



FORM 10-K

COOPER COMPANIES INC - coo

Filed: January 27, 1997 (period: October 31, 1996)

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, 1996 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)

6140 STONERIDGE MALL ROAD, SUITE 590
PLEASANTON, CALIFORNIA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

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

94588
(ZIP CODE)

510-460-3600
(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
10 5/8% Convertible Subordinated Reset Debentures due 2005	Pacific Stock Exchange
10% Senior Subordinated Secured Notes due 2003	New York Stock Exchange
	Pacific Stock Exchange
	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. []

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 1996: Common Stock, \$.10 Par Value -- \$153,755,167.

Number of shares outstanding of the registrant's common stock, as of December 31, 1996: 11,675,940.

DOCUMENTS INCORPORATED BY REFERENCE:

DOCUMENT

PART OF FORM 10-K

Portions of the Annual Report to Stockholders for the fiscal year ended October 31, 1996	Parts I and II
Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held March 25, 1997	Part III

PART I

ITEM 1. BUSINESS.

FORWARD-LOOKING STATEMENTS

This report contains projections and other forward-looking statements of the Company's results and prospects. Actual results could differ materially from these projections. Factors that could cause or contribute to differences in fiscal 1997 results include: major changes in business conditions and the economy in general, new competitive inroads, regulatory and other delays on new products and programs, unexpected changes in reimbursement rates and payer mix, unforeseen litigation, decisions to divest businesses and the cost of acquisition activity, particularly if a large acquisition is not completed. Future results are also dependent on each business unit meeting specific objectives.

INTRODUCTION

The Cooper Companies, Inc. ('TCC' or the 'Company'), through its primary subsidiaries (CooperVision, Inc., CooperSurgical, Inc. and Hospital Group of America, Inc.), 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. 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 and through distributors in approximately 40 overseas markets. Approximately 50% of the lenses sold are conventional daily or flexible wear lenses and approximately 50% constitute planned replacement lenses.

CooperVision's major brand name lenses are Hydrasoft'r', Preference'r', Preference Toric'tm', 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.

Preference'r', which was introduced in fiscal 1992, is a planned replacement product manufactured from the Tetrafilcon A polymer. 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 planned replacement product. Preference Toric'tm' combines the benefits of the Tetrafilcon A polymer with the low cost 'FIPS'tm' manufacturing techniques and design characteristics of the Hydrasoft'r' toric lens. During 1996, CooperVision launched two major line extensions to Preference Toric'tm' resulting in the broadest product line in toric planned replacement. As a result, practitioners can fit Preference Toric'tm' on more patients than any other planned replacement toric lens.

CooperVision continues to grow its international sales by focusing on key alliances with optical distributors abroad. Strategic international sales regions for CooperVision include Latin America, the Middle East and the Pacific Rim; regions typically under-served by other contact lens manufacturers.

CooperVision is continuing to explore opportunities to expand and diversify its business into additional niche markets and is pursuing strategic alliances with European and Asian partners.

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. During the past few years, increasing emphasis has been given to developing, manufacturing and distributing diagnostic and surgical instruments, disposable devices and equipment used selectively in both traditional and minimally invasive surgical procedures, especially those performed by gynecologists. By the end of fiscal 1996, approximately 90% of CooperSurgical's net revenue related to women's healthcare products.

CooperSurgical's Loop Electrosurgical Excision Procedure products, marketed under the LEEP brand name, are primarily used for the removal of cervical and vaginal pre-cancerous tissue and benign external lesions. Unlike laser ablation, which tends to destroy tissue, the electrosurgical procedure removes affected tissue with minimal charring. This allows the practitioner to obtain 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 1000'r' branded products include an electrosurgical generator, sterile single application LEEP Electrodes, 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 surgical instruments.

CooperSurgical's mail order catalog offers a broad line of products for use in diagnostic and surgical gynecologic procedures. Many of these products are exclusive to CooperSurgical including the newly introduced Prima Series'tm' nonconductive specula, the Carter Tubal Assistant'tm' instrument designed to reduce the operating time needed to perform post-partum tubal ligation, The RUMI System'tm' uterine manipulator, the Cer-View'tm' Lateral Wall Retractor and the Vu-Max'tm' Speculum incorporating a new design in LEEP procedure instruments. The catalog includes CooperSurgical's Euro-Med'r' 'Signature' series cervical biopsy punches and instrument care and sterilization systems. The CooperSurgical catalog added the Unimar products including the Pipelle'r', Cervex-Brush'tm', Kronner Manipujector'r' and the patented J-Neddle'tm' for use in closure of trocar incisions.

In April 1996, the Company acquired Unimar, Inc., a leading provider of specialized disposable medical devices for gynecology. Unimar offers products for endometrial tissue sampling for infertility and the diagnosis of cancer and its precursors, cytological sampling, uterine control during tubal ligation and minimally invasive laparoscopy.

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'r' 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 1995, CooperSurgical acquired the RUMI'tm' uterine manipulator, a patented system for controlling and positioning the uterus during surgery. RUMI'tm' product line extensions include the KOH Colpotomizer System'tm' which facilitates laparoscopic hysterectomy surgical procedures. This system, which recently received FDA approval, will be introduced in the first quarter of 1997. Compared to competing products, these new CooperSurgical products offer the gynecologist substantially improved pelvic exposure, access and traction during laparoscopic surgery and facilitate dye injection during fertility studies.

HOSPITAL GROUP OF AMERICA

Hospital Group of America, Inc. ('HGA'), owns and operates 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).

