 10(b) of the Securities Exchange Act and Rule 10(b)-5 thereunder and having engaged in common law fraud. Based on management's current knowledge of the facts and circumstances surrounding the events alleged by plaintiffs as giving rise to their claims, the Company believes that it has meritorious defenses to these lawsuits. The Company has reached a settlement with counsel for the class plaintiffs, which will have no material impact on the Company's financial condition. In December 1994, the Court gave preliminary approval to the settlement, ordered notice to be given to putative class members, and set a hearing for April 7, 1995 to consider possible objections to the settlement. Therefore, there can be no assurance that the proposed settlement will ultimately end the litigation. In the event the case proceeds to trial, the Company intends to vigorously defend itself against the allegations in the amended complaint.

Under an agreement dated July 11, 1985, as amended (the 'HMG Agreement'), Hampton Medical Group, P.A. ('HMG'), which is not affiliated with the Company, contracted to provide clinical and clinical administrative services at Hampton Psychiatric Institute ('Hampton Hospital'), the primary facility operated by Hospital Group of New Jersey, Inc. ('HGNJ'), a subsidiary of HGA. On November 29, 1993 and February 1, 1994, HGNJ delivered notices to HMG asserting that HMG had defaulted under the HMG Agreement. The first notice was based upon the failure of HMG to provide to HGNJ records needed to analyze information HGNJ had received indicating that HMG allegedly had engaged in fraudulent billing practices; the second was based upon information uncovered in the review of those records, when they were ultimately produced, and other available information. At the request of HMG, a New York state court enjoined HGNJ from terminating the HMG Agreement based upon the initial notice and ordered the parties (on consent) to arbitrate whether HMG had defaulted. On February 2, 1994, HMG commenced an arbitration in New York, New York, entitled Hampton Medical Group, P.A. and Hospital Group of New Jersey, P.A. (American Arbitration Association). In the arbitration, HMG contests the alleged default under the HMG Agreement and HGNJ's allegations regarding fraudulent conduct, and advances a claim against HGNJ that HMG has the right to provide clinical and clinical administrative services at all HGNJ-owned facilities in New Jersey (which would include, HMG contends, the outpatient clinics in Marlton and Toms River, New Jersey, and the Hampton Academy, at which certain non-HMG physicians have been employed at various times since the HMG Agreement was executed), regardless of whether these facilities are connected to Hampton Hospital. HMG maintains that it is entitled to an unspecified amount of damages for professional fees it would have received for the clinical services that were provided by non-HMG physicians at the outpatient facilities. HGNJ has responded to this claim asserting, among other things, (1) that HMG has no contractual right to provide services at those facilities, (2) that HMG has waived or lost any such right, if it ever had one, and (3) that the assertions of billing fraud are a defense to any such right.

As HGNJ's knowledge of HMG's billing practices developed, HGNJ notified the authorities and, subsequently, Blue Cross and Blue Shield of New Jersey, Inc. ('Blue Cross'), the largest of the third party payors from which HGNJ received payment for its hospital services from 1988 through 1994.

During December 1994, Blue Cross informed HGNJ that it had investigated matters at Hampton Hospital, that it had formed the view that it had been overcharged as a result of those matters, including fraudulent practices of HMG which resulted in increased hospital bills to Blue Cross subscribers, and that it intended promptly to commence a lawsuit to recover amounts inappropriately charged. On December 30, 1994, Blue Cross and HGNJ entered into an agreement to settle all claims against Hampton Hospital on behalf of Blue Cross subscribers and certain other subscribers for whom Blue Cross administers claims. The settlement includes a cash payment, over time, by HGNJ, offset by certain amounts owed by Blue Cross to HGNJ. On the same day, Blue Cross commenced a lawsuit against HMG and certain related entities and individuals unrelated to HGNJ or its affiliates alleging, among other things, fraudulent billing practices. HGNJ is cooperating with Blue Cross in Blue Cross'

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

investigation of HMG. HGNJ has also received a request for information from the State of New Jersey Department of Insurance with respect to a related investigation, with which HGNJ is also cooperating.

HGNJ is continuing to seek the termination of the HMG Agreement and intends to seek recovery from HMG for any losses, expenses or other damages HGNJ incurs by reason of HMG's conduct, including amounts paid or offset pursuant to the Blue Cross settlement and any damages that may result from any future claims by other third party payors or others arising out of the billing practices at Hampton Hospital, which claims could, in the aggregate, be material; however, management of the Company, after consultation with counsel, does not believe that the outcome of such claims (should any be brought) would, in the aggregate, have a material adverse effect on the Company's financial condition. In addition, HGA is seeking to recover damages from Progressions Health Systems, Inc., the successor to the former owner of HGA, based upon breaches of representations and warranties in the purchase agreement or other rights of indemnification thereunder. There can be no assurance, however, that HGA will be able to recover the amount of any or all such losses, expenses or damages from HMG or Progressions Health Systems, Inc.

On September 2, 1993, a patent infringement complaint was filed against the Company in the United States District Court for the District of Nevada captioned Steven P. Shearing v. The Cooper Companies, Inc. On or about that same day, the plaintiff filed twelve additional complaints, accusing at least fourteen other defendants of infringing the same patent. The patent in these suits covers a specific method of implanting an intraocular lens into the eye. Until February 1989, the Company manufactured intraocular lenses and ophthalmic instruments, but did not engage in the implantation of such lenses. Subsequent to February 1989, the Company was not involved in the manufacture, marketing or sale of intraocular lenses. On April 4, 1994, all of Shearing's complaints were dismissed; thereafter, Shearing successfully moved for leave to file an amended complaint. The Company denies the material allegations of Shearings' amended

complaint. The parties have executed a settlement agreement effective January 24, 1995, pursuant to which the litigation will be dismissed. The settlement has no material impact on the Company's financial condition.

The Company was named in an action entitled Bruce D. Sturman v. The Cooper Companies, Inc. and Does 1-100, Inclusive, first brought on July 24, 1992 in the Superior Court of the State of California, Los Angeles County. Mr. Sturman alleged that his suspension from his position as Co-Chairman of the Board of Directors constituted, among other things, an anticipatory breach of his employment agreement. On May 14, 1993, Mr. Sturman filed a First Amended Complaint in the Superior Court of the State of California, County of Alameda, Eastern Division, the jurisdiction to which the original case had been transferred. In the Amended Complaint, Mr. Sturman alleged that by first suspending and then terminating him from his position as Co-Chairman, the Company breached his employment agreement, violated provisions of the California Labor Code, wrongfully terminated him in violation of public policy, breached its implied covenant of good faith and fair dealing, defamed him, invaded his privacy and intentionally inflicted emotional distress, and was otherwise fraudulent, deceitful and negligent. After engaging in prolonged settlement negotiations, a settlement was reached, and on December 2, 1994, the case was dismissed with prejudice. The settlement has no material impact on the Company's financial condition.

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SCHEDULE III

THE COOPER COMPANIES, INC. CONDENSED STATEMENT OF OPERATIONS

	YEAR ENDED OCTOBER 31,		
	1994	1993	1992
	(IN THOUSANDS, EXCEPT PER SHARE FIGURES)		
General and administrative expense.....	(\$10,781)	(\$24,134)	(\$21,303)
Settlement of disputes.....	(4,292)	(6,350)	(3,193)
Debt restructuring costs.....	(340)	(2,131)	--
Equity in earnings of subsidiaries.....	9,390	1,894	265
Investment income (loss), net.....	(307)	1,415	13,515
Gain on sales of assets and businesses, net.....	--	--	1,030
Other expense, net.....	(54)	(113)	(328)
Interest expense.....	(2,913)	(4,236)	(5,730)
Loss from continuing operations before income taxes.....	(9,297)	(33,655)	(15,744)
Provision for (benefit of) income taxes.....	(4,600)	417	414
Loss from continuing operations before extraordinary items.....	(4,697)	(34,072)	(16,158)
Loss on sale of discontinued operations, net of taxes.....	--	(13,657)	(9,300)
Loss before extraordinary items.....	(4,697)	(47,729)	(25,458)
Extraordinary items.....	--	924	640
Net loss.....	(4,697)	(46,805)	(24,818)
Less, dividend requirements on preferred stock.....	89	320	1,804
Net loss applicable to common stock.....	(\$4,786)	(\$47,125)	(\$26,622)
Net loss per common share:			
Continuing operations.....	(\$0.15)	(\$1.13)	(\$0.64)
Discontinued operations.....	--	(0.45)	(0.34)
Loss before extraordinary items.....	(0.15)	(1.58)	(0.98)
Extraordinary items.....	--	0.03	0.02
Net loss per common share.....	(\$0.15)	(\$1.55)	(\$0.96)
Average number of common shares outstanding.....	31,082	30,377	27,669

The condensed financial statements presented in this Schedule III are the parent company only condensed financial statements of The Cooper Companies, Inc. (the 'Registrant'). The Registrant accounts for its investments in its consolidated subsidiaries, all of which are virtually wholly owned, under the equity method. Accordingly, net loss applicable to common stock and shareholders' equity (deficit) reported in this Schedule III are equal to the figures reported in the consolidated financial statements of The Cooper Companies, Inc. and Subsidiaries ('Consolidated Statements') located herein. See the notes to the Consolidated Statements for disclosures concerning the material contingencies and long-term obligations of the Registrant.

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SCHEDULE III

THE COOPER COMPANIES, INC.
CONDENSED BALANCE SHEET

	OCTOBER 31,	
	1994	1993
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 5,270	\$ 5,946
Temporary investments.....	--	6,438
Other receivables.....	47	2,127
Prepaid expenses.....	1,142	1,141
Total current assets.....	6,459	15,652
Property, plant and equipment, at cost.....	1,141	1,251
Less, accumulated depreciation and amortization.....	880	887
	261	364
Investments in and advances to subsidiaries.....	59,180	67,145
Other assets.....	221	302
	\$ 66,121	\$ 83,463
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current installments of long-term debt.....	\$ --	\$ 4,350
Accounts payable.....	3,634	1,619
Accrued liabilities.....	11,844	18,567
Income taxes payable.....	10,105	14,828
Total current liabilities.....	25,583	39,364
Long-term debt:		
10% Senior Subordinated Secured Notes due 2003.....	25,410	--
10 5/8% Convertible Subordinated Reset Debentures due 2005.....	9,210	34,647
	34,620	34,647
Other non-current liabilities.....	9,572	9,000
Total liabilities.....	69,775	83,011
Commitments and contingencies (See Notes 12 and 16 to consolidated financial statements)		
Stockholders' equity (deficit):		
Series B preferred stock, \$.10 par value.....	--	--
Common stock, \$.10 par value.....	3,388	3,013
Additional paid-in capital.....	179,883	179,810
Translation adjustments.....	(396)	(223)
Accumulated deficit.....	(186,529)	(181,743)
Unamortized restricted stock award compensation.....	--	(405)
Total stockholders' equity (deficit).....	(3,654)	452
	\$ 66,121	\$ 83,463

SCHEDULE III

THE COOPER COMPANIES, INC.
CONDENSED STATEMENT OF CASH FLOWS

		YEAR ENDED OCTOBER 31,		
		1994	1993	1992
		(IN THOUSANDS, EXCEPT PER SHARE FIGURES)		
Net cash used by operating activities.....	(\$5,172)	(\$54,620)	(\$31,860)	
Cash flows from investing activities:				
Sales of assets and businesses (including releases of cash from escrow).....	2,610	8,300	5,959	
Purchases of assets and businesses, net of cash acquired.....	--	--	(14,452)	

Sales of temporary investments.....	7,302	32,088	265,352
Purchases of temporary investments.....	--	(3,689)	(263,464)
Purchases of Cooper Life Sciences Inc. common stock.....	--	--	(1,500)
Net cash provided (used) by investing activities.....	9,912	36,699	(8,105)
Cash flows from financing activities:			
Payments associated with the Exchange Offer and Consent			
Solicitation including debt restructuring costs.....	(5,416)	--	--
Purchase of the Company's 10 5/8% Debentures.....	--	(3,861)	(4,325)
Net cash used by financing activities.....	(5,416)	(3,861)	(4,325)
Net decrease in cash and cash equivalents.....	(676)	(21,782)	(44,290)
Cash and cash equivalents at beginning of year.....	5,946	27,728	72,018
Cash and cash equivalents at end of year.....	\$5,270	\$ 5,946	\$ 27,728
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest (net of amounts capitalized).....	\$3,063	\$ 4,339	\$ 5,860
Dividends on preferred stock.....	\$ 89	--	--
Income taxes.....	\$ 132	\$ 90	\$ 511

For other supplemental disclosures, all of which relate to the Cooper Companies, Inc., see 'The Cooper Companies, Inc. and Subsidiaries Consolidated Statement of Cash Flows' herein.

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SCHEDULE VIII

THE COOPER COMPANIES, INC. AND SUBSIDIARIES VALUATION AND QUALIFYING ACCOUNTS THREE YEARS ENDED OCTOBER 31, 1994

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	ADDITIONS/ DEDUCTIONS/ RECOVERIES/ OTHER	BALANCE AT END OF YEAR
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
Allowance for doubtful accounts:					
Year ended October 31, 1994.....	\$3,240	\$2,431	\$ (19)	\$ (3,005) (3)	\$2,647
Year ended October 31, 1993.....	\$3,031	\$3,202	\$--	\$ (2,993) (1) (3)	\$3,240
Year ended October 31, 1992.....	\$ 403	\$ 363	\$--	\$ 2,265 (2) (3)	\$3,031

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- (1) Represents acquired reserve of CoastVision, Inc.
 - (2) Represents acquired reserve of Hospital Group of America, Inc.
 - (3) Uncollectible accounts written off, recovered accounts receivable previously written off and other items.

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

During fiscal years 1994 and 1993, TCC neither changed its accountants nor reported a disagreement on Form 8-K on any matter of accounting principles or practices of financial statement disclosure.

PART III

The information required by Part III, Items 10, 11, 12 and 13, has been omitted from this Report pursuant to Instruction G(3) as it will be filed with the Securities and Exchange Commission by an amendment to this Report on Form 10-K-A.

PART IV

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

(a) Documents filed as part of this report:

1. Financial Statements of the Company.

The Consolidated Financial Statements and the Notes thereto, the Financial Statement Schedules identified in (2) below and the Accountants' Report on the foregoing are included in Part II, Item 8 of this report.

2. Financial Statement Schedules of the Company.

SCHEDULE NUMBER	DESCRIPTION
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III.	Condensed Financial Information of Registrant
VIII.	Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and, therefore, have been omitted.

Also included herein are separate company Financial Statements and the Notes thereto, the Accountants' Report thereon and required Financial Statement Schedules of:

Hospital Group of America, Inc. and Subsidiaries
CooperSurgical, Inc.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
HOSPITAL GROUP OF AMERICA, INC.:

We have audited the accompanying consolidated balance sheets of Hospital Group of America, Inc. (a wholly owned subsidiary of The Cooper Companies, Inc.) and subsidiaries as of October 31, 1994, October 31, 1993, and May 29, 1992 and the related consolidated statements of operations, stockholder's equity, and cash flows for the years ended October 31, 1994, and 1993, for the period from May 30, 1992 to October 31, 1992 and for the period from June 1, 1991 to May 29, 1992. In connection with our audits of the consolidated financial statements, we also audited financial statement schedule VIII. These consolidated financial statements and financial statement schedule are the responsibility of HGA's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hospital Group of America, Inc. and subsidiaries at October 31, 1994, October 31, 1993 and May 29, 1992, and the results of their operations, and their cash flows for the years ended October 31, 1994 and 1993, for the period from May 30, 1992 to October 31, 1992 and for the period from June 1, 1991 to May 29, 1992 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Philadelphia, Pennsylvania
January 11, 1995

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
CONSOLIDATED BALANCE SHEETS

OCTOBER 31,		
	1994	1993
(IN THOUSANDS OF DOLLARS)		
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 3,593	\$ 456
Accounts receivable, net of estimated uncollectibles of \$1,834 in 1994 and \$2,067 in 1993.....	10,341	8,643
Other receivables.....	893	466
Supplies.....	258	249
Prepaid expenses and other current assets.....	1,006	872
Total current assets.....	16,091	10,686
Property and equipment		
Land.....	1,305	1,426
Buildings and improvements.....	31,496	31,400
Equipment, furniture and fixtures.....	1,680	1,370
Construction in progress...	0	31
	34,481	34,227
Less accumulated depreciation.....	(3,285)	(1,868)
Total property and equipment, net.....	31,196	32,359
Goodwill, net of accumulated amortization of \$497 in 1994 and \$292 in 1993.....	5,658	5,863
Other assets.....	502	673
	\$53,447	\$49,581
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable.....	\$ 891	\$ 1,052
Accrued liabilities.....	2,208	1,391
Accrued salaries and related expenses.....	2,257	1,903
Accrued interest payable...	142	147
Net estimated third-party payor settlements.....	2,511	431
Current portion of long-term debt.....	1,187	1,162
Current portion of due to Parent.....	12,559	6,082
Total current liabilities.....	21,755	12,168
Long-term debt, less current portion.....	11,369	12,556
Other noncurrent liabilities...	700	--
Due to parent.....	16,000	16,000
Stockholder's equity:		
Common stock, \$.01 par value, 1000 shares authorized, issued and outstanding.....	0	0
Additional paid-in capital.....	12,324	12,324
Accumulated deficit.....	(8,701)	(3,467)
Total stockholder's equity.....	3,623	8,857
	\$53,447	\$49,581

See accompanying notes to consolidated financial statements.

HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

	YEAR ENDED OCTOBER 31, 1994	YEAR ENDED OCTOBER 31, 1993	PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Net patient service revenue.....	\$40,365	\$41,330	\$19,187
Other operating revenue.....	2,675	2,644	881
	-----	-----	-----
Net operating revenue.....	43,040	43,974	20,068
	-----	-----	-----
Costs and expenses:			
Salaries and benefits.....	23,348	23,737	9,752
Purchased services.....	2,044	2,202	834
Professional fees.....	3,177	2,681	1,621
Supplies expense.....	1,929	2,026	821
Other operating expenses.....	10,128	8,612	3,867
Bad debt expense.....	1,753	2,792	1,251
Depreciation and amortization.....	1,735	1,674	635
Interest on long-term debt.....	1,365	1,599	824
Interest on due to Parent note.....	2,795	1,821	760
	-----	-----	-----
Total costs and expenses.....	48,274	47,144	20,365
	-----	-----	-----
Net loss.....	\$ (5,234)	\$ (3,170)	\$ (297)
	-----	-----	-----

See accompanying notes to consolidated financial statements.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

	COMMON STOCK -----	ADDITIONAL PAID-IN CAPITAL -----	ACCUMULATED DEFICIT -----	TOTAL STOCKHOLDER'S EQUITY -----
	(IN THOUSANDS OF DOLLARS)			
Balance				
May 30, 1992.....	\$0	\$12,324	\$ 0	\$12,324
Net loss.....	--	-----	(297)	(297)
	--	-----	-----	-----
Balance				
October 31, 1992.....	\$0	\$12,324	\$ (297)	\$12,027
	---	-----	-----	-----
	---	-----	-----	-----
Balance				
November 1, 1992.....	\$0	\$12,324	\$ (297)	\$12,027
Net loss.....	--	-----	(3,170)	(3,170)
	--	-----	-----	-----
Balance				
October 31, 1993.....	\$0	\$12,324	\$ (3,467)	\$ 8,857
	---	-----	-----	-----
	---	-----	-----	-----
Balance				
November 1, 1993.....	\$0	\$ 12,324	\$ (3,467)	\$ 8,857
Net loss.....	--	-----	(5,234)	(5,234)
	---	-----	-----	-----
Balance				
October 31, 1994.....	\$0	\$ 12,324	\$ (8,701)	\$ 3,623
	---	-----	-----	-----
	---	-----	-----	-----

See accompanying notes to consolidated financial statements.

HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

	YEAR ENDED OCTOBER 31, 1994	YEAR ENDED OCTOBER 31, 1993	PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992
	-----	-----	-----
(IN THOUSANDS OF DOLLARS)			
Cash flows from operating activities:			
Net loss.....	\$ (5,234)	\$ (3,170)	\$ (297)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization of goodwill and loan fees.....	1,735	1,674	725
Accrued interest, management fees and net expenses due to parent.....	5,477	1,658	785
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable.....	(1,698)	1,114	(1,477)
(Increase) decrease in supplies and other current assets.....	(570)	60	(124)
Increase (decrease) in accounts payable, accrued expenses, estimated third party payor settlements and other noncurrent liabilities...	3,785	(2,649)	1,188
Net cash provided by (used in) operating activities.....	3,495	(1,313)	800
Cash flows from investing activities:			
Proceeds from the sale of property.....	121	0	0
Capital expenditures.....	(375)	(781)	(102)
Collection of note receivable.....	0	0	2,149
Other.....	58	62	(15)
Net cash from investing activities.....	(196)	(719)	2,032
Cash flows from financing activities:			
Principal payments on long-term debt.....	(1,162)	(5,168)	(713)
Cash advance from parent.....	1,000	2,321	0
Net cash used by financing activities.....	(162)	(2,847)	(713)
Net (decrease) increase in cash and cash equivalents.....	3,137	(4,879)	2,119
Cash and cash equivalents, beginning of period.....	456	5,335	3,216
Cash and cash equivalents, end of period.....	\$ 3,593	\$ 456	\$ 5,335
Supplemental disclosure of cash flow information -- interest paid during the period.....	\$ 1,452	\$ 1,520	\$ 630

See accompanying notes to consolidated financial statements.

HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

On May 29, 1992, The Cooper Companies, Inc. ('Cooper' or 'Parent') acquired all of the common stock of Hospital Group of America, Inc. (HGA) from its ultimate parent, Nu-Med, Inc. (Nu-Med). The acquisition of HGA was accounted for as a purchase and the purchase adjustments were 'pushed-down' to the separate financial statements of HGA resulting in a new basis of accounting as of May 30, 1992. The Parent's cost of the acquisition was approximately \$50 million, including the assumption of approximately \$22 million of third-party debt of HGA. The purchase price was allocated to assets and liabilities based on their estimated fair values as of the acquisition date. The purchase price exceeded the estimated fair value of the identifiable net assets acquired resulting in goodwill. The estimated goodwill amount of \$6,155,000 was recorded as of May 30, 1992 and is being amortized over 30 years on a straight-line basis.

BUSINESS

The accompanying consolidated financial statements include the accounts of

HGA and its wholly owned subsidiaries (the 'Company'). All intercompany balances and transactions have been eliminated. The Company owns and operates the following psychiatric facilities:

NAME OF FACILITY	LOCATION
Hartgrove Hospital.....	Chicago, Illinois
Hampton Hospital.....	Rancocas, New Jersey
Meadow Wood Hospital.....	New Castle, Delaware

Effective May 30, 1992, PSG Management, Inc. (PSG), a sister company to HGA and a wholly-owned subsidiary of Cooper, entered into a three year agreement to manage the two psychiatric hospitals and the substance abuse treatment center owned by the subsidiaries of Nu-Med, Inc. The management fee earned by PSG from the subsidiaries of Nu-Med, Inc. related to this agreement is \$2,000,000 annually, payable in equal monthly installments. The management agreement is jointly and severally guaranteed by Nu-Med and a wholly owned subsidiary of Nu-Med, Inc. HGA is not a party to this agreement and therefore the management fee earned by PSG from the subsidiaries of Nu-Med, Inc. is not recognized in the accompanying financial statements. However, in connection with this agreement, HGA performs services on behalf of PSG for which it earns a fee of 25% of certain of its corporate headquarters' cost plus a 20% mark-up. Such fees earned by HGA from PSG amounted to \$428,000 for the year ended October 31, 1994, \$691,000 for the year ended October 31, 1993 and \$260,000 for the period from May 30, 1992 to October 31, 1992. On January 6, 1993, Nu-Med (but not any of its direct or indirect subsidiaries) filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. Such filing, under certain circumstances, could have a material adverse effect on the guarantee as to Nu-Med. However, none of the Nu-Med subsidiaries have filed under Chapter 11, and the Nu-Med subsidiaries have paid the management fee on a timely basis.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

The following are subsidiaries of Nu-Med which own the facilities managed by PSG:

NAME OF SUBSIDIARY	LOCATION
Northwestern Institute of Psychiatry, Inc.....	Ft. Washington, Pennsylvania
Malvern Institute for Psychiatric and Alcoholic Studies, Inc.....	Malvern, Pennsylvania
South Central Health Services, Inc. (dba) Pinelands Hospital.....	Nacogdoches, Texas

NET PATIENT SERVICE REVENUE

Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in the period as final settlements are determined.

CHARITY CARE

The Company provides care to indigent patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Company maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges at the Company's established rates forgone for charity care provided by the Company amounted to \$2,498,000 during the year ended October 31, 1994, \$3,220,000 during the year ended October 31, 1993 and \$1,597,000 during the period from May 29, 1992 to October 31, 1992. Hampton Hospital is required by its Certificate of Need to incur not less than 10% of total patient days as free care.

HEALTH INSURANCE COVERAGE

The Company is self-insured for the health insurance coverage offered to

its employees. The provision for estimated self-insured health insurance costs includes management's estimates of the ultimate costs for both reported claims and claims incurred but not reported.

SUPPLIES

Supplies consist principally of medical supplies and are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY AND EQUIPMENT

Property and equipment are stated at fair value as of May 29, 1992, the date of the acquisition of HGA by Cooper. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets, which range from 20 to 40 years for buildings and improvements, and 5 to 10 years for equipment, furniture and fixtures.

GOODWILL

Goodwill is amortized on a straight-line basis over thirty years. The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through reasonably expected future results.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

OTHER ASSETS

Loan fees incurred in obtaining long-term financing are deferred and recorded as other assets. Loan fees are amortized over the terms of the related loans. The balance of unamortized loan fees amounted to \$399,000, \$540,000, and \$727,000 respectively, at October 31, 1994, 1993, and 1992.

INCOME TAXES

The Company is included in the consolidated income tax returns of the Parent. The consolidated federal, state and local taxes are subject to a tax sharing agreement under which the Company's liability is computed on a non-consolidated basis using a combined rate of 40%.

Effective November 1, 1993, the Company adopted the liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, 'Accounting for Income Taxes' (FAS 109). The liability method under FAS 109 measures the expected tax impact of future taxable income or deductions resulting from temporary differences in the tax and financial reporting bases of assets and liabilities reflected in the consolidated balance sheet. Deferred tax assets and liabilities are determined using the enacted tax rates in effect for the year in which these differences are expected to reverse. Under FAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that the change was enacted. In 1993 and prior years, the Company accounted for income taxes under APB Opinion 11.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform with current year presentation.

B. NET PATIENT SERVICE REVENUE

The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Commercial Insurance -- Most commercial insurance carriers reimburse the Company on the basis of the hospitals' charges, subject to the rates and limits specified in their policies. Patients covered by commercial insurance generally remain responsible for any differences between insurance proceeds and total charges.

Blue Cross -- Reimbursement under Blue Cross plans varies depending on the areas in which the Company presently operates facilities. Benefits paid to the Company can be charge-based, cost-based, negotiated per diem rates or approved through a state rate setting process.

Medicare -- Services rendered to Medicare program beneficiaries are reimbursed under a retrospectively determined reasonable cost system

with final settlement determined after submission of annual cost reports by the Company and audits thereof by the Medicare fiscal intermediary.

Managed Care -- Services rendered to subscribers of health maintenance organizations, preferred provider organizations and similar organizations are reimbursed based on prospective negotiated rates.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

Medicaid -- Services rendered to State Medicaid program beneficiaries are reimbursed based on rates established by each individual State program.

The Company's business activities are primarily with large insurance companies and federal and state agencies or their intermediaries. Other than adjustments arising from audits by certain of these agencies, the risk of loss arising from the failure of these entities to perform according to the terms of their respective contracts is considered remote.

C. RELATED PARTY TRANSACTIONS

The current portion of Due to Parent at October 31, 1994 consists of costs of amounts due under a Demand Note (the 'Demand Note') for costs incurred or paid by the Parent in connection with the acquisition, cash advances from the Parent, interest payable on the subordinated note in the amount of \$1,920,000, and an allocation of Cooper corporate services amounting to \$1,219,000, net of payments to the Parent.

All current and future borrowings under the terms of the Demand Note bear interest, payable monthly, commencing on December 1, 1993 at the rate of 15% per annum (17% in the event principal and interest is not paid when due), and all principal and all accrued and unpaid interest under the Demand Note shall be completely due and payable on demand. Prior to December 1, 1993, the Parent did not charge the Company for amounts due to it except for amounts due under the Subordinated Promissory Note. The Parent has indicated that a demand for payment will not be made prior to November 1, 1995.

The non-current portion of Due to Parent consists of a \$16,000,000 subordinated note. The annual interest rate on the note is 12%. The principal amount of this Note shall be due and payable on May 29, 2002 unless payable sooner pursuant to the terms of the Note.

HGA allocates interest expense to PSG primarily to reflect an estimate of the interest cost on debt incurred by HGA in connection with the May 29, 1992 acquisition which relates to the PSG management agreement with Nu-Med. Such allocations amounted to \$254,000 and \$194,000 for the year ended October 31, 1994 and October 31, 1993, respectively and \$106,000 for the period from May 30, 1992 to October 31, 1992 and are recorded as reductions of interest on long-term debt and interest on due to Parent note.

D. EMPLOYEE BENEFITS

The Company participates in Cooper's 401(k) plan (the 'Plan'), which covers substantially all full-time employees with more than 60 days of service. The Company matches employee contributions up to certain limits. These costs were \$61,000 for the year ended October 31, 1994, \$40,000 for the year ended October 31, 1993 and \$26,000 for the period from May 30, 1992 to October 31, 1992.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

E. LONG TERM DEBT

Long-term debt at October 31, 1994 and 1993 consists of the following:

1994	1993
-----	-----

Bank term loan, interest at 4% above the bank's prime rate (7.75% at October 31, 1994), subject to a minimum rate of 12%, payable monthly, principal payable in installments from September 1992 through August

1997.....	\$10,556,000	\$11,223,000
Industrial Revenue Bonds, interest at 85% of prime rate (7.75% at October 31, 1994), payable monthly, principal payable in installments through 1997.....	2,000,000	2,495,000
	12,556,000	13,718,000
Less current portion.....	(1,187,000)	(1,162,000)
	\$11,369,000	\$12,556,000

Annual maturities of long-term debt are as follows:

YEARS ENDING
OCTOBER 31

1995.....	\$ 1,187,000
1996.....	1,231,000
1997.....	9,847,000
1998.....	291,000
	\$12,556,000

The long-term debt agreements contain several covenants, including the maintenance of certain ratios and levels of net worth (as defined), restrictions with respect to the payments of cash dividends on common stock and on the levels of capital expenditures, interest and debt payments. The Industrial Revenue Bonds ('IRB') carries interest at 85% of prime, or approximately 6.6% per annum at October 31, 1994. Interest and principal payments on the IRB are due monthly and holders have elected their right to accelerate all payments of outstanding principal at December 31, 1995.

Substantially all of the property and equipment and accounts receivable of the Company collateralize the debt outstanding.

F. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company is involved in various litigation cases. In the opinion of management, the disposition of such litigation will not have a material adverse effect on the Company's consolidated financial position.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

The Company leases certain space and equipment under operating lease agreements. The following is a schedule of estimated minimum payments due under such leases with an initial term of more than one year as of October 31, 1994:

YEARS ENDING OCTOBER 31	BUILDINGS	EQUIPMENT	TOTAL
1995.....	\$470,000	\$149,000	\$ 619,000
1996.....	280,000	76,000	356,000
1997.....	54,000	50,000	104,000
1998.....	21,000	40,000	61,000
1999-2000.....	0	21,000	21,000
	\$825,000	\$336,000	\$1,161,000

Some of the operating leases contain provisions for renewal or increased rental (based upon increases in the Consumer Price Index), none of which are taken into account in the above table. Rental expense under all operating leases amounted to \$706,000 and \$736,000, respectively, for the year ended October 31, 1994, and the year ended October 31, 1993 and \$340,000 for the period from May

30, 1992 to October 31, 1992.

G. INCOME TAXES

As discussed in note A, the Company adopted FAS 109 as of November 1, 1993. The adoption had no impact on the statement of consolidated operations for the year ended October 31, 1994. The tax benefit for net operating loss carryforwards has not been recognized since the related tax asset was fully offset by a valuation allowance.

A reconciliation of the provision for (benefit of) income taxes included in the Company's consolidated statement of operations and the amount computed by applying the federal income tax rate to income (loss) from continuing operations before income taxes follows:

	YEAR ENDED OCTOBER 31,		
	1994	1993	1992
	(IN THOUSANDS)		
Computed expected (benefit of) taxes.....	\$ (1,780)	\$ (1,078)	\$ (101)
Increase in taxes resulting from:			
Amortization of intangibles.....	70	70	29
Net operating losses for which no tax benefit was recognized.....	1,704	1,002	72
Other.....	6	6	
Actual provision for income taxes.....	\$ 0	\$ 0	\$ 0

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at October 31, 1994 are as follows:

	(IN THOUSANDS)
Deferred tax assets:	
Accounts receivable, principally due to allowance for doubtful accounts.....	\$ 668
Accrued liabilities, principally due to litigation reserves.....	1,008
Net operating loss carryforwards.....	4,806
Total gross deferred tax assets.....	6,482
Offset to consolidated valuation allowance.....	678
Net deferred tax assets.....	7,160
Deferred tax liabilities:	
Plant and equipment, principally due to purchase accounting requirements.....	(6,734)
Other, principally due to differences in accounting methods for financial and tax purposes.....	(426)
Total gross deferred tax liabilities.....	(7,160)
Net deferred tax liability.....	\$ 0

The Company's net deferred tax liability was offset against the Parent's consolidated valuation allowance. The net deferred tax liability which offset the Parent's consolidated valuation allowance as of November 1, 1993 was \$3,950,000. The net change in this offset for the year ended October 31, 1994 was a decrease of \$3,272,000.

At October 31, 1994 the Parent had consolidated net operating loss carryforwards of which approximately \$10,000,000 related to the Company. The tax benefit of an additional \$2,000,000 of the Company's net operating loss carryforwards which have been utilized in the Parent's consolidated return are available in the future should the Company have sufficient taxable income during

the carryforward period. The net operating loss carryforwards expire commencing in 2001.

H. PLEDGE AGREEMENT

Pursuant to a pledge agreement dated as of January 6, 1994, between the Parent and the Trustee for the holders of a new class of debt issued by the Parent (the 'Notes') the Parent has pledged a first priority security interest in all of its right, title and interest of its investment in the Company, all additional shares of stock of, or other equity interest in the Company from time to time acquired by the Parent, all additional intercompany indebtedness of the Company from time to time held by the Parent and except as set forth in the indenture to the Notes, the proceeds received from the sale or disposition of any or all of the foregoing.