HGA's 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 further developing its outpatient and partial hospitalization programs. Several facilities offer ambulatory programs to children, adolescents and adults. During 1996, the number of ambulatory programs was increased to 11 at Hartgrove Hospital, 5 at MeadowWood Hospital and 5 at Hampton Hospital. Additional programs are expected to be initiated in 1997 that will emphasize a continuum of care services.

In May 1996, the Company acquired land and an existing structure in Kouts, Indiana, for development of a 50 bed residential treatment center. Construction and renovations are underway with a projected opening in mid fiscal 1997.

Additionally, HGA continues to provide behavioral health management services. In 1996, the Company was awarded several contracts for the management of ambulatory programs. In 1997, HGA will pursue management contracts for inpatient behavioral health units in medical/surgical hospitals.

The following is a comparison of certain statistical data relating to inpatient treatment for fiscal years 1996, 1995 and 1994 for the psychiatric facilities owned by HGA:

	FISCAL YEAR ENDED OCTOBER 31,		
	1996	1995	1994
Total patient days.....	63,918	62,556	71,882
Admissions.....	5,353	4,782	4,787
Average length of stay (in days).....	11.9	12.9	15.0
Average occupancy.....	64.9%	63.7%	73.2%

Each psychiatric facility is accredited by the Joint Commission of Accreditation of Healthcare Organizations (JCAHO), a 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.

Until December 31, 1995, a medical group not affiliated with HGA was responsible for providing both clinical and clinical administrative services at Hampton Hospital. In December 1995, the Company announced the settlement of a dispute with the management of that medical group. (See Note 4.) (1)

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 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.

 (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 contained in the Company's 1996 Annual Report, which notes are incorporated herein by reference to Item 8, into the Item number in which it appears.

- (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, 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 the Company 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 a further adverse effect on HGA's business and earnings.

RESEARCH AND DEVELOPMENT

During the fiscal years ended October 31, 1996, 1995 and 1994, expenditures for Company-sponsored research and development were \$1,176,000, \$2,914,000 and \$4,407,000, respectively. The Company decided to discontinue development and outlicensing of its calcium channel blocker compound. During fiscal 1996, CooperVision incurred approximately 67% and CooperSurgical incurred approximately 33% of total research and development. No customer-sponsored research and development has been conducted.

The Company employs 11 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. 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.

GOVERNMENT REGULATION

Healthcare Products. The development, testing, production and marketing of the Company's healthcare products are subject to the authority of the U.S. Food and Drug Administration ('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 medical devices, which 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 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.

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 can be demonstrated to be 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 the expenditure 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.

The states in which the Company operates 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.

All of HGA's 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 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. 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 predict the effect such reforms or the prospect of their enactment may have on the business of the Company and its subsidiaries.

RAW MATERIALS

In general, raw materials required by CooperVision consist of various polymers and 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.

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.

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CooperSurgical's products are marketed worldwide by a network of independent sales representatives and distributors, and additionally, in the United States through a direct mail catalog program.

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 with program differentiation will be valuable 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 year to a maximum of 17 years.

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

No material portion of TCC's businesses is dependent upon any one customer or upon any one affiliated group of customers. However, approximately 23% and 30%, respectively, of HGA's fiscal 1996 net patient revenue was generated by Medicaid and Medicare.

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 businesses 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, program differentiation, technological benefit, service and reliability, as perceived by medical professionals.

Healthcare Products. Numerous companies are engaged in the development and manufacture of contact lenses. 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 may give them a competitive advantage in marketing their lenses to high volume contract accounts.

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

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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 procedures. 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 compete with psychiatric units 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. CVI's contact lens sales in the first fiscal quarter are generally lower than subsequent quarters due to fewer patient visits during the holiday season.

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.

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS, GEOGRAPHIC AREAS, FOREIGN

OPERATIONS AND EXPORT SALES

Note 13 sets forth financial information with respect to TCC's business segments. Operations outside the United States are immaterial.

EMPLOYEES

On October 31, 1996, TCC and its subsidiaries employed approximately 1,100 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.

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ITEM 2. PROPERTIES.

The following are TCC's principal facilities as of December 31, 1996:

LOCATION	OPERATIONS	APPROXIMATE FLOOR AREA (SQ. FT.)	APPROXIMATE ANNUAL RENT	LEASE EXPIRATION
United States				
Pleasanton, CA	Executive Offices	13,700	\$212,000	Sept. 2000
Fort Lee, NJ	Offices	11,200 (1)	\$231,000 (1)	Mar. 2005
Chicago, IL	Psychiatric Hospital	67,800	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	\$193,000	Aug. 1997
Rancocas, NJ	Psychiatric Hospital	65,000	Owned in fee	N/A (2)
Kouts, IN	Residential Treatment Center	13,300	Owned in fee	N/A
Irvine, CA	Executive Offices, CVI			
	Offices, distribution and			
	customer service	17,500	\$120,000	Jan. 1998
Huntington Beach, CA	CVI manufacturing &			
	technical offices	20,600	\$190,000	April 1997
Fairport, NY	CVI administrative offices &			
	marketing	15,300	\$240,000 (3)	March 1997
Scottsville, NY	CVI manufacturing,			
	distribution and warehouse			
	facilities	36,000	Owned in fee	N/A
Shelton, CT	CSI manufacturing, research			
	and development, marketing,			
	distribution and warehouse			
	facilities	25,000	\$288,000	Dec. 2001
Canada				
Markham, Ont.	CVI Offices, manufacturing			
	distribution and warehouse			
	facilities	21,000	\$75,000	Feb. 2000

(1) The Company entered into sublease agreements on December 9, 1994 and March 18, 1996, pursuant to which it has subleased to a third party all of its Fort Lee, New Jersey, office space at a combined annual base rent of \$173,000 until March 31, 2000. The subtenant has an option to renew the subleases for an additional five years.