I. LEGAL PROCEEDINGS

Under an agreement dated July 11, 1985, as amended (the 'HMG Agreement'), Hampton Medical Group, P.A. ('HMG'), which is not affiliated with the Company, contracted to provide clinical and clinical administrative services at Hampton Psychiatric Institute ('Hampton Hospital'), the primary facility operated by HGNJ, a subsidiary of HGA. On November 29, 1993 and February 1, 1994, HGNJ delivered notices to HMG asserting that HMG had defaulted under the HMG Agreement. The first notice was based upon the failure of HMG to provide to HGNJ records needed to analyze information HGNJ had received indicating that HMG allegedly had engaged in fraudulent billing practices; the

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
AND PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992

second was based upon information uncovered in the review of those records, when they were ultimately produced, and other available information. At the request of HMG, a New York state court enjoined HGNJ from terminating the HMG Agreement based upon the initial notice and ordered the parties (on consent) to arbitrate whether HMG had defaulted. On February 2, 1994, HMG commenced an arbitration in New York, New York, entitled Hampton Medical Group, P.A. and Hospital Group of New Jersey, P.A. (American Arbitration Association). In the arbitration, HMG contests the alleged default under the HMG Agreement and HGNJ's allegations regarding fraudulent conduct, and advances a claim against HGNJ that HMG has the right to provide clinical and clinical administrative services at all HGNJ-owned facilities in New Jersey (which would include, HMG contends, the outpatient clinics in Marlton and Toms River, New Jersey, and the Hampton Academy, at which certain non-HMG physicians have been employed at various times since the HMG Agreement was executed), regardless of whether these facilities are connected to Hampton Hospital. HMG maintains that it is entitled to an unspecified amount of damages for professional fees it would have received for the clinical services that were provided by non-HMG physicians at the outpatient facilities. HGNJ has responded to this claim asserting, among other things, (1) that HMG has no contractual right to provide services at those facilities, (2) that HMG has waived or lost any such right, if it ever had one, and (3) that the assertions of billing fraud are a defense to any such right.

As HGNJ's knowledge of HMG's billing practices developed, HGNJ notified the authorities and, subsequently, Blue Cross and Blue Shield of New Jersey, Inc. ('Blue Cross'), the largest of the third party payors from which HGNJ received payment for its hospital services from 1988 through 1994.

During December 1994, Blue Cross informed HGNJ that it had investigated matters at Hampton Hospital, that it had formed the view that it had been overcharged as a result of those matters, including fraudulent practices of HMG which resulted in increased hospital bills to Blue Cross subscribers, and that it intended promptly to commence a lawsuit to recover amounts inappropriately charged. On December 30, 1994, Blue Cross and HGNJ entered into an agreement to settle all claims against Hampton Hospital on behalf of Blue Cross subscribers and certain other subscribers for whom Blue Cross administers claims. The settlement includes a cash payment, over time, by HGNJ, offset by certain amounts owed by Blue Cross to HGNJ. On the same day, Blue Cross commenced a lawsuit against HMG and certain related entities and individuals unrelated to HGNJ or its affiliates alleging, among other things, fraudulent billing practices. HGNJ is cooperating with Blue Cross in Blue Cross' investigation of HMG. HGNJ has also received a request for information from the State of New Jersey Department of Insurance with respect to a related investigation, with which HGNJ is also cooperating.

HGNJ is continuing to seek the termination of the HMG Agreement and intends to seek recovery from HMG for any losses, expenses or other damages HGNJ incurs by reason of HMG's conduct, including amounts paid or offset pursuant to the Blue Cross settlement and any damages that may result from any future claims by other third party payors or others arising out of the billing practices at Hampton Hospital, which claims could, in the aggregate, be material; however, management of the Company, after consultation with counsel, does not believe that the outcome of such claims (should any be brought) would, in the aggregate, have a material adverse effect on the Company's financial condition. In

addition, HGA is seeking to recover damages from Progressions Health Systems, Inc., the successor to the former owner of HGA, based upon breaches of representations and warranties in the purchase agreement or other rights of indemnification thereunder. There can be no assurance, however, that HGA will be able to recover the amount of any or all such losses, expenses or damages from HMG or Progressions Health Systems, Inc.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
MAY 29, 1992
(IN THOUSANDS OF DOLLARS)

ASSETS

Current assets:	
Cash and cash equivalents.....	\$ 3,216
Accounts receivable net of estimated uncollectibles of \$2,347.....	10,759
Other receivables.....	780
Supplies.....	258
Prepaid expenses and other current assets.....	419

Total current assets.....	15,432

Property and equipment	
Land.....	882
Buildings and improvements.....	31,525
Equipment, furniture and fixtures.....	4,159
Construction in progress.....	50

	36,616
Less accumulated depreciation.....	(7,050)

Total property and equipment, net.....	29,566

Other assets.....	929

	\$45,927

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:	
Accounts payable.....	\$ 1,412
Accrued liabilities.....	2,601
Accrued salaries and related expenses.....	2,415
Estimated third-party payor settlements.....	1,633
Current portion of long-term debt.....	4,426

Total current liabilities.....	12,487
Long-term debt, less current portion.....	15,173
Stockholder's equity:	
Common stock, .01 par value, 1000 shares authorized, issued and outstanding.....	7
Additional paid-in capital.....	16,654
Retained earnings.....	1,606

Total stockholder's equity.....	18,267

	\$45,927

See accompanying notes to consolidated financial statements.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(IN THOUSANDS OF DOLLARS)

	PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992 -----
Net patient service revenue.....	\$51,412
Other operating revenue, (including management fees earned from related parties of \$320 and \$3,557 for the month ended May 31, 1991 and the period ended May 29, 1992, respectively).....	5,462

Net operating revenue.....	56,874

Costs and expenses:	
Salaries and benefits.....	24,172
Purchased services.....	2,378
Professional fees.....	5,146

Other operating expenses.....	11,402
Bad debt expense.....	3,304
Depreciation and amortization.....	1,928
Interest on long-term debt.....	2,304

Total costs and expenses.....	50,634

Earnings before provision for income taxes.....	6,240
Provision for income taxes.....	2,496

Net earnings.....	\$ 3,744

See accompanying notes to consolidated financial statements.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992

	COMMON STOCK -----	ADDITIONAL PAID-IN CAPITAL -----	RETAINED EARNINGS -----	TOTAL STOCKHOLDER'S EQUITY -----
	(IN THOUSANDS OF DOLLARS)			
Balance				
June 1, 1991.....	\$7	\$16,654	\$ 18,457	\$ 35,118
Net earnings.....			3,744	3,744
Forgiveness of due from related parties balances as of May 29, 1992 in connection with the acquisition.....			(20,595)	(20,595)
	--	-----	-----	-----
Balance				
May 29, 1992.....	\$7	\$16,654	\$ 1,606	\$ 18,267
	---	-----	-----	-----

See accompanying notes to consolidated financial statements.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS OF DOLLARS)

	PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992 -----
Cash flows from operating activities:	
Net earnings.....	\$ 3,744
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization.....	1,928
Provision for income taxes.....	2,496
Change in operating assets and liabilities:	
Decrease in accounts receivable.....	722
Increase in supplies and other current assets.....	(210)
Increase in accounts payable, accrued expenses and estimated third party payor settlements.....	161

Net cash provided by operating activities.....	8,841

Cash flows from investing activities:	
Capital expenditures.....	(655)
Decrease in other assets.....	127

Net cash used by investing activities.....	(528)

Cash flows from financing activities:	
Principal payments on long-term debt.....	(3,866)
Advances to related parties.....	(6,581)

Net cash used by financing activities.....	(10,447)
Net decrease in cash and cash equivalents.....	(2,134)
Cash and cash equivalents, beginning of period.....	5,350

Cash and cash equivalents, end of period.....	\$ 3,216

Source: COOPER COMPANIES INC, 10-K, January 26, 1995

Supplemental disclosure of cash flow information -- interest paid during the period.....

\$ 2,415

Supplemental disclosure of non cash activity -- concurrent with the acquisition, \$20,595 of due from related party balances were forgiven with a corresponding charge to retained earnings.

See accompanying notes to consolidated financial statements.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PERIOD FROM JUNE 1 1991 TO MAY 29, 1992

A. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

BUSINESS

The accompanying consolidated financial statements include the accounts of Hospital Group of America (HGA) and its wholly owned subsidiaries (the 'Company') and certain other assets and operations owned by an entity affiliated through common ownership. HGA was a wholly owned subsidiary of PsychGroup, Inc. which in turn is wholly owned by Nu-Med, Inc. The financial position and results of operations of Hospital Group of America and its subsidiaries may not necessarily be indicative of conditions that may have existed or the results of operations if the Company had been operated as an affiliated entity. All intercompany balances and transactions have been eliminated. The Company owns and operates the following psychiatric facilities:

NAME OF FACILITY	LOCATION
Hartgrove Hospital.....	Chicago, Illinois
Hampton Hospital.....	Rancocas, New Jersey
Meadow Wood Hospital.....	New Castle, Delaware

BASIS OF PRESENTATION

On May 29, 1992, PSG Acquisition, Inc., a wholly owned subsidiary of the Cooper Companies, Inc. ('Cooper'), acquired all of the issued and outstanding capital stock of HGA from PsychGroup, Inc. Concurrent with the acquisition, all due from related parties balances as of May 20, 1992 were forgiven. The accompanying financial statements represent the financial position and results of operations of the Company as of May 29, 1992 immediately prior to the acquisition and the period from June 1, 1991 to May 29, 1992 just prior to the acquisition and reflect the elimination of the due from related parties balances as of May 29, 1992 with a corresponding charge to retained earnings in the amount of \$20,595,000.

NEW PATIENT SERVICE REVENUE

Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, and others from services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in the period as final settlements are determined.

CHARITY CARE

The Company provides care to indigent patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Company maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges at the Company's established rates foregone for charity care provided by the Company amounted to \$4,768,000. Hampton Hospital is required by its Certificate of Need to incur not less than 10% of total patient days as free care.

HEALTH INSURANCE COVERAGE

Effective October 1, 1991, the Company is self-insured for the health insurance coverage offered to its employees. The provision for estimated self-insured health insurance costs includes management's estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992

SUPPLIES

Supplies consist principally of medical supplies and are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets, which range from 20 to 40 years for buildings and improvements, and 5 to 10 years for equipment, furniture and fixtures.

OTHER ASSETS

Pre-opening costs incurred in new facilities and loan fees incurred in obtaining long-term financing are deferred and recorded as other assets. Pre-opening costs are amortized on a straight-line basis over five years. The unamortized portion of pre-opening costs was \$21,000 at May 29, 1992. Loan fees are amortized over the terms of the related loans. The balance of unamortized loan fees amounted to \$802,000 at May 29, 1992.

INCOME TAXES

The Company was included in the consolidated tax returns of Nu-Med. The Company computes a tax provision as if it were a stand-alone entity. The corresponding liability for such taxes is included in the net amount Due from Related Parties.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

B. NET PATIENT SERVICE REVENUE

The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Commercial Insurance -- Most commercial insurance carriers reimburse the Company on the basis of the hospitals' charges, subject to the rates and limits specified in their policies. Patients covered by commercial insurance generally remain responsible for any differences between insurance proceeds and total charges.

Blue Cross -- Reimbursement under Blue Cross plans varies depending on the areas in which the Company presently operates facilities. Benefits paid to the Company can be charge-based, cost-based, negotiated per diem rates or approved through a state rate setting process.

Medicare -- Services rendered to Medicare program beneficiaries are reimbursed under a retrospectively determined reasonable cost system with final settlement determined after submission of annual cost reports by the Company and audits thereof by the Medicare fiscal intermediary.

Managed Care -- Services rendered to subscribers of health maintenance organizations, preferred provider organizations and similar organizations are reimbursed based on prospective negotiated rates.

The Company's business activities are primarily with large insurance companies and federal and state agencies or their intermediaries. Other than adjustments arising from audits by certain of these agencies, the risk of loss arising from the failure of these entities to perform according to the terms of their respective contracts is considered remote.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992

C. RELATED PARTY TRANSACTIONS

Due from related parties consisted primarily of cash advances to Nu-Med and income tax obligations.

Included in the Other Operating Revenue are management fees of \$3,557,000 charged to other affiliated entities which are under common ownership.

In connection with the acquisition of HGA, all due from related parties balances as of May 29, 1992 were forgiven and the balance of \$20,595,000 as of that date was eliminated with a corresponding charge to retained earnings.

D. EMPLOYEE BENEFITS

The Company participated in the Nu-Med Combined Savings Plan, (the 'Plan'), which covers substantially all full-time employees with more than one year of service. Nu-Med may make annual contributions to the Plan based upon earnings, which the Plan may utilize to acquire Nu-Med common stock. In addition, Nu-Med may make contributions to the Plan in the form of Nu-Med common stock. No such contributions were made during the period ended May 29, 1992. The Company does not provide post-retirement benefits to its employees.

Hartgrove had a defined benefit pension plan, which was terminated during the period ended May 29, 1992, at which time all benefits became fully vested. The excess of plan assets over vested benefits amounted to approximately \$94,000. Such amount has been recorded as other operating revenue in the accompanying statement of earnings.

E. LONG TERM DEBT

Long-term debt at May 29, 1992 consists of the following:

Bank term loan, interest at 1% to 1 1/2% above the bank's prime rate (6.5% at May 29, 1992), payable quarterly, principal payable in installments through 1995.....	\$ 2,609,000
Bank term loan, interest at 4% above the bank's prime rate (6.5% at May 29, 1992), subject to a minimum rate of 12%, payable monthly, principal payable in installments from September 1992 through August 1997.....	12,000,000
Industrial Revenue Bonds, interest at 85% of prime rate (6.5% at May 29, 1992), payable monthly, principal payable in installments through 1997.....	4,990,000

	19,599,000
Less current portion.....	(4,426,000)

	\$15,173,000

Annual maturities of long-term debt are as follows:

YEAR ENDING MAY 29,

1993.....	4,426,000
1994.....	2,210,000
1995.....	1,187,000
1996.....	1,217,000
1997.....	1,276,000
Thereafter.....	9,283,000

	\$19,599,000

HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992

The long-term debt agreements contain several covenants, including the maintenance of certain ratios and levels of net worth (as defined), restrictions with respect to the payments of cash dividends on common stock and on the levels of capital expenditures, interest and debt payments. In addition, the industrial Revenue Bonds give the holders the right to accelerate all outstanding principal at December 31, 1995 upon notification one year prior to that date.

Substantially all of the property and equipment and accounts receivable of the Company collateralize the debt outstanding.

F. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company is involved in various litigation cases. In the opinion of management, the disposition of such litigation will not have a material adverse effect on the Company's consolidated financial position.

The Company leases certain space and equipment under operating lease agreements. The following is a schedule of estimated minimum payments due under such leases with an initial term of more than one year as of May 29, 1992:

YEAR ENDING MAY 29,	BUILDINGS	EQUIPMENT	TOTAL
1993.....	\$ 406,000	\$112,000	\$ 518,000
1994.....	378,000	112,000	490,000
1995.....	299,000	96,000	395,000
1996.....	209,000	90,000	299,000
1997.....	0	44,000	44,000
	-----	-----	-----
	\$1,292,000	\$454,000	\$1,746,000
	-----	-----	-----

Some of the operating leases contain provisions for renewal or increased rental (based upon increases in the Consumer Price Index), none of which are taken into account in the above table. Rental expense under all operating leases amounted to \$619,000.

The provision for income taxes for the following period is composed of the following:

Federal.....	\$2,122,000
State.....	374,000

	\$2,496,000

The provision for income taxes included in the consolidated statements of earnings differs from the amount computed by applying the statutory federal income tax rate of 34% to earnings before taxes due to the effect of the state franchise taxes, net of federal benefit. This amounted to 6% for the periods presented.

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, 'Accounting for Income Taxes.' Cooper and the Company are required to adopt the new method of accounting for income taxes no later than the fiscal year ending October 31, 1994. Neither the Company nor Cooper has completed an analysis to estimate the impact of the statement on the Company's consolidated financial statements.

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HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992

G. SUBSEQUENT EVENT

Pursuant to a pledge agreement dated as of January 6, 1994, between the Parent and the trustee for the holders of a new class of debt issued by the Parent (the 'Notes'), the Parent has pledged a first priority security interest in all of its right, title and interest in stock of the Company, all additional shares of stock of, or other equity interest in, the Company from time to time acquired by the Parent, all intercompany indebtedness of the Company from time to time held by the Parent and except as set forth in the indenture to the Notes, the proceeds received from the sale or disposition of any or all of the foregoing. A full description of the pledge agreement and terms of the indenture to the Notes is included in the Parent's Amended and Restated Offer to Exchange and Consent Solicitation filed with the Securities and Exchange Commission on December 15, 1993.