(2) Outstanding loans, totaling \$10,675,000 as of October 31, 1996, 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 position or results of operations.

In January 1994, the Company was found guilty on six counts of mail fraud and one count of wire fraud based upon the conduct of a former Co-Chairman relating to a 'trading scheme' to 'frontrun' high yield bond purchases, but was acquitted of charges of conspiracy and aiding and abetting violations of the Investment Advisers Act. 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 was paid August 15,

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. Payments of \$350,000 each were made in 1995 and 1996 with an additional payment of \$1,131,568 payable on July 15, 1997. These amounts were charged against net income in previous fiscal years. Also the Company settled in December 1994 a related SEC action under which 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 was offset by the larger fine to which the Company was sentenced in the criminal action.

The Company was named as a nominal defendant in a stockholder 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. Lewis and Goldberg subsequently amended their complaint, and the Delaware Chancery Court consolidated the amended complaint with a similar complaint filed by another plaintiff as In re The Cooper Companies, Inc. Litigation, Consolidated C.A. 12584. The Lewis and Goldberg amended complaint was designated as the operative complaint (the 'Derivative Complaint'). The 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 a 'trading scheme' to 'frontrun' high yield bond purchases by the Keystone Custodian Fund, Inc., a group of mutual funds. The Derivative Complaint also alleges that the defendants violated their fiduciary duties to the Company by not vigorously investigating certain allegations of securities fraud. The 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. The parties have been engaged in negotiations and had agreed upon the terms of a settlement. Although the proposed settlement was submitted to the Court for approval following notice to the Company's stockholders and a hearing, Plaintiffs have decided not to proceed with the settlement in its present form, and the parties have reopened settlement discussions. There can be no assurance that the current discussions will ultimately end the litigation. The individual defendants have advised the Company that they believe they have meritorious defenses to the lawsuit and that, in the event the case proceeds to trial, they intend to defend vigorously against the allegations in the Derivative Complaint.

The Company was also named as a nominal defendant in a stockholder derivative action entitled Bruce D. Sturman v. Gary A. Singer, Steven G. Singer, Brad C. Singer, Dorothy Singer as the Executrix of the Estate of Martin Singer, Karen Sue Singer, Norma Singer Brandes, Normel Construction Corp., Brandes & Singer, and Romulus Holdings, Inc., which was filed on June 6, 1995 in the Court of Chancery of the State of Delaware, New Castle County. The complaint is similar to a derivative complaint filed by Mr. Sturman in the Supreme Court of the State of New York on May 26, 1992, which was dismissed under New York Civil Practice Rule 327(a) on August 17, 1993. The dismissal of the New York case was affirmed by the Appellate Division on March 28, 1995. The allegations in the Delaware complaint filed by Mr. Sturman relate to substantially the same facts and events at issue in In re The Cooper Companies, Inc. Litigation described above, and similar relief is sought. The parties had agreed that Mr. Sturman's Delaware action would be consolidated into and tentatively settled with In re The Cooper Companies, Inc. Litigation.

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

No matters were submitted during the fourth quarter of fiscal 1996 to a vote of the Company's security holders.

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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 1996 or 1995.

The indenture, dated as of March 1, 1985, governing the Company's 10 5/8% Convertible Subordinated Reset Debentures Due 2005, 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 anticipate, in the foreseeable future paying cash dividends on its common stock.

Common stock price range:

1996	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
-----	-----	-----	-----	-----
High	\$8.000	\$11.125	\$13.125	\$15.125
Low	\$5.625	\$ 6.375	\$ 9.625	\$10.750
1995				

High	\$8.625	\$ 8.625	\$ 9.750	\$11.250
Low	\$6.000	\$ 5.250	\$ 5.250	\$ 5.875

At December 31, 1996 and 1995, there were 2,845 and 3,067 common stockholders of record, respectively.

ITEM 6. SELECTED FINANCIAL DATA.

The information required for this item is contained under the caption 'Five Year Financial Highlights,' in the Company's 1996 Annual Report to Stockholders which is incorporated herein by reference and is included as Exhibit 13 to this Form 10-K.

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

The information required for this item is contained under the caption 'Management's Discussion and Analysis of Financial Condition and Results of Operations' in the Company's 1996 Annual Report to Stockholders, which is incorporated herein by reference and is included as Exhibit 13 to this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS.

The information required for this item is included under the captions 'Consolidated Balance Sheets,' 'Consolidated Statements of Operations,' 'Consolidated Statements of Stockholders' Equity (Deficit),' 'Consolidated Statements of Cash Flows,' 'Notes to Consolidated Financial Statements' and 'Independent Auditors' Report' in the Company's 1996 Annual Report to Stockholders, which is incorporated herein by reference and is included as Exhibit 13 to this Form 10-K.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information contained under the heading 'Election of Directors' and 'Executive Officers of the Company,' in the Company's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on March 25, 1997 is incorporated herein by reference with respect to each of the Company's directors and the executive officers who are not also directors of the Company.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the sub-heading 'Executive Compensation' and 'Compensation of Directors,' of the 'Election of Directors' section of the Company's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on March 25, 1997 is incorporated herein by reference with respect to the Company's chief executive officer and the four other most highly compensated executive officers of the Company and the directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information contained under the sub-headings 'Securities Held by Management' and 'Principal Securityholders' of the 'Election of Directors' section of the Company's Proxy Statement for the Annual Meeting of Stockholders

scheduled to be held on March 25, 1997 is incorporated herein by reference with respect to certain beneficial owners, the directors and management.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained under the sub-heading 'Certain Relationships and Related Transactions' of the 'Election of Directors' section of the Company's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on March 25, 1997 is incorporated herein by reference.