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SCHEDULE VIII

HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
YEAR ENDED OCTOBER 31, 1994, YEAR ENDED OCTOBER 31, 1993
PERIOD FROM MAY 30, 1992 TO OCTOBER 31, 1992, PERIOD FROM JUNE 1, 1991 TO MAY 29, 1992

BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS/ WRITE OFFS/ RECOVERIES/ OTHER	BALANCE AT END OF PERIOD
-----	-----	-----	-----	-----

(IN THOUSANDS)

Allowance for doubtful accounts:					
Year ended October 31, 1994.....	\$2,067	\$1,753	\$0	\$ (1,986)	\$1,834
Year ended October 31, 1993.....	\$2,556	\$2,792	\$0	\$ (3,281)	\$2,067
Period ended October 31, 1992.....	\$2,347	\$1,251	\$0	\$ (1,042)	\$2,556
Period ended May 29, 1992.....	\$ 884	\$3,304	\$0	\$ (1,841)	\$2,347

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
COOPERSURGICAL, INC.:

We have audited the accompanying balance sheets of CooperSurgical, Inc. as of October 31, 1994 and 1993, and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended October 31, 1994. In connection with our audits of the financial statements, we also have audited financial statement schedule VIII. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CooperSurgical, Inc. as of October 31, 1994 and 1993, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 1994, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Stamford, Connecticut
January 16, 1995

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COOPERSURGICAL, INC. BALANCE SHEETS

	OCTOBER 31,	
	1994	1993
	(IN THOUSANDS OF DOLLARS)	
ASSETS		
Current assets:		
Cash.....	\$ 247	\$ 297
Receivables		
Trade, less allowance for doubtful accounts of \$542 in 1994 and \$472 in 1993...	1,649	2,209
Other receivables.....	53	50
	1,702	2,259
Inventories		
Raw materials.....	2,544	3,100
Work-in-process.....	283	344
Finished goods.....	1,535	2,497
	4,362	5,941
Prepaid expenses.....	253	366
	6,564	8,863
Total current assets.....		
Furniture and equipment.....	1,499	1,469
Less accumulated depreciation.....	(989)	(663)
	510	806
Intangibles, net of accumulated amortization		
Goodwill.....	1,584	1,681

Non-compete agreements.....	224	405
Distribution rights.....	157	182
	-----	-----
	1,965	2,268
	-----	-----
Other assets.....	496	493
	-----	-----
	\$ 9,535	\$12,430
	-----	-----

LIABILITIES & STOCKHOLDERS' DEFICIT

Current liabilities:		
Current installments of long-term debt (note 6).....	\$ 15	\$ 17
Accounts payable (note 3).....	941	1,050
Accrued liabilities.....	1,531	1,643
	-----	-----
Total current liabilities.....	2,487	2,710
Long-term debt (note 6).....	105	106
Due to Parent (note 4).....	3,147	22,325
	-----	-----
Total liabilities.....	5,739	25,141
	-----	-----
Commitments and contingencies (note 7)		
Stockholders' equity (deficit):		
Series A Convertible Preferred stock: 10,633,572 shares authorized, 10,436,660 issued and outstanding at October 31, 1994 (640,000 in 1993), par value per share \$.0001, aggregate liquidation preference of \$20,253 at October 31, 1994 (\$1,242 in 1993) plus cumulative dividend of \$2,274 at October 31, 1994 (\$248 in 1993) (note 9).....	1	--
Common stock: 12,000,000 shares authorized, 23,212 issued and outstanding, par value per share \$.0001 at October 31, 1994.....	--	--
Additional paid-in capital.....	20,252	1,242
Translation adjustments.....	(67)	33
Accumulated deficit.....	(16,390)	(13,986)
	-----	-----
Total stockholders' equity (deficit).....	3,796	(12,711)
	-----	-----
	\$ 9,535	\$12,430
	-----	-----

See accompanying notes to financial statements.

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COOPERSURGICAL, INC. STATEMENTS OF OPERATIONS

	YEARS ENDED OCTOBER 31,		
	1994	1993	1992
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Net sales (note 2).....	\$12,847	\$14,679	\$16,010
Cost of goods sold.....	6,680	7,429	7,368
	-----	-----	-----
Gross profit.....	6,167	7,250	8,642
	-----	-----	-----
Costs and expenses			
Research and development expense.....	673	778	1,248
Selling, general and administrative expense (note 4).....	6,513	10,507	9,034
Other expense.....	9	460	568
Amortization of intangibles.....	303	290	308
Interest:			
Parent promissory notes.....	1,062	2,240	1,134
Other.....	11	18	55
	-----	-----	-----
	8,571	14,293	12,347
	-----	-----	-----
Net loss.....	\$ (2,404)	\$ (7,043)	\$ (3,705)
	-----	-----	-----

See accompanying notes to financial statements.

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COOPERSURGICAL, INC. STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) YEARS ENDED OCTOBER 31, 1994, 1993 AND 1992

RETAINED TOTAL

	SERIES A PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TRANSLATION ADJUSTMENTS	EARNINGS (ACCUMULATED DEFICIT)	STOCKHOLDERS' EQUITY (DEFICIT)
	-----	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)					
Balance at October 31, 1991.....	\$--	\$--	\$--	\$--	\$ (3,238)	\$ (3,238)
Issuance of 640,000 shares of Series A convertible preferred stock.....	--	--	1,242	--	--	1,242
Issuance of 23,212 shares of common stock and retirement of 1,000 shares of common stock.....	--	--	--	--	--	--
Net loss.....	--	--	--	--	(3,705)	(3,705)
Balance at October 31, 1992.....	--	--	1,242	--	(6,943)	(5,701)
Net loss.....	--	--	--	--	(7,043)	(7,043)
Aggregate translation adjustment...	--	--	--	33	--	33
Balance at October 31, 1993.....	--	--	1,242	33	(13,986)	(12,711)
Issuance of 9,796,660 shares of Series A convertible preferred stock (note 4).....	1	--	19,010	--	--	19,011
Net loss.....	--	--	--	--	(2,404)	(2,404)
Aggregate translation adjustment...	--	--	--	(100)	--	(100)
Balance at October 31, 1994.....	\$ 1	\$ --	\$20,252	\$ (67)	\$ (16,390)	\$ 3,796

See accompanying notes to financial statements.

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COOPERSURGICAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 1994, 1993 AND 1992

	1994	1993	1992
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
Cash flows provided (used) by operating activities:			
Net loss.....	\$ (2,404)	\$ (7,043)	\$ (3,705)
Adjustments to reconcile net loss to cash provided (used) by operating activities:			
Depreciation and amortization.....	629	540	478
Bad debt expense.....	70	191	9
Interest on Parent advances.....	--	2,240	1,134
Management fees to Parent.....	--	1,312	341
Change in assets and liabilities:			
(Increase) decrease in receivables.....	487	(463)	(210)
(Increase) decrease in inventories.....	1,579	(1,286)	(2,413)
(Increase) decrease in other current assets.....	113	288	(103)
(Increase) in other assets.....	(3)	(330)	(123)
Increase (decrease) in accounts payable.....	(109)	(724)	940
Increase (decrease) in accrued liabilities and other.....	(187)	517	186
Net cash provided (used) by operating activities.....	175	(4,758)	(3,466)
Cash flows used in investing activities --			
Capital expenditures.....	(30)	(302)	(555)
Net cash (used) by investing activities.....	(30)	(302)	(555)
Cash flows provided (used) by financing activities:			
Proceeds from issuance of preferred stock.....	--	--	1,242
Proceeds from (repayment of) Parent advances.....	(167)	5,554	3,995
Repayment of long-term debt.....	(28)	(404)	(1,077)
Net cash provided (used) by financing activities.....	(195)	5,150	4,160
Net increase (decrease) in cash and cash equivalents.....	(50)	90	139
Cash and cash equivalents, beginning of period.....	297	207	68
Cash and cash equivalents, end of period.....	\$ 247	\$ 297	\$ 207
Cash paid for:			
Interest.....	\$ 1,073	\$ --	\$ 40
Income taxes.....	\$ --	\$ --	\$ --

Non-cash investing and financing activities:

During fiscal 1994, CooperSurgical's Parent converted \$19,011 of Parent advances into 9,796,660 shares of CooperSurgical Series A convertible preferred stock.

See accompanying notes to financial statements.

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COOPERSURGICAL, INC.
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

CooperSurgical, Inc. ('CooperSurgical'), a Delaware corporation, develops, manufactures and distributes electrosurgical, cryosurgical and general application diagnostic surgical instruments and equipment. The Cooper Companies, Inc. ('Parent'), a Delaware corporation, owns 100% of CooperSurgical's Series A convertible preferred stock. CooperSurgical's outstanding common stock is 100% owned by individuals on the CooperSurgical Advisory Board which provides counsel and management of clinical trials in the area of minimally invasive surgery. The accompanying financial statements have been prepared from the separate records of CooperSurgical and may not be indicative of conditions which would have existed or the results of its operations if CooperSurgical operated autonomously (see note 4). Foreign exchange translation and transactions are immaterial.

DEPENDENCE UPON PARENT

CooperSurgical has incurred substantial losses and negative cash flows from operations. The Company has, therefore, been dependent upon its Parent for financing to meet its cash obligations.

During fiscal 1994, the Company has streamlined its sales force and its customer service organization, reduced advertising expenditures and consolidated administrative functions to reduce costs. These actions, combined with reductions in inventories and receivables, have resulted in reduced losses and improved operating cash flows in the fiscal year ended October 31, 1994. The Company believes that such actions will permit it to meet its cash obligations until its liability to its parent matures.

The Company's Parent has extended the maturity of the Company's liability to Parent until May 1, 1997 and is committed to funding the Company's cash requirements until that date.

The Company does not expect to be able to repay its liability to Parent at maturity without a significant improvement in operating results from present levels. There can be no assurance that such an improvement will be achieved or that the Parent will extend further the maturity date of the Company's liability.

REVENUE RECOGNITION

CooperSurgical recognizes product revenue when risk of ownership has transferred to the buyer, net of appropriate provisions for sales returns and bad debts.

INCOME TAXES

CooperSurgical is included in the consolidated income tax returns of the Parent. The consolidated federal, state and local taxes are subject to a tax sharing agreement under which CooperSurgical's liability is computed on a non-consolidated basis using a combined rate of 40%.

Effective November 1, 1993, CooperSurgical adopted the liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, 'Accounting for Income Taxes' (FAS 109). The liability method under FAS 109 measures the expected tax impact of future taxable income or deductions resulting from temporary differences in the tax and financial reporting bases of assets and liabilities reflected in the consolidated balance sheet. Deferred tax assets and liabilities are determined using the enacted tax rates in effect for the year in which these differences are expected to reverse. Under FAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that the change was enacted. In 1993 and prior years, the Company accounted for income taxes under APB Opinion 11.

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COOPERSURGICAL, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

POSTEMPLOYMENT BENEFITS

In December 1992, the FASB issued Statement of Financial Accounting Standards No. 112, 'Employers' Accounting for Postemployment Benefits' ('FAS 112'). FAS 112 establishes accounting standards for employers who provide benefits to former or inactive employees after employment but before retirement ('postemployment benefits'). Postemployment benefits are all types of benefits provided to former or inactive employees, their beneficiaries, and covered

dependents. Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as healthcare benefits and life insurance coverage.

FAS 112 is effective for fiscal years beginning after December 15, 1993. The Parent and CooperSurgical will adopt FAS 112 as required, and believe the adoption will not have a material impact on CooperSurgical's financial statements.

INVENTORIES

Inventories are carried at the lower of cost, determined on an average cost basis, or market.

FURNITURE AND EQUIPMENT

Furniture and equipment are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of depreciable assets.

AMORTIZATION OF INTANGIBLES

Amortization is currently provided on all intangible assets on a straight-line basis over periods up to 20 years. Accumulated amortization at October 31, 1994 and 1993 was \$1,136,000 and \$831,000, respectively. The Company assesses the recoverability of intangible assets by determining whether the amortization of the intangible asset over its remaining life can be recovered through reasonably expected future results.

RECLASSIFICATIONS

Certain amounts for fiscal years 1993 and 1992 have been reclassified to conform with the current year's presentation.

(2) EXPORT SALES

CooperSurgical had export sales of \$2,441,000, \$2,200,000, and \$2,096,000 for the years ended October 31, 1994, 1993 and 1992, respectively.

(3) ACCOUNTS PAYABLE

CooperSurgical utilized a cash concentration account with the Parent whereby approximately \$193,000 and \$131,000 of checks issued and outstanding at October 31, 1994 and 1993, respectively, in excess of related bank cash balances were reclassified to accounts payable. Sufficient funds were available from the Parent to cover these checks.

(4) RELATED PARTY TRANSACTIONS

Included in CooperSurgical's selling, general and administrative expense are Parent allocations for technical service fees of \$514,000, \$1,312,000 and \$341,000 for the years ended October 31, 1994, 1993 and 1992, respectively. Technical service fees for the year ended October 31, 1993 include \$134,000 relating to redetermination of the appropriate amount for the year ended October 31, 1992. These costs

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COOPERSURGICAL, INC. NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

are charges from the Parent for accounting, legal, tax and other services provided to CooperSurgical and are added to the balance Due to Parent.

Amounts due to the Parent at October 31, 1994 and 1993 were composed of the following:

	OCTOBER 31,	
	1994	1993
	(000'S)	
Advances with interest at 10% per annum.....	\$ --	\$ 6,000
Advances with interest at 15% per annum.....	--	12,552
Advances with interest at 12% per annum.....	3,147	--
Interest due on Parent advances.....	--	3,702
Other.....	--	71
	-----	-----
	\$3,147	\$22,325
	-----	-----

On December 1, 1993, CooperSurgical converted all outstanding Parent advances into a promissory note bearing interest at 15%. Under the terms of this note, all principal and unpaid interest was due and payable on demand.

On January 24, 1994, CooperSurgical's Parent converted \$19,011,000 of Parent advances into 9,796,660 shares of CooperSurgical Series A convertible preferred stock and converted the remaining \$3,313,000 balance of Parent advances into a Term Note, with principal and interest due January 24, 1996, bearing interest at 12%, compounded monthly (Parent advances in excess of \$4,000,000 bear interest at 15%, compounded monthly). On January 10, 1995, the maturity date of this Term Note for principal plus any accrued unpaid interest was extended to May 1, 1997.

(5) INCOME TAXES

As discussed in note 1, CooperSurgical adopted FAS 109 as of November 1, 1993. The adoption had no impact on the statement of operations for the year ended October 31, 1994. The tax benefit for net operating loss carryforwards has not been recognized since the related tax assets were fully offset by a valuation allowance.

A reconciliation of the provision for (benefit of) income taxes included in CooperSurgical's statement of operations and the amount computed by applying the federal income tax rate to income (loss) from continuing operations before extraordinary items and income taxes follows:

	YEARS ENDED OCTOBER 31,		
	1994	1993	1992
	-----	-----	-----
	(000'S)		
Computed expected provision for (benefit of) taxes.....	\$ (817)	\$ (2,395)	\$ (1,260)
Increase (decrease) in taxes resulting from:			
Amortization of intangibles.....	33	29	36
Net operating losses for which no tax benefit was recognized.....	781	2,364	1,219
Other.....	3	2	5
	-----	-----	-----
Actual provision for income taxes.....	\$--	\$ --	\$ --
	-----	-----	-----

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COOPERSURGICAL, INC. NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at October 31, 1994 are as follows:

	(000'S)

Deferred tax assets:	
Accounts receivable, principally due to allowance for doubtful accounts.....	\$ 152
Inventories, principally due to obsolescence reserves.....	594
Accrued liabilities, principally due to compensation accruals.....	148
Net operating loss carryforwards.....	5,675
Tax credit carryforwards.....	
Other.....	11

Total gross deferred tax assets.....	6,580
Less valuation allowances.....	(6,580)

Net deferred tax asset.....	\$ --

The valuation allowance for deferred tax assets as of November 1, 1993 was \$5,330,000. The net change in the total valuation allowance for the year ended October 31, 1994 was an increase of \$1,250,000.

At October 31, 1994 the Parent had consolidated net operating loss carryforwards, of which approximately \$12,000,000 related to CooperSurgical. The

tax benefit of an additional \$2,000,000 of CooperSurgical net operating loss carryforwards which have been utilized in the Parent's consolidated return are available in the future should CooperSurgical have sufficient taxable income during the carryforward period. The net operating loss carryforwards expire commencing in 2006.

(6) LONG-TERM DEBT

Long-term debt consists of the following:

	OCTOBER 31,	
	1994	1993
	----	----
	(000'S)	
Note payable; interest at 9%.....	\$120	\$123
Less current portion.....	(15)	(17)
	----	----
	\$105	\$106
	----	----
	----	----

Annual maturities of long-term debt, including current installments thereof, are as follows:

YEAR ENDING OCTOBER 31,	(000'S)
-----	-----
1995.....	\$15
1996.....	15
1997.....	--
1998.....	90

(7) COMMITMENTS AND CONTINGENCIES

In the normal course of its business, CooperSurgical is involved in various litigation cases. In the opinion of management, the disposition of such litigation will not have a materially adverse effect on CooperSurgical's financial condition.

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COOPERSURGICAL, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

CooperSurgical leases certain property and equipment under operating lease agreements. The following is a schedule of the estimated minimum payment due under such leases with an initial term of more than one year as of October 31, 1994:

YEAR ENDING OCTOBER 31,	(000'S)
-----	-----
1995.....	\$322
1996.....	250
1997.....	256
1998.....	262
1999.....	263
2000 and thereafter.....	525

Rental expense for all leases amounted to approximately \$311,000, \$340,000 and \$322,000 for the years ended October 31, 1994, 1993 and 1992, respectively.

(8) EMPLOYEE BENEFITS

CooperSurgical employees are eligible to participate in the Parent's 401(k) Savings Plan, a defined contribution plan and the Parent's Retirement Income Plan, a defined benefit plan. As of October 31, 1994, CooperSurgical has not elected to participate in the Parent's Retirement Income Plan. Costs and expenses of administration of the Parent's 401(k) Savings Plan are allocated to CooperSurgical as appropriate. These costs were not significant for the years ended October 31, 1994, 1993 and 1992.