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 and the Independent Auditors' Report on the foregoing, such items contained in the Company's 1996 Annual Report to Stockholders which is incorporated herein by reference and is included as Exhibit 13 to this Form 10-K.

2. Accountants' Consent and Report on Schedule.

3. Financial Statement Schedules of the Company.

SCHEDULE NUMBER	DESCRIPTION
-----	-----

II.	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 Independent Auditors' Report thereon and required financial statement schedules of:

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

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ACCOUNTANTS' CONSENT AND REPORT ON SCHEDULE

The Board of Directors
THE COOPER COMPANIES, INC.

The audits of the consolidated financial statements of The Cooper Companies, Inc. and subsidiaries referred to in our report dated December 9, 1996, which is incorporated herein by reference, included the related financial statement schedule for each of the years in the three-year period ended October 31, 1996 as listed in Item 14 of the Annual Report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to incorporation by reference in the Registration Statement Nos. 33-50016 and 33-11298 on Form S-3 and Registration Statement Nos. 333-10997, 33-27938, 33-36325 and 33-36326 on Form S-8 of The Cooper Companies, Inc. of our reports dated December 9, 1996, relating to the consolidated balance sheets of The Cooper Companies, Inc. and subsidiaries as of October 31, 1996 and 1995 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, 1996, and related schedule, and of our reports dated December 3, 1996 relating to the consolidated balance sheets of Hospital Group of America, Inc. and subsidiaries as of October 31, 1996 and 1995 and the related consolidated statements of operations, stockholder's equity (deficiency) and cash flows for each of the years in the three-year period ended October 31, 1996, and related schedule, and the balance sheets of CooperSurgical, Inc. as of October 31, 1996 and 1995 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, 1996, and related schedule, which reports appear in or are incorporated by reference in the October 31, 1996 Annual Report on Form 10-K of The Cooper Companies, Inc.

San Francisco, California
January 24, 1997

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SCHEDULE II

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
THREE YEARS ENDED OCTOBER 31, 1996

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS/ RECOVERIES/ OTHER (1)	BALANCE AT END OF YEAR
	-----	-----	-----	-----
	(IN THOUSANDS)			
Allowance for doubtful accounts:				
Year ended October 31, 1996.....	\$2,241	\$1,849	\$ (2,121)	\$1,969
	-----	-----	-----	-----
Year ended October 31, 1995.....	\$2,647	\$2,300	\$ (2,706)	\$2,241
	-----	-----	-----	-----
Year ended October 31, 1994.....	\$3,240	\$2,431	\$ (3,024)	\$2,647
	-----	-----	-----	-----

(1) Uncollectible accounts written off, recovered accounts receivable previously written off and other items.

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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 ('HGA') as of October 31, 1996 and 1995, and the related consolidated statements of operations, stockholder's equity (deficiency) and cash flows for each of the years in the three year period ended October 31, 1996. In connection with our audits of the consolidated financial statements, we also audited financial statement Schedule II. 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, 1996 and 1995, and the results of their operations, and their cash flows for each of the years in the three year period ended October 31, 1996 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
December 3, 1996

HOSPITAL GROUP OF AMERICA, INC., AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 1996 AND 1995

	1996	1995
	-----	-----
	(IN THOUSANDS OF	DOLLARS)
 ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 1,464	\$ 2,314
Accounts receivable, net of estimated uncollectibles of \$1,253 in 1996 and \$1,693 in 1995.....	13,108	11,176
Other receivables.....	2	64
Supplies.....	253	238
Prepaid expenses and other current assets.....	792	1,135
	-----	-----
Total current assets.....	15,619	14,927
	-----	-----
Property and equipment:		
Land.....	1,305	1,305
Buildings and improvements.....	31,732	31,521
Equipment, furniture and fixtures.....	2,347	1,988
Construction in progress.....	861	0
	-----	-----
	36,245	34,814
Less accumulated depreciation.....	(6,221)	(4,726)
	-----	-----
Total property and equipment, net.....	30,024	30,088
Goodwill, net of accumulated amortization of \$906 in 1996 and \$701 in 1995.....	4,604	5,032
Other assets.....	268	353
	-----	-----
	\$ 50,515	\$50,400
	-----	-----
 LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,149	\$ 577
Accrued liabilities.....	2,525	4,751
Accrued salaries and related expenses.....	2,009	2,565
Accrued interest payable.....	146	177
Net estimated third-party payor settlements.....	492	2,098
Current portion of long-term debt.....	667	2,124
	-----	-----
Total current liabilities.....	6,988	12,292
Long-term debt, less current portion.....	10,008	9,222
Other non-current liabilities.....	1,680	3,001
Due to parent.....	44,011	33,340
Stockholder's deficiency:		
Common stock, \$.01 par value, 1000 shares authorized, issued and outstanding.....	0	0
Additional paid-in capital.....	12,324	12,324
Accumulated deficit.....	(24,496)	(19,779)
	-----	-----
Total stockholder's deficiency.....	(12,172)	(7,455)
	-----	-----
	\$ 50,515	\$50,400
	-----	-----

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
YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Net patient service revenue.....	\$40,676	\$ 38,392	\$40,365