(9) SERIES A CONVERTIBLE PREFERRED STOCK

The Series A Convertible Preferred Stock is convertible into Common Stock on a one-to-one basis, subject to adjustment for stock splits, dividends and certain other distributions of Common Stock and has voting rights equal to the number of shares of Common Stock into which it is convertible. CooperSurgical is required to reserve for issuance, shares of Common Stock equal to the shares of Preferred Stock issued and outstanding at any given date. The Preferred Stock has a liquidation preference of \$1.940625 per share and accrues cumulative dividends of \$0.1940625 per share per annum. The aggregate liquidation preference of the Preferred Stock at October 31, 1994 is \$20,253,000, plus cumulative dividends of \$2,274,000. The Preferred Stock participates ratably with the Common Stock in any additional dividends declared beyond the cumulative dividends and in any remaining assets beyond the liquidation preference. The Series A Convertible Preferred Stock represents 99.8% of the total voting rights of all outstanding CooperSurgical stock.

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SCHEDULE VIII

COOPERSURGICAL, INC. VALUATION AND QUALIFYING ACCOUNTS THREE YEARS ENDED OCTOBER 31, 1994

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS		DEDUCTIONS	BALANCE END OF YEAR
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS		
Allowance for doubtful accounts:					
Year ended October 31, 1994.....	\$472	\$ 70	\$ --	\$ --	\$542
Year ended October 31, 1993.....	\$281	\$197	\$ --	\$ 6	\$472
Year ended October 31, 1992.....	\$272	\$ 12	\$ --	\$ 3	\$281

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3. Exhibits.

EXHIBIT NUMBER

- 3.1 --Restated Certificate of Incorporation, as amended, incorporated by reference to Exhibit 4(a) to the Company's Registration Statement on Form S-3 (No. 33-17330) and Exhibits 19(a) and 19(c) to the Company's Quarterly Report on Form 10-Q for the Fiscal Quarter ended April 30, 1988.
- 3.2 --Amended and Restated By-Laws, incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-A dated January 18, 1994.
- 4.1 --Second Supplemental Indenture, dated as of January 6, 1994, between the Company and Bankers Trust Company, as successor trustee, with respect to the 10 5/8% Convertible Subordinated Reset Debentures due 2005, incorporated by reference to Exhibit 4.3 to the Company's Report on Form 8-A dated January 18, 1994.
- 4.2 --Indenture, dated as of January 6, 1994, between the Company and IBJ Schroder Bank & Trust Company, as trustee, with respect to the 10% Senior Subordinated Secured Notes due 2003, incorporated by reference to Exhibit 4.8 to the Company's Report on Form 8-A dated January 18, 1994.
- 4.3 --Pledge Agreement, dated January 6, 1994, by the Company in favor of IBJ Schroder Bank & Trust Company, as Trustee, incorporated by reference to Exhibit 4.9 to the Company's Report on Form 8-A dated January 18, 1994.
- 4.4 --Rights Agreement, dated as of October 29, 1987, between the Company and The First National Bank of Boston, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 29, 1987.
- 4.5 --Amendment No. 1 to Rights Agreement, dated as of June 14, 1993, between the Company and The First National Bank of Boston, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the Fiscal Quarter ended April 30, 1993.
- 4.6 --Amendment No. 2 to Rights Agreement, dated as of January 16, 1995, between the Company and The First National Bank of Boston.
- 4.7 --Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of The Cooper Companies, Inc., incorporated by reference to Exhibit 4.10 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1989.
- 10.1 --1988 Long Term Incentive Plan, Amended and Restated as of January 16, 1995.
- 10.2 --Turn-Around Incentive Plan.
- 10.3 --Severance Agreement entered into as of June 10, 1991, by and between CooperVision, Inc. and A. Thomas Bender, incorporated by reference to Exhibit 10.26 to Amendment No. 1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1992.
- 10.4 --Letter dated March 25, 1994, to A. Thomas Bender from the Chairman of the Compensation Committee of the Company's Board of Directors.
- 10.5 --Employment Agreement dated as of December 1, 1991, by and between Robert S. Holcombe and the Company,

- incorporated by reference to Exhibit 10.27 to Amendment No. 1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1992.
- 10.6 --Letter Agreement dated November 16, 1994, by and between Robert S. Holcombe and the Company.
- 10.7 --Severance Agreement entered into as of August 21, 1989, by and between Robert S. Weiss and the Company, incorporated by reference to Exhibit 10.28 to Amendment No. 1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1992.
- 10.8 --1990 Restricted Stock Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to the Company's Proxy Statement dated June 15, 1990.
- 10.9 --Exchange Agreement, dated June 12, 1992 by and between the Company and Cooper Life Sciences, Inc., incorporated by reference to Exhibit 28(d) to the Company's Current Report on Form 8-K dated June 12, 1992.
- 10.10 --Settlement Agreement, dated June 12, 1992, by and between the Company and Cooper Life Sciences, Inc., incorporated by reference to Exhibit 28(e) to the Company's Current Report on Form 8-K dated June 12, 1992.
- 10.11 --Exchange Agreement, dated June 14, 1993, between the Company and Cooper Life Sciences, Inc., incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Fiscal Quarter ended April 30, 1993.
- 10.12 --Registration Rights Agreement, dated June 14, 1993, between the Company and Cooper Life Sciences, Inc., incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the Fiscal Quarter ended April 30, 1993.

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EXHIBIT
NUMBER

- Settlement Agreement, dated June 14, 1993, between the Company and Cooper Life Sciences, Inc., incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the Fiscal Quarter ended April 30, 1993.
- 10.14 --Amendment No. 1 to Settlement Agreement of June 14, 1993, dated as of January 16, 1995, between the Company and Cooper Life Sciences, Inc.
- 10.15 --Stock Purchase Agreement, dated as of April 6, 1992, by and among PSG and Nu-Med and PsychGroup (the 'Agreement'), and for the limited purposes set forth therein, Malvern, Northwestern, South Central, Alliance, HGA and PSG Management are parties to the Agreement, incorporated by reference to Exhibit 10(a) to the Company's Current Report on Form 8-K dated May 29, 1992.
- 10.16 --Management Services Agreement, dated as of May 29, 1992, by and among PSG Management and South Central, Malvern and Northwestern (the 'Management Agreement'), together with the Guarantee of PsychGroup and Nu-Med attached thereto, incorporated by reference to Exhibit 10(b) on Form 8-K dated May 29, 1992. The Schedules to the Management Agreement are not included and will be furnished upon request.
- 10.17 --Indemnification Agreement, dated as of April 6, 1992, by and among PSG and Nu-Med and PsychGroup (the 'Indemnification Agreement'), and for the limited purposes set forth therein HGA and certain wholly-owned subsidiaries of PsychGroup are parties to the Indemnification Agreement, incorporated by reference to Exhibit 10(c) to the Company's Current Report on Form 8-K dated May 29, 1992.
- 10.18 --Agreement dated as of September 28, 1993, among Medical Engineering Corporation, Bristol-Myers Squibb Company and the Company, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 1, 1993.
- 11.1 --Calculation of Net Income per Common Share.
- 21.1 --Subsidiaries.
- 23.1 --Consent of KPMG Peat Marwick LLP.
- 27 --Financial Data Schedule.

(b) Reports on Form 8-K.
None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on January 24, 1995.

THE COOPER COMPANIES, INC.

By: /S/ ALLAN E. RUBENSTEIN
.....

ALLAN E. RUBENSTEIN
CHAIRMAN OF THE BOARD OF DIRECTORS

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January , 1995.

SIGNATURE	CAPACITY	DATE
-----	-----	-----
/s/ ALLAN E. RUBENSTEIN	Chairman of the Board of Directors	January 24, 1995
.....		
ALLAN E. RUBENSTEIN		

/s/ ROBERT S. WEISS ROBERT S. WEISS	Senior Vice-President, Treasurer and Chief Financial Officer	January 24, 1995
/s/ STEPHEN C. WHITEFORD STEPHEN C. WHITEFORD	Vice President and Corporate Controller	January 24, 1995
/s/ A. THOMAS BENDER A. THOMAS BENDER	Executive Vice President, Chief Operating Officer and Director	January 24, 1995
/s/ MARK A. FILLER MARK A. FILLER	Director	January 24, 1995
/s/ MICHAEL H. KALKSTEIN MICHAEL H. KALKSTEIN	Director	January 24, 1995
/s/ DONALD PRESS DONALD PRESS	Director	January 24, 1995
/s/ STEVEN ROSENBERG STEVEN ROSENBERG	Director	January 24, 1995
/s/ MEL SCHNELL MEL SCHNELL	Director	January 24, 1995

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	LOCATION OF EXHIBIT IN SEQUENTIAL NUMBERING SYSTEM
3.1	--Restated Certificate of Incorporation, as amended, incorporated by reference to Exhibit 4(a) to the Company's Registration Statement on Form S-3 (No. 33- 17330) and Exhibits 19(a) and 19(c) to the Company's Quarterly Report on Form 10-Q for the Fiscal Quarter ended April 30, 1988.	
3.2	--Amended and Restated By-Laws, incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-A dated January 18, 1994.	
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11.1	--Calculation of Net Income per Common Share.	
21.1	--Subsidiaries.	
23.1	--Consent of KPMG Peat Marwick LLP.	
27	--Financial Data Schedule.	

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STATEMENT OF DIFFERENCES

The registration symbol shall be expressed as..... 'r'
The trademark symbol shall be expressed as..... 'tm'
The pound sterling symbol shall be expressed as..... 'L'

AMENDMENT NO. 2 TO RIGHTS AGREEMENT

This AMENDMENT NO. 2 TO RIGHTS AGREEMENT, dated as of January 16, 1995 (this "Amendment"), between The Cooper Companies, Inc., a Delaware corporation (the "Company"), and The First National Bank of Boston, a national banking association (the "Rights Agent"), amends that certain Rights Agreement, dated as of October 29, 1987, as amended by Amendment No. 1 to Rights Agreement, dated as of June 14, 1993 ("Amendment No. 1"), between the Company and the Rights Agent (as amended by Amendment No. 1, the "Rights Agreement") (capitalized terms not otherwise defined herein having the meanings provided in the Rights Agreement).

W I T N E S S E T H

WHEREAS, Cooper Life Sciences, Inc., a Delaware corporation ("CLS"), Beneficially Owns 7,467,600 shares of Common Stock, representing approximately 22% of the outstanding shares of Common Stock as of the date hereof;

WHEREAS, pursuant to Amendment No. 1, CLS is an Exempt Person;

WHEREAS, CLS desires that this Amendment be adopted in order to allow certain changes in the stock ownership of CLS to occur without the acquiror being deemed an Acquiring Person;

WHEREAS, in light of CLS's agreement to an amendment, of even date herewith, to the Settlement Agreement, dated as of June 14, 1993 (the "Settlement Agreement"), the Board of Directors of the Company deems it in the best interests of the Company and its stockholders to adopt this Amendment;

WHEREAS, in accordance with the provisions of Section 26 of the Rights Agreement, this Amendment was duly adopted by the Board of Directors of the Company at a meeting on January 16, 1995;

NOW THEREFORE, in consideration of the premises and the covenants contained herein and in the Rights Agreement, the parties hereto hereby agree as follows:

Section 1. Amendment of Section 1 of the Rights Agreement. Section 1(h) is hereby amended to add the following sentence at the end thereof:

"In addition, for so long as CLS remains an Exempt Person, any other Person who is on the date hereof or hereafter becomes the Beneficial Owner of 10% or more, but not more than 30%, of the shares of CLS Common Stock then outstanding and is not otherwise, and does not thereafter become, the Beneficial Owner of more than 1% of the outstanding Common Stock shall also be an Exempt Person, and CLS shall not cease to be an Exempt Person by reason of the ownership or purchase of shares of Common Stock by another Person permitted by this sentence."

Section 2. Compliance with Rights Agreement. This Amendment is an amendment of the Rights Agreement in compliance with Section 26 thereof.

Section 3. Counterparts. This Amendment may be executed in counterparts, and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

THE COOPER COMPANIES, INC.

By /s/ Marisa F. Jacobs
Name: Marisa F. Jacobs
Title: Secretary

THE FIRST NATIONAL BANK OF BOSTON

By
Name:
Title:

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THE COOPER COMPANIES, INC.

1988 LONG TERM INCENTIVE PLAN

AMENDED AND RESTATED AS OF JANUARY 16, 1995

THE COOPER COMPANIES, INC.
1988 LONG TERM INCENTIVE PLAN

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4.	Eligibility.....	A-4
5.	Stock Options.....	A-4
6.	Stock Appreciation Rights.....	A-7
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11.	Phantom Stock Units.....	A-12
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THE COOPER COMPANIES, INC.
1988 LONG TERM INCENTIVE PLAN

SECTION 1. PURPOSE; DEFINITIONS.

The purpose of The Cooper Companies, Inc. 1988 Long Term Incentive Plan (the "Plan") is to enable The Cooper Companies, Inc. (the "Company") to attract, retain and reward key employees and consultants to the Company and its Subsidiaries and Affiliates, and strengthen the mutuality of interests between such key employees, consultants and the Company's shareholders, by offering such key employees and consultants performance-based incentive equity interests in the Company.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means any entity other than the Company and its Subsidiaries that is designated by the Board as a participating employer under the Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.

(b) "Board" means the Board of Directors of the Company.

(c) "Book Value" means, as of any given date, on a per share basis (i) the Stockholders' Equity in the Company as of the end of the immediately preceding fiscal year as reflected in the Company's consolidated balance sheet, subject to such adjustments as the Committee shall specify at or after grant, divided by (ii) the number of then outstanding shares of Stock as of such year-end date (as adjusted by the Committee for subsequent events).

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(e) "Committee" means the Committee referred to in Section 2 of the Plan. If at any time no Committee shall be in office, then the functions of the Committee specified in the Plan shall be exercised by the Board.

(f) "Company" means The Cooper Companies, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

(g) "Deferred Stock" means an award made pursuant to Section

8 below of the right to receive Stock at the end of a specified deferral period.

(h) "Disability" means disability as determined under procedures established by the Committee for purposes of this Plan.

(i) "Disinterested Person" shall have the meaning set forth in Rule 16b-3(d)(3) as promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, or any successor definition adopted by the Commission.

(j) "Early Retirement" means retirement, with the express consent for purposes of this Plan of the Company at or before the time of such retirement, from consulting or active employment with the Company and any Subsidiary or Affiliate pursuant to the early retirement provisions of the applicable pension plan of such entity.

(k) "Fair Market Value" means, as of any given date, unless otherwise determined by the Committee in good faith, the mean between the highest and lowest quoted selling price, regular way, of the Stock on the New York Stock Exchange or, if no such sale of Stock occurs on the New York Stock Exchange on such date, the fair market value of the Stock as determined by the Committee in good faith.

(l) "Incentive Stock Option" means any Stock Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422A of the Code.

(m) "Long Term Performance Award" means an award under Section 10 below that is valued in whole or in part based on the achievement of Company, Subsidiary, Affiliate, or individual performance factors or criteria as the Committee may deem appropriate.

(n) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

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(o) "Normal Retirement" means retirement from consulting or active employment with the Company and any Subsidiary or Affiliate on or after age 65.

(p) "Phantom Stock Unit" means a right, pursuant to an award granted under Section 11 and subject to the provisions thereof, to receive from the Company cash in an amount equal to the Fair Market Value of a share of Stock.

(q) "Plan" means this 1988 Long Term Incentive Plan, as hereinafter amended from time to time.

(r) "Restricted Stock" means an award of shares of Stock that is subject to restrictions under Section 7 below.

(s) "Retirement" means Normal or Early Retirement.

(t) "Stock" means the Common Stock, \$0.10 par value per share, of the Company.

(u) "Stock Appreciation Right" means the right pursuant to an award granted under Section 6 below (a) to surrender to the Company all (or a portion) of a Stock Option in exchange for an amount in any combination of cash or Common Stock equal to the difference between (i) the Fair Market Value, as of the date such Stock Option (or such portion thereof) is surrendered, of the shares of Stock covered by such Stock Option (or such portion thereof), subject, where applicable, to the pricing provisions in Section 6(b)(ii), and (ii) the aggregate exercise price of such Stock Option (or such portion thereof) or (b) to receive from the Company an amount of cash based upon the excess, if any, of the Fair Market Value of a number of shares of Stock specified in such award at the time of exercise of the right over the Fair Market Value of such number of shares of Stock on the date the right was granted.

(v) "Stock Option" or "Option" means any option to purchase shares of Stock (including Restricted Stock and Deferred Stock, if the Committee so determines) granted pursuant to Section 5 below.

(w) "Stock Purchase Right" means the right to purchase Stock pursuant to Section 9.

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(x) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the

Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

In addition, the terms "Change in Control", "Potential Change in Control" and "Change in Control Price" shall have meanings set forth, respectively, in Sections 12(b), (c) and (d) below and the term "Cause" shall have the meaning set forth in Section 5(i) below.

SECTION 2. ADMINISTRATION.

The Plan shall be administered by the Board or by a Committee of not less than three Disinterested Persons, who shall be appointed by the Board and who shall serve at the pleasure of the Board. (If at any time no Committee shall be in office, then the functions of the Committee specified in the Plan shall be exercised by the Board.)

The Committee shall have full authority to grant, pursuant to the terms of the Plan, to officers, consultants and other key employees eligible under Section 4: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock, (iv) Deferred Stock, (v) Stock Purchase Rights, (vi) Long Term Performance Awards and/or (vii) Phantom Stock Units.

In particular, the Committee shall have the authority:

(i) to select the officers, consultants and other key employees of the Company and its Subsidiaries and Affiliates to whom Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Purchase Rights, Long Term Performance Awards and/or Phantom Stock Units may from time to time be granted hereunder;

(ii) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Purchase Rights, Long Term Performance Awards and/or Phantom Stock Units or any combination

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thereof, are to be granted hereunder to one or more eligible employees;

(iii) to determine the number of shares, if applicable, to be covered by each such award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Stock Option or other award and/or the shares of Stock relating thereto, based in each case on such factors as the Committee shall determine, in its sole discretion);

(v) to determine whether and under what circumstances a Stock Option may be settled in cash, Restricted Stock and/or Deferred Stock under Section 5(k) or (l), as applicable, instead of Stock;

(vi) to determine whether, to what extent and under what circumstances Option grants and/or other awards under the Plan and/or other cash awards made by the Company are to be made, and operate, on a tandem basis vis a vis other awards under the Plan and/or cash awards made outside of the Plan, or on an additive basis;

(vii) to determine whether, to what extent and under what circumstances Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period); and

(viii) to determine the terms and restrictions applicable to Stock Purchase Rights and the Stock purchased by exercising such Rights.