Source: COOPER COMPANIES INC, 10-K, January 27, 1997

Other operating revenue.....	2,337	2,520	2,675
Net operating revenue.....	43,013	40,912	43,040
Costs and expenses:			
Salaries and benefits.....	24,394	23,654	23,348
Purchased services.....	1,998	1,865	2,044
Professional fees.....	3,116	3,312	3,177
Supplies expense.....	2,162	1,938	1,929
Other operating expenses.....	7,214	7,832	8,620
Settlement of disputes, net.....	(223)	5,213	1,508
Bad debt expense.....	1,211	1,551	1,753
Depreciation and amortization.....	1,871	1,790	1,735
Interest on long-term debt.....	1,737	1,377	1,365
Interest on due to Parent note.....	4,250	3,458	2,795
Total costs and expenses.....	47,730	51,990	48,274
Net loss.....	\$ (4,717)	\$ (11,078)	\$ (5,234)

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 (DEFICIENCY)
YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDER'S EQUITY (DEFICIENCY)
	-----	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)			
Balance, November 1, 1993.....	\$0	\$ 12,324	\$ (3,467)	\$ 8,857
Net loss.....	0	0	(5,234)	(5,234)
Balance, October 31, 1994.....	\$0	\$ 12,324	\$ (8,701)	\$ 3,623
	---	---	---	---
Balance, November 1, 1994.....	\$0	\$ 12,324	\$ (8,701)	\$ 3,623
Net loss.....	0	0	(11,078)	(11,078)
Balance, October 31, 1995.....	\$0	\$ 12,324	\$ (19,779)	\$ (7,455)
	---	---	---	---
Balance, November 1, 1995.....	\$0	\$ 12,324	\$ (19,779)	\$ (7,455)
Net loss.....	0	0	(4,717)	(4,717)
Balance, October 31, 1996.....	\$0	\$ 12,324	\$ (24,496)	\$ (12,172)
	---	---	---	---

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 CASH FLOWS
YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS OF DOLLARS)		
Cash flows from operating activities:			
Net loss.....	\$ (4,717)	\$ (11,078)	\$ (5,234)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization of goodwill and loan fees.....	1,871	1,790	1,735

Source: COOPER COMPANIES INC, 10-K, January 27, 1997

Accrued interest, management fees and net expenses due to Parent.....	8,663	4,328	5,477
Change in operating assets and liabilities:			
(Increase) in accounts receivable.....	(1,870)	(174)	(1,698)
(Increase) Decrease in supplies, other current assets and other noncurrent assets.....	636	312	(570)
(Increase) Decrease in accounts payable, accrued expenses, estimated third party payor settlements, and other noncurrent liabilities.....	(5,168)	5,060	3,785
Net cash provided by (used in) operating activities.....	(585)	238	3,495
Cash flows from investing activities:			
Proceeds from sale of property.....	0	0	121
Capital expenditures.....	(1,431)	(333)	(375)
Proceeds from Progressions' settlement.....	235	421	0
Other.....	48	5	58
Net cash provided by (used in) investing activities.....	(1,148)	93	(196)
Cash flows from financing activities:			
Principal payments on long-term debt.....	(667)	(1,210)	(1,162)
Cash to Parent.....	(250)	(800)	(400)
Cash advance from Parent.....	1,800	400	1,400
Net cash provided by (used in) financing activities.....	883	(1,610)	(162)
Net (decrease) increase in cash and cash equivalents.....	(850)	(1,279)	3,137
Cash and cash equivalents, beginning of period.....	2,314	3,593	456
Cash and cash equivalents, end of period.....	\$ 1,464	\$ 2,314	\$ 3,593
Supplemental disclosure of cash flow information			
Interest paid during the period.....	\$ 1,486	\$ 1,452	\$ 1,452

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.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED OCTOBER 31, 1996 , 1995 AND 1994

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business -- The accompanying consolidated financial statements include the accounts of Hospital Group of America, Inc. (HGA) a wholly-owned subsidiary of The Cooper Companies, Inc. ('Cooper' or 'Parent') and its wholly owned subsidiaries (the 'Company'). All intercompany balances and transactions have been eliminated. The Company owns and operates the following psychiatric facilities (the 'Facilities'):

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

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. In 1996 and 1995, HGA received and recognized approximately \$2,000,000 and \$2,400,000, respectively, associated with prior year cost report settlements.

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, where indicated, adjusts the allowances associated with these receivables.

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 \$2,275,431, \$2,142,000 and \$2,498,000 for 1996, 1995 and 1994, respectively. 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 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.

Goodwill -- Goodwill is amortized on a straight-line basis over thirty years. Goodwill is reviewed for impairment whenever events or circumstances provide evidence that suggest that the carrying amount of goodwill may not be recoverable. The Company assesses the recoverability of goodwill by

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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)
YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

determining whether the amortization of the goodwill balance over its remaining life can be recovered through reasonably expected undiscounted future results.

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 \$149,000 and \$258,000 respectively, at October 31, 1996 and 1995.

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%.

Statement of Financial Standards No. 109 'Accounting for Income Taxes' (FAS 109) was adopted by the Company in 1994. FAS 109 required a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of 'temporary differences' by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under FAS 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Provision is made for deferred income taxes applicable to temporary differences between financial statement and taxable income.

Use of Estimates -- Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

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 Facilities' 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 vary depending on the

areas in which the Facilities presently operate. 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.

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

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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)
YEARS ENDED OCTOBER 31, 1996 , 1995 AND 1994

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 as of October 31, 1996 consists of amounts due under a Demand Note (Demand Note) for costs incurred or paid by the Parent in connection with the acquisition of the Company in 1992, 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 \$1,378,000, net of payments to the Parent.