The Committee shall have the authority to adopt, alter and repeal such rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan.

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All decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Company and Plan participants.

SECTION 3. STOCK SUBJECT TO PLAN.

The total number of shares of Stock reserved and available for distribution pursuant to stock options or other awards relating to Stock made under the Plan shall be 5,800,000 shares. To this number will be added any additional amount of shares equal to the number of shares reserved for issuance but not issued or for which options have not been granted as of September 15, 1988 under the Company's 1982 Stock Option Plan, 1984 Key Employee Restricted Stock Plan, 1985 Key Employee Restricted Stock Plan and 1985 Stock Option Plan. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares.

Subject to Section 6(b)(iv) below, if any shares of Stock that have been optioned cease to be subject to a Stock Option, or if any such shares of Stock that are subject to any Restricted Stock or Deferred Stock award, Stock Purchase Right, or Long Term Performance Award granted hereunder are forfeited or any such award otherwise terminates without a payment being made to the participant in the form of Stock, such shares shall again be available for distribution in connection with future awards under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, Stock dividend, Stock split or other change in corporate structure affecting the Stock, such substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, in the number and option price of shares subject to outstanding Options granted under the Plan, in the number and purchase price of shares subject to outstanding Stock Purchase Rights under the Plan, in the number of Phantom Stock Units, and in the number of shares subject to other outstanding awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number. Such adjusted option price shall also be used to determine the amount payable by the Company upon the exercise of

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any Stock Appreciation Right associated with any Stock Option. In addition, the Committee, in its sole discretion, shall determine the amount of cash to which the recipient of a Stock Appreciation Right not associated with an Option shall be entitled upon exercise so that there will be no increase or decrease in the cash to which the recipient shall be entitled upon exercise by reason of such event.

SECTION 4. ELIGIBILITY.

Officers, consultants and other key employees of the Company and its Subsidiaries and Affiliates (but excluding members of the Committee and any person who serves only as a director) who are responsible for or contribute to the management, growth and/or profitability of the business of the Company and/or its Subsidiaries and Affiliates are eligible to be granted awards under the Plan.

SECTION 5. STOCK OPTIONS.

Stock Options may be granted alone, in addition to or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options.

The Committee shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights); provided, however, that Incentive Stock Options shall only be granted to an individual who, at the time of grant, is an employee of the Company or a Subsidiary.

Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) Option Price. The option price per share of Stock

Committee at the time of grant but shall not be less than 85% of Fair Market Value as determined by the Committee; provided, however, that in the case of an Incentive Stock Option, the option price shall not be less than 100% of Fair Market Value as of the date of grant.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten years after the date the Option is granted.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at or after grant, provided, however, that, except as provided in Section 5(f), (g) and (h) and Section 12, unless otherwise determined by the Committee at or after grant, no Stock Option shall be exercisable prior to the first anniversary date of the granting of the Option. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time at or after grant in whole or in part, based on such factors as the Committee shall determine, in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise provisions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of shares to be purchased.

Such notice shall be accompanied by payment in full of the purchase price, either by check, note or such other instrument as the Committee may accept. As determined by the Committee, in its sole discretion, at or after grant, payment in full or in part may also be made in the form of unrestricted Stock which has been beneficially owned by the optionee for at least six months or, in the case of the exercise of a Non-Qualified Stock Option, Restricted Stock subject to an award hereunder which has been beneficially owned by the optionee for at least six months (based, in each case, on the Fair Market Value of the Stock on the date the option is exercised, as determined by the Committee); provided, however, that, in the case of an Incentive Stock Option, the right to make a payment in the form of already owned shares may be authorized only at the time the option is granted. If payment of

the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of Restricted Stock, any Stock received upon the exercise shall be subject to the same forfeiture restrictions or deferral limitations, unless otherwise determined by the Committee, in its sole discretion, at or after grant.

No shares of Stock shall be issued until full payment therefor has been made. An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 15(a).

(e) Non-Transferability of Options. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(f) Termination by Death. Subject to Section 5(j), if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised, to the extent such option was exercisable at the time of death or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee), by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of three years (or such other period as the Committee may specify at grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) Termination by Reason of Disability. Subject to Section 5(j), if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at

the time of termination or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee), for a period of three years (or such other period as the Committee may specify at grant) from the date of such termination of employment or consultancy or until the expiration of the stated term of such

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Stock Option, whichever period is the shorter; provided, however, that, if the optionee dies within such three-year period (or such other period as the Committee shall specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422A of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(h) Termination by Reason of Retirement. Subject to Section 5(j), if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of such Retirement or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee), for a period of three years (or such other period as the Committee may specify at grant) from the date of such termination of employment or consultancy or the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that, if the optionee dies within such three-year period (or such other period as the Committee may specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422A of the Code, the option will thereafter be treated as a Non-Qualified Stock Option.

(i) Other Termination. Unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at or after grant, if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates for any reason other than death, Disability or Normal or Early Retirement,

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the Stock Option shall thereupon terminate, except that such Stock Option may be exercised for the lesser of three months or the balance of such Stock Option's term if the optionee is involuntarily terminated by the Company and any Subsidiary or Affiliate without Cause. For purposes of this Plan, "Cause" means a felony conviction of a participant or the failure of a participant to contest prosecution for a felony, or a participant's willful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any Subsidiary or Affiliate.

(j) Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422A of the Code, or, without the consent of the optionee(s) affected, to disqualify any Incentive Stock Option under such Section 422A.

To the extent required for "incentive stock option" status under Section 422A(b)(7) of the Code (taking into account applicable Internal Revenue Service regulations and pronouncements), the Plan shall be deemed to provide that the aggregate Fair Market Value (determined as of the time of grant) of the stock with respect to which Incentive Stock Options granted after 1986 are exercisable for the first time by the optionee during any calendar year under the Plan and/or any other stock option plan of the Company or any Subsidiary or parent corporation (within the meaning of Section 425 of the Code) after 1986 shall not exceed \$100,000. If Section 422A is hereafter amended to delete the requirement now in Section 422A(b)(7) that the Plan text expressly provide for the \$100,000 limitation set forth in Section

422A(b)(7), then this paragraph of Section 5(j) shall no longer be operative.

(k) Buyout Provisions. The Committee may at any time offer to buy out for a payment in cash, Stock, Deferred Stock or Restricted Stock an option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

(l) Settlement Provisions. If the option agreement so provides at grant or is amended after grant and prior to exercise

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to so provide (with the optionee's consent), the Committee may require that all or part of the shares to be issued with respect to the spread value of an exercised Option take the form of Deferred or Restricted Stock, which shall be valued on the date of exercise on the basis of the Fair Market Value (as determined by the Committee) of such Deferred or Restricted Stock determined without regard to the deferral limitations and/or forfeiture restrictions involved.

(m) 10% Stockholders. No Incentive Stock Option may be granted under this Plan to any employee who, at the time the Incentive Stock Option is granted, owns, or is considered as owning, within the meaning of Section 422A of the Internal Revenue Code, shares possessing more than ten percent (10%) of the total combined voting power or value of all classes of stock of the Company, a Subsidiary or a parent corporation (within the meaning of Section 425 of the Code) unless the option price under such Option is at least 110 percent (110%) of the Fair Market Value of a share of Stock on the date such Option is granted and the duration of such Option is no more than five (5) years.

SECTION 6. STOCK APPRECIATION RIGHTS.

(a) Grant and Exercise. Stock Appreciation Rights may be granted separately or in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Stock Option.

A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares covered by a related Stock Option.

A Stock Appreciation Right may be exercised by a recipient, subject to Section 6(b), in accordance with the procedures established by the Committee for such purpose. Upon such exercise, the recipient shall be entitled to receive an amount determined in

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the manner prescribed in Section 6(b). Stock Options relating to exercised Stock Appreciation Rights shall no longer be exercisable to the extent that the related Stock Appreciation Rights have been exercised.

(b) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(i) Stock Appreciation Rights awarded with no associated Stock Option shall be exercisable in accordance with their terms and Stock Appreciation Rights granted in association with Stock Options shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan; provided, however, that any Stock Appreciation Right granted to a recipient subject to Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act") shall not be exercisable during the first six months of its term (and any related Stock Option shall not be exercisable during the first six months of its term), except that this special limitation shall not apply in the event of the death or disability of the recipient prior to the expiration of the six-month period. The exercise of Stock Appreciation Rights held by recipients who are subject to Section 16(b) of the Exchange Act shall comply with Rule 16b-3 thereunder, to the extent applicable.

(ii) Upon the exercise of a Stock Appreciation Right granted in association with a Stock Option, a recipient shall be entitled to receive an amount in cash and/or shares of Stock, as the Committee in its sole discretion shall determine, equal in value to the excess of the Fair Market Value of one share of Stock over the option price per share specified in the associated Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised. Upon the exercise of a Stock Appreciation Right awarded with no associated Stock Option, a recipient shall be entitled to receive an amount in cash equal in value to the excess, if any, of the Fair Market Value of a number of shares of Stock specified in the award at the date of exercise of the Stock Appreciation Right over the Fair Market Value of such number of shares of Stock at the date of grant of the Stock Appreciation Right. When payment is to be made in shares, the

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number of shares to be paid shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise. When payment is to be made in cash to a recipient subject to Section 16(b) of the Exchange Act, such amount shall be calculated on the basis of the average of the highest and lowest quoted selling price, regular way, of the stock on the New York Stock Exchange during the applicable period referred to in Rule 16b-3(e) under the Exchange Act to the extent applicable.

(iii) Stock Appreciation Rights shall not be transferable by the recipient thereof otherwise than by will or by the laws of descent and distribution, and all Stock Appreciation Rights shall be exercisable, during the recipient's lifetime, only by the recipient.

(iv) Upon the exercise of a Stock Appreciation Right, any Stock Option or part thereof to which such Stock Appreciation Right is associated shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 of the Plan on the number of shares of Stock to be issued under the Plan.

(v) In its sole discretion, the Committee may grant "Limited" Stock Appreciation Rights under this Section 6, i.e., Stock Appreciation Rights that become exercisable only in the event of a Change in Control and/or a Potential Change in Control, subject to such terms and conditions as the Committee may specify at grant. Such Limited Stock Appreciation Rights shall be settled solely in cash.

(vi) The Committee, in its sole discretion, may also provide that, in the event of a Change in Control and/or a Potential Change in Control, the amount to be paid upon the exercise of a Stock Appreciation Right or Limited Stock Appreciation Right shall be based on the Change in Control Price, subject to such terms and conditions as the Committee may specify at grant.

SECTION 7. RESTRICTED STOCK.

(a) Administration. Shares of Restricted Stock may be issued either alone, in addition to or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made,

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the number of shares to be awarded, the price to be paid by the recipient of Restricted Stock (subject to Section 7(b)), the time or times within which such awards may be subject to forfeiture, and all other terms and conditions of the awards.

The Committee may condition the grant of Restricted Stock upon the attainment of specified performance goals or such other factors as the Committee may determine, in its sole discretion.

The provisions of Restricted Stock awards need not be the same with respect to each recipient.

(b) Awards and Certificates. The prospective recipient of a Restricted Stock award shall not have any rights with respect to such award, unless and until such recipient has executed an agreement evidencing the award and has delivered a fully executed copy thereof to the Company, and has otherwise complied with the applicable terms and conditions of such award. Each award shall be subject to the following terms and conditions:

(i) The purchase price for shares of Restricted Stock shall be equal to or greater than their par value.

(ii) Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the award date, by executing a Restricted Stock award agreement and paying whatever price is required under Section 7(b)(i).

(iii) Each participant receiving a Restricted Stock award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such participant, and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such award.

(iv) The Committee shall require that the stock certificates evidencing such shares be held in custody by the Company until the restrictions, if any, thereon shall have lapsed, and that, as a condition of any Restricted Stock award, the participant shall have delivered a stock power, endorsed in blank, relating to the Stock covered by such award.

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(c) Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to this Section 7 shall be subject to the following restrictions and conditions:

(i) Subject to the provisions of this Plan and the award agreement, during a period set by the Committee commencing with the date of such award (the "Restriction Period"), the participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock awarded under the Plan. Within these limits, the Committee, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, performance and/or such other factors or criteria as the Committee may determine, in its sole discretion.

(ii) Except as provided in this paragraph (ii) and Section 7(c)(i), the participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the shares, and the right to receive any cash dividends. The Committee, in its sole discretion, as determined at the time of award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested, subject to Section 15(e), in additional Restricted Stock to the extent shares are available under Section 3, or otherwise reinvested. Pursuant to Section 3 above, Stock dividends issued with respect to Restricted Stock shall be treated as additional shares of Restricted Stock that are subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued.

(iii) Subject to the applicable provisions of the award agreement and this Section 7, upon termination of a participant's employment or consultancy with the Company and any Subsidiary or Affiliate for any reason during the Restriction Period, all shares still subject to restriction will vest, or be forfeited, in accordance with the terms and conditions established by the Committee at or after grant. If any Restricted Stock is forfeited, the Company shall pay to the participant (or the estate of a deceased participant) an amount equal to the price the participant paid with respect to such Restricted Stock.

(iv) If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such

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Restriction Period, certificates for an appropriate number of unrestricted shares shall be delivered to the participant promptly.

SECTION 8. DEFERRED STOCK.

(a) Administration. Deferred Stock may be awarded either alone, in addition to or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. The Committee shall determine the eligible persons to whom and the time or times at which Deferred Stock shall be awarded, the number of shares of Deferred Stock to be awarded to any person, the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the Stock will be deferred, and the other terms and conditions of the award in addition to those set forth in Section 8(b).

The Committee may condition the grant of Deferred Stock upon the attainment of specified performance goals or such other factors or criteria as the Committee shall determine, in its sole

discretion.

The provisions of Deferred Stock awards need not be the same with respect to each recipient.

(b) Terms and Conditions. The shares of Deferred Stock awarded pursuant to this Section 8 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this Plan and the award agreement referred to in Section 8(b)(vi) below, Deferred Stock awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period. At the expiration of the Deferral Period (or the Elective Deferral Period referred to in Section 8(b)(v), where applicable), share certificates shall be issued and delivered to the participant, or his legal representative, in a number equal to the shares covered by the Deferred Stock award.

(ii) Unless otherwise determined by the Committee at grant, amounts equal to any dividends declared during the Deferral Period with respect to the number of shares covered by a Deferred Stock award will be paid to the participant currently, or deferred and deemed to be reinvested in additional Deferred Stock, or otherwise

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reinvested, all as determined at or after the time of the award by the Committee, in its sole discretion.

(iii) Subject to the provisions of the award agreement and this Section 8, upon termination of a participant's employment or consultancy with the Company and any Subsidiary or Affiliate for any reason during the Deferral Period for a given award, the Deferred Stock in question will vest, or be forfeited, in accordance with the terms and conditions established by the Committee at or after grant. If any Deferred Stock is forfeited, the Company shall pay to the participant (or the estate of a deceased participant) an amount equal to the price, if any, the participant paid with respect to such Deferred Stock.

(iv) Based on service, performance and/or such other factors or criteria as the Committee may determine, the Committee may, at or after grant, accelerate the vesting of all or any, part of any Deferred Stock award and/or waive the deferral limitations for all or any part of such award.

(v) A participant may elect to further defer receipt of an award (or an installment of an award) for a specified period or until a specified event (the "Elective Deferral Period"), subject in each case to the Committee's approval and to such terms as are determined by the Committee, all in its sole discretion. Subject to any exceptions adopted by the Committee, such election must generally be made at least 12 months prior to completion of the Deferral Period for such Deferred Stock award (or such installment).

(vi) Each award shall be confirmed by, and subject to the terms of, a Deferred Stock agreement executed by the Company and the participant.

(vii) A recipient of a Deferred Stock award shall have no rights as a stockholder with respect to any shares covered by his Deferred Stock award until the issuance of a stock certificate for such shares.

SECTION 9. STOCK PURCHASE RIGHTS.

(a) Awards and Administration. Subject to Section 3 above, the Committee may grant eligible participants Stock Purchase Rights

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which shall enable such participants to purchase Stock (including Deferred Stock and Restricted Stock):

- (i) at its Fair Market Value on the date of grant;
- (ii) at 50% of such Fair Market Value on such date;
- (iii) at an amount equal to Book Value on such date; or
- (iv) at an amount equal to the par value of such Stock on such date.

However, no share of Stock shall be sold at less than its par value. The Committee shall also impose such deferral, forfeiture

and/or other terms and conditions as it shall determine, in its sole discretion, on such Stock Purchase Rights or the exercise thereof.

The terms of Stock Purchase Rights awards need not be the same with respect to each participant. Each Stock Purchase Right award shall be confirmed by, and be subject to the terms of, a Stock Purchase Rights agreement.

(b) Exercisability. Stock Purchase Rights shall generally be exercisable for such period after grant as is determined by the Committee not to exceed 90 days. However, the Committee may provide, in its sole discretion, that the Stock Purchase Rights of persons potentially subject to Section 16(b) of the Securities Exchange Act of 1934 shall not become exercisable until six months and one day after the grant date, and shall then be exercisable for 10 trading days at the purchase price specified by the Committee in accordance with Section 9(a).

(c) Loans. If the Committee so determines, the Company shall make or arrange for a loan to a participant with respect to the exercise of Stock Purchase Rights. The Committee shall have full authority to decide whether such a loan should be made and to determine the amount, term and other provisions of any such loan, including the interest rate to be charged, whether the loan is to be with or without recourse against the borrower, the security, if any, therefor, the terms on which the loan is to be repaid and the conditions, if any, under which it may be forgiven. However, no loan hereunder shall have a term (including extensions) exceeding

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ten years in duration or be in an amount exceeding 90% of the total purchase price paid by the borrower.

SECTION 10. LONG TERM PERFORMANCE AWARDS.

(a) Administration. Long Term Performance Awards may be granted either alone or in addition to other awards granted under the Plan. The Committee shall determine the nature, length and starting date of the performance period (the "Performance Period") for each Long Term Performance Award, which shall be at least two years (subject to Section 12), and shall determine the performance objectives to be used in the valuation of Long Term Performance Awards and determining the extent to which such Long Term Performance Awards have been earned. Performance objectives may vary from participant to participant and between groups of participants and shall be based upon such Company, Subsidiary, Affiliate or individual performance factors or criteria as the Committee may deem appropriate, including, but not limited to, earnings per share or return on equity. Performance Periods may overlap and participants may participate simultaneously with respect to Long Term Performance Awards that are subject to different Performance Periods and different performance factors and criteria. Long Term Performance Awards shall be confirmed by, and be subject to the terms of, a Long Term Performance Award agreement. The terms of such awards need not be the same with respect to each participant.

At the beginning of each Performance Period, the Committee shall determine for each Long Term Performance Award subject to such Performance Period the range of dollar values or number of shares of Stock (including Deferred or Restricted Stock) to be awarded to the participant at the end of the Performance Period, if and to the extent that the relevant measures of performance for such Long Term Performance Award are met. Such dollar values or number of shares of Stock may be fixed or may vary in accordance with such performance or other criteria as may be determined by the Committee.

(b) Adjustment of Awards. The Committee may adjust the performance goals and measurements applicable to the Long Term Performance Awards to take into account changes in law and accounting and tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the inclusion

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or exclusion of the impact of extraordinary or unusual items, events or circumstances in order to avoid windfalls or hardships.

(c) Termination. Subject to Section 12 and unless otherwise provided in the applicable Long Term Performance Award agreement, if a participant terminates employment or his consultancy during a Performance Period because of death, Disability or Retirement, such participant shall be entitled to a payment with respect to each outstanding Long Term Performance Award at the end of the

applicable Performance Period:

(i) based, to the extent relevant under the terms of the award, upon the participant's performance for the portion of such Performance Period ending on the date of termination and the performance of the Company or any applicable business unit for the entire Performance Period, and

(ii) prorated for the portion of the performance period during which the participant was employed by the Company, a subsidiary or affiliate, all as determined by the Committee. The Committee may provide for an earlier payment in settlement of such award in such amount and under such terms and conditions as the Committee deems appropriate.

Subject to Section 12 and except as otherwise provided in the applicable Long Term Performance Award agreement, if a participant terminates employment or his consultancy during a Performance Period for any other reason, then such participant shall not be entitled to any payment with respect to the Long Term Performance Award subject to such Performance Period, unless the Committee shall otherwise determine.

(d) Form of Payment. The earned portion of a Long Term Performance Award may be paid currently or on a deferred basis with such interest or earnings equivalent as may be determined by the Committee. Payment shall be made in the form of cash or whole shares of Stock, including Restricted Stock or Deferred Stock, or a combination thereof, either in a lump sum payment or in annual installments, all as the Committee shall determine. If and to the extent a Long Term Performance Award is payable in Stock and the full amount therefor is not paid in Stock, then the shares of Stock representing the portion of the value of the Long Term Performance

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Award not paid in Stock shall again become available for award under the Plan.

SECTION 11. PHANTOM STOCK UNITS.

(a) Administration. Phantom Stock Units may be awarded alone, in addition to or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. The Committee shall determine the eligible persons to whom and the time or times at which Phantom Stock Units shall be awarded, the number of Phantom Stock Units to be awarded to any person and the terms and conditions of the award in addition to those set forth in Section 11(b).

The Committee may condition the grant of Phantom Stock Units upon the attainment of specified performance goals or such other factors or criteria as the Committee, in its sole discretion, shall determine.

The provisions of Phantom Stock Unit awards need not be the same with respect to each recipient.

(b) Terms and Conditions. The Phantom Stock Units awarded pursuant to this Section 11 shall be subject to the following terms and conditions:

(i) Subject to the provisions of the Plan, Phantom Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered.

(ii) Unless otherwise determined by the Committee at grant, amounts equal to cash dividends, or the Fair Market Value of Stock dividends declared and paid with respect to the number of shares of Stock equal to the number of Phantom Stock Units previously granted to a recipient but not yet surrendered as provided in clause (iii) below will be paid to the recipient currently or reinvested, at the sole discretion of the Committee, in an additional number of Phantom Stock Units, which number shall be determined by dividing the amount of such cash dividends, or the Fair Market Value of such Stock dividends, by the Fair Market Value of a share of Stock on the date the dividends were declared, provided that fractional Phantom Stock Units shall be paid in cash.

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(iii) A recipient shall be entitled to surrender to the Company Phantom Stock Units granted to him, such surrender to be upon any date or dates or during any period specified by the Committee, in its sole discretion, in the award and upon such other terms and conditions as the Committee, in its sole discretion, shall specify in such award. Upon such surrender the Company shall

deliver to the recipient cash in an amount equal to the Fair Market Value of a share of Stock on the date of surrender multiplied by the number of Phantom Stock Units so surrendered.

(iv) Subject to the provisions of the award and this Section 11, upon termination of a recipient's employment or consultancy with the Company and any Subsidiary or Affiliate for any reason, all Phantom Stock Units previously granted to the recipient that have not vested will vest, or be forfeited, in accordance with the terms and conditions of the award established by the Committee at or after grant.

(v) Subject to the provisions of the award and this Section 11, if termination of a recipient's employment or consultancy with the Company and any Subsidiary or Affiliate is by reason of death, Early Retirement, Normal Retirement or Disability, the recipient or the representatives of his estate shall have the privilege of surrendering for cash the recipient's Phantom Stock Units which the recipient or the deceased could have surrendered at the time of his Early Retirement, Normal Retirement, Disability or death, provided that such surrender must occur prior to the expiration of the surrender period and within six months after the recipient's Early Retirement, Normal Retirement, Disability or death.

SECTION 12. CHANGE IN CONTROL PROVISIONS.

(a) Impact of Event. In the event of:

- (1) a "Change in Control" as defined in Section 12(b) or
- (2) a "Potential Change in Control" as defined in Section 12(c), but only if and to the extent so determined by the Committee or the Board at or after grant (subject to any right of approval expressly reserved by the Committee or the Board at the time of such determination), the following acceleration and valuation provisions shall apply:

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- (i) Any Stock Appreciation Rights (including, without limitation, any, Limited Stock Appreciation Rights) outstanding for at least six months and any Stock Options awarded under the Plan not previously exercisable and vested shall become fully exercisable and vested.
 - (ii) The restrictions and deferral limitations applicable to any Restricted Stock, Deferred Stock, Stock Purchase Rights, Phantom Stock Units and Long Term Performance Awards, in each case to the extent not already vested under the Plan, shall lapse and such shares and awards shall be deemed fully vested.
 - (iii) Outstanding Long Term Performance Awards shall be vested and paid out on a pro-rata basis, based on the target values of each award and the number of months completed in the Performance Period, compared to the total number of months.
 - (iv) The value of all outstanding Stock Options, Stock Appreciation Rights, Deferred Stock, Stock Purchase Rights, Phantom Stock Units and Long Term Performance Awards, in each case to the extent vested, shall, unless otherwise determined by the Committee in its sole discretion at or after grant but prior to any Change in Control, be cashed out on the basis of the "Change in Control Price" as defined in Section 12(d) as of the date such Change in Control or such Potential Change in Control is determined to have occurred or such other date as the Committee may determine prior to the Change in Control.
- (b) Definition of Change in Control. For purposes of Section 12(a), a "Change in Control" means the happening of any of the following:
- (i) When any "person" as defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act but excluding the Company and any Subsidiary and any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including

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any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in

Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities with respect to the election of directors of the Company;

- (ii) When, during any period of 24 consecutive months during the existence of the Plan, the individuals who, at the beginning of such period, constitute the Board (the "Incumbent Directors") cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such director was elected by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or by prior operation of this Section 12(b) (ii); or
- (iii) The occurrence of a transaction requiring shareholder approval for the acquisition of the Company by an entity other than the Company or a Subsidiary through purchase of assets, or by merger, or otherwise.
- (c) Definition of Potential Change in Control. For purposes of Section 12(a), a "Potential Change in Control" means the happening of any one of the following:
 - (i) The approval by shareholders of an agreement by the Company, the consummation of which would result in a Change In Control of the Company as defined in Section 12(b); or
 - (ii) The acquisition of beneficial ownership, directly or indirectly, by any entity, person or group (other than the Company or a Subsidiary or any Company employee benefit plan (including any trustee of such plan acting as such trustee)) of securities of the Company representing five percent or more of the combined voting

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power of the Company's outstanding securities and the adoption by the Board of Directors of a resolution to the effect that a Potential Change in Control of the Company has occurred for purposes of this Plan.

- (d) Change in Control Price. For purposes of this Section 12, "Change in Control Price" means the highest price per share paid in any transaction reported on the New York Stock Exchange Composite Index, or paid or offered in any bona fide transaction related to a Change in Control or Potential Change in Control of the Company at any time during the sixty-day period immediately preceding the occurrence of the Change in Control (or, where applicable, the occurrence of the Potential Change in Control event), in each case as determined by the Committee except that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, such price shall be based only on transactions reported for the date on which the optionee exercises such Stock Appreciation Rights (or Limited Stock Appreciation Rights) or, where applicable, the date on which a cashout occurs under Section 12(a) (iii).
- (e) With respect to any grants made under Sections 5 through 11 hereof subsequent to December 19, 1994 (other than those grants to be made to the Company's Chief Operating Officer which are the subject of an existing agreement), this Section 12 shall be of no force and effect. All references in this Plan to Section 12 or events occurring thereunder shall remain in full force and effect exclusively with respect to awards made by the Committee prior to December 19, 1994.

SECTION 13. AMENDMENTS AND TERMINATION.

The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair the rights of an optionee or participant under a Stock Option, Stock Appreciation Right (or Limited Stock Appreciation Right), Restricted or Deferred Stock Award, Stock Purchase Right, Phantom Stock Unit award or Long Term Performance Award theretofore

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granted, without the optionee's or participant's consent, or which, without the approval of the Company's stockholders, would:

(a) except as expressly provided in this Plan, increase the total number of shares reserved for the purpose of the Plan;

(b) change the employees or class of employees eligible to participate in the Plan; or

(c) extend the maximum option period under Section 5(b) of the Plan.

The Committee may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3 above, no such amendment shall impair the rights of any holder without the holder's consent. The Committee may also substitute new Stock Options for previously granted Stock Options (on a one for one or other basis), including previously granted Stock Options having higher option exercise prices.

Subject to the above provisions, the Board shall have broad authority to amend the Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments.

SECTION 14. UNFUNDED STATUS OF PLAN.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a participant or optionee by the Company, nothing contained herein shall give any such participant or optionee any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments in lieu of or with respect to awards hereunder, provided, however, that, unless the Committee otherwise determines with the consent of the affected participant, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

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SECTION 15. GENERAL PROVISIONS.

(a) The Committee may require each person purchasing shares pursuant to a Stock Option or other award under the Plan to represent to and agree with the Company in writing that the optionee or participant is acquiring the shares for investment and without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

The Committee may condition the exercise of an Option or the issuance and delivery of Stock upon the listing, registration or qualification of the Stock upon a securities exchange or under applicable securities laws.

All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The making of an award under this Plan shall not confer upon any employee of the Company or any Subsidiary or Affiliate any right to continued employment with the Company or a Subsidiary or Affiliate, as the case may be, nor shall it interfere in any way with the right of the Company or a Subsidiary or Affiliate to terminate the employment of any of its employees at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for federal income tax purposes with respect to any award under the Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any

federal, state or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations may be settled with Stock, including Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements and the Company and its Subsidiaries or Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(e) The actual or deemed reinvestment of dividends or dividend equivalents in additional Restricted Stock (or in Deferred Stock or other types of Plan awards other than Phantom Stock Units) at the time of any dividend payment shall only be permissible if sufficient shares of Stock are available under Section 3 for such reinvestment (taking into account then outstanding Stock Options, Stock Purchase Rights and other Plan awards other than Phantom Stock Units).

(f) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

SECTION 16. EFFECTIVE DATE OF PLAN.

The Plan shall be effective as of September 15, 1988, subject to the approval of the Plan by the holders of a majority of the shares of the Company's Common Stock at the next annual shareholders' meeting in 1988. Any grants made under the Plan prior to such approval shall be effective when made (unless otherwise specified by the Committee at the time of grant), but shall be conditioned on, and subject to, such approval of the Plan by such shareholders. Notwithstanding any other provision of the Plan to the contrary, no Option, Stock Appreciation Right or Stock Purchase Right may be exercised and no Restricted or Deferred Stock or Long Term Performance Award shall become vested until such approval.

SECTION 17. TERM OF PLAN.

No Stock Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award, Stock Purchase Right, Other Stock-Based Award, Phantom Stock Unit award or Long Term

Performance Award shall be granted pursuant to the Plan on or after September 15, 1998, but awards granted prior to such date may extend beyond that date.

THE COOPER COMPANIES, INC.
TURN-AROUND INCENTIVE PLAN

OBJECTIVES:

To recognize the special efforts of certain individuals in guiding the Company through a resolution of its difficulties arising from its current capital structure and its former ownership of companies manufacturing and distributing breast implants, thereby leading to the creation of new shareholder value.

TARGETS:

In order to earn awards under the Plan, two conditions must be satisfied:

- 1(a) A resolution must be reached with respect to all of the Company's liabilities and obligations arising from its former ownership of companies engaged in the manufacture and sale of breast implants which reduces the Company's contingent liability arising from the Company's former breast implant businesses in a manner approved by the Board of Directors; and
- (b) The average price of the Company's common stock as quoted on a stock exchange or as listed in the NASDAQ system over a period of 30 consecutive days must equal or exceed \$1.50 per share;

AND

- 2(a) Same as 1(a) above; and
- (b) The average price of the Company's common stock as quoted on a stock exchange or as listed in the NASDAQ system over a period of 30 consecutive days must equal or exceed \$3.00 per share.

AWARDS:

Upon satisfaction of Target 1, participants will earn one-third of their allocated award.

Upon satisfaction of Target 2, participants will earn the remaining two-thirds of their allocated award.

PAYMENT OF AWARDS:

The payment of awards upon the satisfaction of Targets 1 and 2, respectively, shall be made as follows:

1. Fifty percent of the tranche earned will be paid in cash promptly following achievement of the Target.
2. The remaining fifty percent shall be paid by means of the issuance of that number of shares of restricted stock that has a value, on the date on which the Target is achieved, equal to fifty percent of the tranche earned.

Restrictions will be as described in a Restricted Stock Agreement in form and substance acceptable to the Company's counsel, and shall be removed from the first tranche of shares of restricted stock on the second anniversary of the satisfaction of Target 1. Restrictions will be removed from one-half of the second tranche of shares on each of the first and second anniversaries of the satisfaction of Target 2. In the event a participant's employment with the Company or an affiliate thereof is terminated prior to the applicable anniversary date (a) by the Company or said affiliate for "Cause" (i.e., misconduct in the performance of one's duties on behalf of the Company), or (b) the participant terminates his employment with the Company or an affiliate either (i) without "Good Reason" (as such term is defined in any employment or severance agreement covering the participant at issue) or (ii) in the absence of such an agreement, for any reason other than due to a "Change in Control" (as such term is defined in the 1988 Long Term Incentive Plan), said shares shall be forfeited. In the event that a participant's employment is terminated by the Company or its affiliate other than for Cause or by the participant for Good Reason, after earning restricted stock but prior to the removal of restrictions, restrictions shall be removed on the date of termination and certificates evidencing such shares shall be delivered to the participant.

March 25, 1994

Mr. A. Thomas Bender
CoastVision, Inc.
18368 Enterprise Lane
Huntington Beach, CA 92648

Dear Tom:

The Compensation Committee has met to consider the proposals contained in your letter to me of March 14, 1994, and this letter will set forth the terms that the Committee expects to recommend to the Board on March 29, 1994. Promptly following Board approval (and, of course, assuming that these arrangements are acceptable to you), these terms can be incorporated into a simple letter agreement that amends your Severance Agreement entered into as of June 10, 1991 between you and CooperVision, Inc. ("CVI"). All capitalized terms not defined in this letter shall have the meaning ascribed to them in the Severance Agreement.

1. As of April 1, 1994 and for at least the duration of fiscal 1994, your Annual Base Salary for serving as President of CVI shall be \$210,000. In addition, as of April 1, 1994, you will begin to receive a salary of \$65,000 per annum and an automobile allowance of \$600 per month for serving as the Executive Vice President and Chief Operating Officer ("COO") of The Cooper Companies, Inc. ("TCC").