All current and future borrowing under the terms of the Demand Note bear interest, payable monthly, 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. The Parent has indicated that a demand for payment will not be made prior to November 1, 1997.

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 performed management services on behalf of PSG Management, Inc. (PSG), a sister company to HGA and a wholly-owned subsidiary of Cooper, in connection with a management agreement, which ended in May, 1995, between PSG and the former owner of HGA for which it earned 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 \$269,000 and \$428,000 for the years ended October 31, 1995 and 1994, respectively.

HGA allocated interest expense to PSG primarily to reflect an estimate of the interest cost on debt incurred by HGA in connection with the 1992 acquisition of the Company by Cooper, which relates to the PSG management agreement described above. Such allocations amounted to \$163,000 and \$254,000 for 1995 and 1994, respectively, and are recorded as reductions of interest on long-term debt and interest on Due to Parent Demand 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 \$49,000, \$58,000 and \$61,000 for 1996, 1995 and 1994, respectively.

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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)
YEARS ENDED OCTOBER 31, 1996 , 1995 AND 1994

E. LONG TERM DEBT

Long-term debt at October 31, 1996 and 1995 consists of the following:

	1996	1995
	-----	-----
Bank term loan, interest at 2.5% above the bank's prime rate (8.25% at October 31, 1996), subject to a minimum rate of 9%, payable monthly, principal payable in installments through August 2001.....	\$10,675,000	\$ 9,889,000
Industrial Revenue Bonds (IRB), interest at 85% of prime rate (8.75% at October 31, 1995), paid in 1996.....	0	1,457,000
	-----	-----
	10,675,000	11,346,000
Less current portion.....	(667,000)	(2,124,000)
	-----	-----
	\$10,008,000	\$ 9,222,000
	-----	-----

Annual maturities of long-term debt are as follows:

YEAR ENDING	
OCTOBER 31	
- - - - -	
1997.....	\$ 667,000
1998.....	667,000
1999.....	667,000
2000.....	667,000
2001.....	8,007,000

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

The long-term debt agreement contains several covenants, including the maintenance by the Company 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. On December 29, 1995, the outstanding principal balance of \$1,320,000 on the Industrial Revenue Bond was reloaded into the bank term loan. The bank term loan was renegotiated on September 17, 1996. Terms of the amended agreement reduced the interest rate to two and one half percentage points above the bank's prime rate and extended the loan maturity to August 1, 2001. Additionally, because HGA achieved targeted operating results, the interest rate was further reduced effective November 1, 1996 to a rate of two percentage points (2%) above the bank's prime rate, subject to a minimum of nine percent (9%). The rates in effect at October 31, 1996 and 1995 were 10.75% and 12.75%, respectively.

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 or results of operations.

HOSPITAL GROUP OF AMERICA, INC., AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

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, 1996:

YEAR ENDING OCTOBER 31	BUILDINGS	EQUIPMENT	TOTAL
- - - - -	-----	-----	-----
1997.....	\$ 287,000	\$ 66,000	\$353,000
1998.....	179,000	60,000	239,000
1999.....	30,000	32,000	62,000

2000-2001.....	0	48,000	48,000
	-----	-----	-----
	\$ 496,000	\$206,000	\$702,000
	-----	-----	-----
	-----	-----	-----

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 \$857,000, \$706,000 and \$736,000 for 1996, 1995 and 1994, respectively.

On May 14, 1996, the Company acquired land and an existing structure in Kouts, Indiana, for development of a 50 bed residential treatment center. Renovations and additions to the existing structure are currently in progress and an opening date of March 31, 1997 is anticipated.

G. INCOME TAXES

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

	YEAR ENDED OCTOBER 31,		
	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS)		
Computed expected benefit.....	\$ (1,604)	\$ (3,766)	\$ (1,780)
Increase in taxes resulting from:			
Amortization of intangibles.....	70	70	70
Net operating losses for which no benefit was			
recognized.....	1,520	3,680	1,704
Other.....	14	16	6
	-----	-----	-----
Actual provision for income taxes.....	\$ 0	\$ 0	\$ 0
	-----	-----	-----
	-----	-----	-----

HOSPITAL GROUP OF AMERICA, INC., AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF THE COOPER COMPANIES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

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

	YEAR ENDED OCTOBER 31,	
	1996	1995
	-----	-----
	(IN THOUSANDS)	
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful		
accounts.....	\$ 501	\$ 677
Accrued liabilities, principally due to litigation reserves.....	1,194	2,830
Net operating loss carryforwards.....	9,705	6,341
	-----	-----
Total gross deferred tax assets.....	11,400	9,848
Less valuation allowance.....	(4,944)	(3,250)
	-----	-----
Net deferred tax assets.....	6,456	6,598
	-----	-----
Deferred tax liabilities:		
Plant and equipment, principally due to purchase accounting		
requirements.....	(6,358)	(6,303)
Other, principally due to differences in accounting methods for		
financial and tax purposes.....	(98)	(295)
	-----	-----

Deferred tax liabilities.....	(6,456)	(6,598)
Net deferred tax assets.....	\$ 0	\$ 0

The net change in the total valuation allowance for the year ended October 31, 1996, 1995 and 1994 was an increase of \$1,694,000, \$3,928,000 and a decrease of \$3,272,000, respectively.