2. Your fiscal 1994 IPP bonus will have two separate components. You will be eligible to participate in the CVI IPP at the 40% level, measured against one-half of the fiscal 1994 total base pay actually paid to you by CVI and TCC. In addition, you will be eligible to participate in the TCC IPP at the 50% level, also measured against one-half of the fiscal 1994 total base pay actually paid to you. In any future years in which you serve both as CVI's President and as TCC's COO, your entire base pay from CVI and TCC will constitute the salary upon which IPP bonus calculations will be based (assuming such bonus plan is in effect), however, the performance criteria applied for determining the

Mr. A. Thomas Bender
March 25, 1994
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amount of your IPP bonus will be those of TCC alone. At such time as you resign from the position of COO, or the Board determines, for any reason, that you should relinquish the COO position, but you continue to serve as President of CVI (or in a comparable position with another operating subsidiary), your IPP percentage will return to 40% and satisfaction of IPP targets will be measured exclusively against the performance of CVI (or the comparable entity).

3. Your service as TCC's COO is at will, and the Board, at its sole discretion, can remove you from that position, or you may resign, at any time. In either case, you will be entitled to receive your COO salary and your automobile allowance through the date of termination as COO. Unless you are terminated from serving as COO for cause, you will also be entitled to receive a pro rata share of any IPP bonus for which you were eligible that year, taking into account the then current base salaries paid to you and the number of days in which you served as COO in the fiscal year such employment terminates, provided, however, that such payment shall only be earned and paid if and when the Board of Directors of TCC shall have declared IPP targets to have been achieved, and other participants in the TCC IPP receive IPP payments from TCC.

4. Despite the language of Section 17(b) of your Severance Agreement, if you cease to serve as TCC's COO (whether due to a decision made by you or by TCC in its sole discretion) or if your responsibilities as COO are reduced and the compensation and/or fringe benefits paid in connection with your services as COO are reduced, you shall not have the ability to terminate your employment with CVI for Good Reason. Similarly, as long as you serve as President of CVI or hold another position of comparable stature, your removal or resignation, for any reason, from the position of COO will not constitute a termination under Sections 3, 4, 5, 6 or 7 of your Severance Agreement.

5. The Compensation Committee has authorized the grant to you of options to acquire shares of TCC common stock. The intention is to provide for the following:

(i) A grant, made on March 29, 1994, of an option to acquire 100,000 shares of TCC common stock. The option will have a term of ten years and an exercise price equal to the fair market value of a share of TCC's common stock on March 29, 1994. The option will become exercisable during its first five years only when two tests are satisfied: (a) the option will have been held for a specified period of time and (b) TCC's common stock will be trading at designated price levels. During the next 4-1/2 years, the option will become exercisable only if the stock trades at an even higher level.

Specifically, one-quarter of the option will potentially become exercisable on the date of grant. Additional quarters will potentially become exercisable on the first, second and third anniversaries of the date of grant. Whether the option can actually be exercised, however, will also depend on the prices at which TCC's common stock is trading during those years. One-third of the option will become exercisable the first time within the first five years of the option's term that the TCC common stock hits the "price levels" (as such term will be defined in your option agreement) of \$1.50, \$3.00 and \$5.00. Before you can exercise any portion of the option both tests must have been met with respect to the number of shares you seek to acquire upon exercise. During years 6 through 9-1/2 of the option's term, any portion of the option that has not yet become exercisable will vest only if the TCC common stock hits a "price level" of \$10.00 per share. Any portion of the option still unvested 9-1/2 years following its grant will vest at that time. The preceding sentences assume your continued employment as the COO of TCC. Should you cease to serve as COO, your options will be forfeited.

The following example should prove helpful in illustrating the working of your options.

When you receive an option to purchase 100,000 shares, 25,000 of those shares will have no time requirement attached to them. You would not be able to purchase them, however, unless the TCC common stock has reached a price level of \$1.50.

Mr. A. Thomas Bender
March 25, 1994
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Assuming that the TCC common stock reaches a price level of at least \$1.50 on June 1, 1994, at that time, you would be entitled to exercise one-third of your option, and thereby acquire 33,333 shares IF AND ONLY IF your holding period requirement was also met. On June 1, 1994, you will have only met the holding period with respect to 25,000 shares and, accordingly, could not exercise more than 1/4 of your option.

As of the first anniversary of your service as COO, the second 1/4 of your option will become exercisable, based upon having completed the one-year holding period requirement. However, if the price of the TCC common stock on that date has not yet hit the \$3.00 price level, you would only be able to exercise your option for an additional 8,333 shares (up to the total of 33,333 shares). If the \$3.00 price level test has been satisfied by June 1, 1994, you could exercise your option for an additional 25,000 shares, such that you would have the right to acquire up to 50,000 shares.

If any portion of your option does not become exercisable during the first five years of its term due to the failure of the stock to reach any or all of the \$1.50, \$3.00 or \$5.00 price levels, you will only be able to exercise the option in years 6 through 9-1/2 with respect to those unexercisable shares if the price of TCC's common stock satisfies the \$10.00 price level test.

During the last six months of the option's term, it will become exercisable in full, whether or not the price level tests have been satisfied. Any portion of the option which remains unexercised on the tenth anniversary of the date of grant will be forfeited.

(ii) Assuming you are still COO in the month of March in each of the next three years, you will be granted additional options. Each option will entitle you to purchase up to 33,333 shares of TCC common stock. The exercise prices will equal the then current fair market value of TCC's common stock, and the option terms will be ten years from the date of grant. Each option will become exercisable upon the same terms and conditions as were described in (i) above.

As noted above, all unvested portions of these options

will be forfeited on the date your position as TCC's COO terminates. You will have three months from that date to exercise

Mr. A. Thomas Bender
March 25, 1994
Page 5

any then exercisable portions of the options. Any remaining exercisable but unexercised options will be forfeited at the end of that three-month period.

6. All references to "Company" in Sections 14, 15 and 17(a) of the Severance Agreement will be amended to read "Companies", which is to have the meaning contained in Section 13, and other appropriate changes will be made to the notice provisions in Section 16(c).

7. Notwithstanding Section 2 of the Severance Agreement, if at some future time you relinquish your position at CVI and serve exclusively as an officer of TCC, your Severance Agreement will terminate and a new agreement between you and TCC will be negotiated.

Although these terms differ somewhat from your proposal, the Committee believes they are fair and appropriate and we hope they will be acceptable to you. Please call me within the next few days to give me your thoughts.

On behalf of the Board of Directors, please also accept my best wishes as you assume your new position. We all have a high degree of confidence in you, and look forward to working with you.

Sincerely,

/s/ Michael H. Kalkstein
Michael H. Kalkstein
Chairman of the Compensation
Committee of the
Board of Directors

November 16, 1994

Robert S. Holcombe, Esq.
1365 York Avenue, Apt. 32G
New York, NY 10021

Re: Amendment to Employment Agreement

Dear Bob:

You and The Cooper Companies, Inc. (the "Company") are parties to an Employment Agreement dated as of the 1st day of December, 1991 (the "Agreement").

Pursuant to that Agreement, with the departure of Steven G. Singer on September 8, 1994, you became entitled to terminate your employment with Good Reason under Section 4(b). The Company would like you to continue to serve as an officer of the Company and to waive your ability to terminate your employment for Good Reason due to the Change of Control resulting from the departure from the Company of each of Gary A. Singer, Steven G. Singer and Bruce D. Sturman.

The Agreement also provides that, in the event you terminate your employment with Good Reason or your employment is terminated by the Company under certain conditions, you are entitled (i) to continue receiving your salary for 18 months following the date of termination (or to receive a lump sum payment equal to 150% of your annual salary in effect on the date of termination), (ii) to continue receiving certain medical, insurance and other benefits for a period of 18 months following the date of termination, and (iii) to continue using your Company-provided automobile for 90 days following the date of termination. The Company would like you to agree to certain reductions in those payments and benefits.

You and the Company have agreed that your Agreement should be amended to reflect certain changes in those provisions. As of the date hereof, it is agreed that:

1) Subsection (iv) of Section 4(e) of the Agreement is hereby eliminated, such that you no longer have the ability to terminate your employment due to a Change of Control occasioned by the departure from the Company of Gary A. Singer, Steven G. Singer and Bruce D. Sturman.

Robert S. Holcombe, Esq.
November 16, 1994
Page 2

2) Subsections (i), (ii) and (v) of Section 5(c) of the Agreement are hereby amended to provide that, following the termination of your employment by the Company other than pursuant to Section 4(a) thereof or the termination of your employment by you pursuant to Section 4(b) thereof:

- (i) the Company shall either, at your election within the time period provided for therein, continue to pay your Annual Salary then in effect for a period of 15 months (rather than 18) following your termination, or pay you a lump sum in an amount equal to 125% (rather than 150%) of such Annual Salary;
- (ii) you shall likewise be entitled to a continuation of the medical, insurance and other benefits described in Section 5(c)(ii) of the Agreement for a period of 15 months (rather than 18) following your termination; and
- (iii) you shall be entitled to the continued use of your Company-provided automobile for a period of 30 days (rather than 90) following your termination or, if the lease for such automobile shall expire by its terms during such 30-day period, until the date five days prior to the lease termination date.

3) In exchange for agreeing to the foregoing amendments to your Agreement, the Company shall: (i) pay to you the total sum of Forty-Seven Thousand Five Hundred Dollars (\$47,500) on or before November 21, 1994, and (ii) on January 3, 1995, remove all restrictions from the thirty-three thousand three hundred thirty-three (33,333) shares of restricted stock of the Company issued to you under the first tranche of the Company's Turn-Around Incentive Plan (which shares are currently due to become unrestricted on May 25, 1996) and deliver those shares to you free of any restraints on disposition. The foregoing is, however, subject to your satisfaction of any withholding tax obligations you may incur as a result of receiving such payment and such shares of stock.

All other terms and conditions of your Agreement shall remain in full force and effect.

All capitalized terms used herein which are not defined shall have the

meaning ascribed to them in the Agreement.

Robert S. Holcombe, Esq.
November 16, 1994
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If this letter accurately sets forth the terms of our understanding, please so indicate by signing the duplicate copies of this letter, retaining one copy and returning the other to the Company for its files.

Sincerely,

/s/ A. Thomas Bender
A. Thomas Bender
Executive Vice President and
Chief Operating Officer

Agreed to and Accepted by:

/s/ Robert S. Holcombe
Robert S. Holcombe
Senior Vice President
and General Counsel

AMENDMENT NO. 1 TO SETTLEMENT AGREEMENT

This AMENDMENT NO. 1 TO SETTLEMENT AGREEMENT, dated as of January 16, 1995 (this "Agreement"), between THE COOPER COMPANIES, INC., a Delaware corporation ("TCC"), and COOPER LIFE SCIENCES, INC., a Delaware corporation ("CLS"), amends that certain Settlement Agreement, dated June 14, 1993 (the "Settlement Agreement") between TCC and CLS.

R E C I T A L S

A. CLS has requested that TCC enter into an Amendment No. 2 to Rights Agreement (the "Rights Agreement Amendment"), amending the Rights Agreement, dated as of October 29, 1987, as amended, between TCC and The First National Bank of Boston, a national banking association.

B. TCC has agreed to enter into the Rights Agreement Amendment, subject to the concurrent execution and delivery of this Amendment.

C. CLS has informed TCC that no person or entity other than Moses Marx and Mel Schnell has reported to CLS, pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended, or otherwise, Beneficial Ownership (as such term is defined in the Settlement Agreement) of 20% or more of the outstanding shares of common stock of CLS.

A G R E E M E N T

Section 1. Amendment of Section 1.1 of the Settlement Agreement

A. The definition of "Early Termination Date" in Section 1.1 of the Settlement Agreement is hereby deleted from the Settlement Agreement.

B. The definition of "Stockholder's Agreement Termination Date" in Section 1.1 of the Settlement Agreement is hereby amended to read in its entirety as follows:

"Stockholder's Agreement Termination Date" means the earlier of (i) the first date on which CLS Beneficially owns fewer than 1,000,000 TCC Shares (adjusted for stock splits, stock dividends and other recapitalizations) and (ii) the Outside Date.

C. The following definition is hereby inserted in Section 1.1 of the Settlement Agreement immediately after the definition of the term "Old Preferred":

"Outside Date" means October 31, 1996; provided, however, that if on or prior to October 31, 1996 any Person (other than Moses Marx or Mel Schnell) becomes the Beneficial Owner of 20% or more of the outstanding shares of common stock of CLS, then the term "Outside Date" shall mean April 30, 1997.

Section 2. Counterparts. This Amendment may be executed in counterparts, and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, this Amendment has been executed and delivered by the parties hereto as of the date first above written.

THE COOPER COMPANIES, INC.

By: /s/ Robert S. Holcombe
Name: Robert S. Holcombe
Title: Senior Vice President

COOPER LIFE SCIENCES, INC.

By: /s/ Mel Schnell
Name: Mel Schnell
Title: President

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
CALCULATION OF NET INCOME (LOSS) PER COMMON SHARE

	YEARS ENDED OCTOBER 31,		
	1994	1993	1992
	(IN THOUSANDS, EXCEPT PER SHARE FIGURES) (AUDITED)		
Primary:			
Loss from continuing operations before extraordinary items(1)....	\$ (4,786)	\$ (34,392)	\$ (17,962)
Discontinued operations:			
Loss on sale of operations.....	0	(13,657)	(9,300)
Loss before extraordinary items.....	(4,786)	(48,049)	(27,262)
Extraordinary items.....	0	924	640
Net income (loss).....	\$ (4,786)	\$ (47,125)	\$ (26,622)
Weighted average number of common shares outstanding.....	31,082	30,377	27,669
Primary net income (loss) per common share:			
Continuing operations.....	\$ (0.15)	\$ (1.13)	\$ (0.64)
Discontinued operations:			
Loss on sale of operations.....	0.00	(0.45)	(0.34)
Income (loss) before extraordinary items.....	(0.15)	(1.58)	(0.98)
Extraordinary items.....	0.00	0.03	0.02
Net income (loss) per common share.....	\$ (0.15)	\$ (1.55)	\$ (0.96)
Fully diluted:			
Loss from continuing operations before extraordinary items(1)....	\$ (4,786)	\$ (34,392)	\$ (17,962)
Discontinued operations:			
Loss on sale of operations.....	0	(13,657)	(9,300)
Loss before extraordinary items.....	(4,786)	(48,049)	(27,262)
Extraordinary items on a fully diluted basis.....	0	924	640
Net income (loss) on a fully diluted basis.....	\$ (4,786)	\$ (47,125)	\$ (26,622)
Weighted average number of common shares outstanding.....	31,060	30,377	27,669
Total common shares assuming full dilution.....	31,060	30,377	27,669
Fully diluted net income (loss) per common share:			
Continuing operations.....	\$ (0.15)	\$ (1.13)	\$ (0.64)
Discontinued operations:			
Loss on sale of operations.....	0.00	(0.45)	(0.34)
Income (loss) before extraordinary items.....	(0.15)	(1.58)	(0.98)
Extraordinary items.....	0.00	0.03	0.02
Net income (loss) per common share on a fully diluted basis.....	\$ (0.15)	\$ (1.55)	\$ (0.96)

</TABLE>

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(1) After dividend requirements on Senior Exchangeable Redeemable Restricted Voting Preferred Stock of \$320 in 1993 and \$1,804 in 1992 and after dividend requirements on Series B Preferred Stock of \$89 in 1994.

SUBSIDIARIES OF
THE COOPER COMPANIES, INC.
A DELAWARE CORPORATION

NAME	JURISDICTION OF INCORPORATION
The Cooper Healthcare Group, Inc.	Delaware
CooperSurgical, Inc.	Delaware
PCI GmbH	Germany
CooperVision, Inc.	New York
CooperVision Inc.	Canada
CooperVision Contact Lens Insurance Agency, Inc.	New York
CooperVision Pharmaceuticals, Inc.	Delaware
Optics Cayman Islands Insurance Ltd.	Cayman Islands
Hospital Group of America, Inc.	Delaware
Hospital Group, Inc.	Delaware
Hospital Group of Delaware, Inc.	Delaware
Hospital Group of Illinois, Inc.	Illinois
Hospital Group of Louisiana, Inc.	Louisiana
Hospital Group of New Jersey, Inc.	New Jersey
Hampton Learning Center, Inc.	New Jersey
PSG Management, Inc.	Delaware
The Cooper Real Estate Group, Inc.	Delaware
CREG River Ranch, Inc.	Delaware

ACCOUNTANTS' CONSENT

To the Stockholders and Board of Directors of
THE COOPER COMPANIES, INC.

We consent to incorporation by reference in the Registration Statement Nos. 33-50016 and 33-11298 on Form S-3 and Registration Statement Nos. 33-27938, 33-36325 and 33-36326 on Form S-8 of The Cooper Companies, Inc. of our reports dated January 11, 1995 and January 16, 1995, relating to the consolidated balance sheets of The Cooper Companies, Inc. as of October 31, 1994 and 1993 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows and related schedules for each of the years in the three-year period ended October 31, 1994, the balance sheets of CooperSurgical, Inc. as of October 31, 1994 and 1993 and the statements of operations, stockholders' deficit and cash flows and related schedule for each of the years in the three-year period ended October 31, 1994, and the consolidated balance sheets of Hospital Group of America, Inc. as of October 31, 1994, 1993 and May 29, 1992 and the related consolidated statements of operations, stockholder's equity and cash flows and related schedule for the years ended October 31, 1994 and 1993, for the period from May 30, 1992 to October 31, 1992 and for the period from June 1, 1991 to May 29, 1992, which reports appear in the October 31, 1994 Annual Report on Form 10-K of The Cooper Companies, Inc. We also consent to the reference to us under the heading 'Experts' in such registration statements.

KPMG PEAT MARWICK LLP

San Francisco, California
January 24, 1995