At October 31, 1996 the Parent had consolidated net operating loss carryforwards, of which approximately \$10,000,000 related to the Company. The tax benefit of an additional \$14,000,000 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 HGA, 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. In late 1993 and early 1994, HGNJ delivered notices to HMG asserting that HMG had defaulted under the HMG Agreement based upon billing practices by HMG that HGNJ believed to be fraudulent. At the request of HMG, a

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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) YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

New York state court enjoined HGNJ from terminating the HMG Agreement based upon the initial notice and ordered the parties to arbitrate whether HMG had defaulted.

On December 30, 1994, Blue Cross and Blue Shield of New Jersey, Inc. commenced a lawsuit in the Superior Court of New Jersey entitled Blue Cross and Blue Shield of New Jersey, Inc. v. Hampton Medical Group, et al. against HMG and certain related entities and individuals unrelated to HGNJ or its affiliates alleging, among other things, fraudulent billing practices (the 'Blue Cross Action').

On December 11, 1995, the Parent announced a settlement of all disputes with HMG and Dr. Pottash, owner of HMG. Pursuant to the settlement, (i) the parties released each other from, among other things, the claims underlying the arbitration, (ii) HGA purchased HMG's interest in the HMG Agreement on December 31, 1995, and (iii) HGNJ agreed to make certain payments to Dr. Pottash in respect of claims he had asserted. While only HMG and Dr. Pottash are parties to the settlement with HGA, HGNJ and the Parent, HGA has not been notified of any claims by other third party payors or others relating to the billing or other practices at Hampton Hospital, although it continues to respond voluntarily to requests for information from the State of New Jersey Department of Insurance and other government agencies with respect to these matters. The settlement with HMG and Dr. Pottash resulted in a one-time charge with a present value of \$5,551,000 to fourth quarter fiscal earnings. That charge reflects amounts paid to Dr. Pottash in December 1995 of \$3,100,000 included in other current liabilities at October 31, 1995 as well as two payments scheduled to be made to HMG in May 1997 and 1998, each in the amount of \$1,537,000.

HGA and Progressions Health Systems, Inc. entered into the purchase price agreement which settled cross claims between the parties related to purchase price adjustments (which were credited to goodwill) and other disputes and provided for a series of payments to be made to HGA. Pursuant to this agreement, HGA received approximately \$853,000 in 1995, \$421,000 of which has been credited to Settlement of Disputes, Net.

J. FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, trade receivables, accounts payable, and accrued liabilities, approximate their fair values at October 31, 1996, because of the short maturity of these instruments.

The fair value of the Company's bank term loan approximates the carrying value as the debt was refinanced within the last fiscal year.

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SCHEDULE II

HOSPITAL GROUP OF AMERICA, INC. AND SUBSIDIARIES VALUATION AND QUALIFYING ACCOUNTS THREE YEARS ENDED OCTOBER 31, 1996

	BALANCE AT BEGINNING OF YEAR -----	ADDITIONS CHARGED TO COSTS AND EXPENSES -----	DEDUCTIONS/ RECOVERIES/ OTHER (1) -----	BALANCE AT END OF YEAR -----
	(IN THOUSANDS)			
Allowance for doubtful accounts:				
Year ended October 31, 1996.....	\$1,693	\$1,838	\$ (2,278)	\$1,253
	-----	-----	-----	-----
Year ended October 31, 1995.....	\$1,834	\$1,551	\$ (1,692)	\$1,693
	-----	-----	-----	-----
Year ended October 31, 1994.....	\$2,067	\$1,753	\$ (1,986)	\$1,834
	-----	-----	-----	-----

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(1) Uncollectible accounts written off, recovered accounts receivable previously written off and other items.

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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, 1996 and 1995, 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, 1996. In connection with our audits of the financial statements, we also have audited the Company's financial statement Schedule II. 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, 1996 and 1995, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 1996, 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
December 3, 1996

COOPERSURGICAL, INC.
BALANCE SHEETS

	OCTOBER 31,	
	1996	1995
	(IN THOUSANDS OF DOLLARS)	
ASSETS		
Current assets:		
Cash.....	\$ 309	\$ 197
Receivables:		
Trade, less allowance for doubtful accounts of \$531 in 1996 and \$373 in 1995.....	2,635	1,598
Other.....	66	13
	2,701	1,611
Inventories:		
Raw materials.....	1,669	2,068
Work-in-process.....	278	260
Finished goods.....	1,758	1,121
	3,705	3,449
Prepaid expenses.....	259	246
	6,974	5,503
Total current assets.....		
Furniture and equipment.....	2,193	1,725
Less accumulated depreciation.....	(1,477)	(1,242)
	716	483
Intangibles, net of accumulated amortization:		
Patents (note 2).....	941	1,005
Goodwill.....	1,389	1,486
Distribution rights.....	106	132
Non-compete agreements.....	--	45
	2,436	2,668
Other assets.....	496	496
	\$ 10,622	\$ 9,150
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt (note 7).....	\$ 17	\$ --
Accounts payable (note 4).....	1,867	940
Accrued liabilities.....	2,439	1,617
	4,323	2,557
Long-term debt (note 7).....	102	153
Due to Parent (note 5).....	4,210	3,967
	8,635	6,677
Commitments and contingencies (note 8):		
Stockholders' equity:		
Series A Convertible Preferred stock: 10,633,572 shares authorized, 10,436,660 issued and outstanding at October 31, 1996 and 1995, par value per share \$.0001, aggregate liquidation preference of \$20,253 at October 31, 1996 and 1995 plus cumulative dividend of \$6,324 at October 31, 1996 (\$4,299 in 1995) (note 10)....	1	1
Common stock: 12,000,000 shares authorized, 13,264 issued and outstanding, par value per share \$.0001 at October 31, 1996 and 1995.....	--	--
Additional paid-in capital.....	20,252	20,252
Accumulated deficit.....	(18,266)	(17,780)
	1,987	2,473
Total stockholders' equity.....	\$ 10,622	\$ 9,150

See accompanying notes to financial statements.

COOPERSURGICAL, INC.
STATEMENTS OF OPERATIONS

	YEARS ENDED OCTOBER 31,		
	1996	1995	1994
	(IN THOUSANDS OF DOLLARS)		
Net sales (note 3).....	\$17,227	\$12,824	\$12,847
Cost of goods sold.....	8,469	6,182	6,680
Gross profit.....	8,758	6,642	6,167
Costs and expenses:			
Research and development expense.....	386	804	673
Selling, general and administrative expense (note 5).....	8,112	5,909	6,513
Costs associated with restructuring operations.....	--	425	--
Other expense.....	34	140	9
Amortization of intangibles.....	232	318	303
Interest:			
Parent promissory notes.....	474	429	1,062
Other.....	6	7	11
	9,244	8,032	8,571
Net loss.....	\$ (486)	\$ (1,390)	\$ (2,404)

See accompanying notes to financial statements.

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COOPERSURGICAL, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED OCTOBER 31, 1996, 1995 AND 1994

	SERIES A PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TRANSLATION ADJUSTMENT	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL STOCKHOLDERS EQUITY (DEFICIT)
	(IN THOUSANDS OF DOLLARS)					
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 5).....	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
Net Loss.....	--	--	--	--	(1,390)	(1,390)
Aggregate translation adjustment....	--	--	--	67	--	67
Balance at October 31, 1995.....	1	--	20,252	--	(17,780)	2,473
Net Loss.....	--	--	--	--	(486)	(486)
Balance at October 31, 1996.....	\$ 1	\$--	\$ 20,252	\$--	\$ (18,266)	\$ 1,987

See accompanying notes to financial statements.

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COOPERSURGICAL, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED OCTOBER 31,		
1996	1995	1994

Cash flows provided by operating activities:			
Net loss.....	\$ (486)	\$ (1,390)	\$ (2,404)
Adjustments to reconcile net loss to cash provided (used) by operating activities:			
Depreciation and amortization.....	467	585	629
Bad debt expense.....	40	18	70
Change in assets and liabilities:			
(Increase) decrease in receivables.....	(347)	73	487
Decrease in inventories.....	92	913	1,579
Decrease in other current assets.....	41	7	113
(Increase) in other assets.....	--	--	(3)
Increase (decrease) in accounts payable.....	493	(201)	(109)
Increase (decrease) in accrued liabilities and other.....	119	138	(187)
Net cash provided by operating activities.....	419	143	175
Cash flows used by investing activities:			
Capital expenditures.....	(404)	(168)	(30)
Net cash used by investing activities.....	(404)	(168)	(30)
Cash flows provided (used) by financing activities:			
Proceeds from (repayment of) Parent advances.....	330	820	(167)
Repayment of long-term debt.....	(33)	(24)	(28)
Payment of final installment of purchased patent.....	(200)	(821)	--
Net cash provided (used) by financing activities.....	97	(25)	(195)
Net increase (decrease) in cash and cash equivalents.....	112	(50)	(50)
Cash and cash equivalents, beginning of period.....	197	247	297
Cash and cash equivalents, end of period.....	\$ 309	\$ 197	\$ 247
Cash paid for:			
Interest.....	\$ 474	\$ 429	\$ 1,062
Income taxes.....	\$--	\$ --	\$ --
Non-cash investing and financing activities:			
During fiscal 1996, CooperSurgical purchased certain assets (\$1,654,000) and liabilities (\$1,336,000) of Unimar, Inc., an affiliate of the parent, via an intercompany note bearing a 12% interest rate.			
During fiscal 1995, CooperSurgical acquired the rights to certain patented products for \$1,000,000 of which \$800,000 was paid prior to October 31, 1995. Additionally, in fiscal 1995, CooperSurgical acquired a new telephone system under the terms of a capital lease for \$72,000.			
During fiscal 1994, CooperSurgical's Parent converted \$19,011,000 of Parent advances into 9,796,660 shares of CooperSurgical Series A convertible preferred stock.			

See accompanying notes to financial statements.

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 5). Foreign exchange translation and transactions are immaterial.

NATURE OF OPERATIONS

CooperSurgical is a worldwide provider of practice enhancement products for the gynecologist. The Company's principal products include the LEEP product line (Loop Electrosurgical Excision Procedure), diagnostic and operative hysteroscopy products, colposcopy products and every day instrumentation and disposable products. Marketed principally to the domestic market through a variety of independent marketing partnerships, global coverage is obtained through top distributors of gynecology products for a given market arena.

INTERCOMPANY LIABILITY

CooperSurgical's liability to Parent matures on October 31, 2001, the Parent is committed to funding the Company's cash requirements, as necessary, until that date.

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.

ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

FINANCIAL INSTRUMENTS

For all financial instruments included in CooperSurgical's balance sheet, the fair value of those financial instruments approximates their financial statements carrying amounts.

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

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

taxable income or deductions resulting from temporary differences in the tax and financial reporting bases of assets and liabilities reflected in the 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 is enacted.

POSTEMPLOYMENT BENEFITS

Effective November 1, 1994, CooperSurgical, Inc. adopted 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.

The termination benefits portion of the restructuring charge incurred in fiscal 1995, discussed in note 2, has been accounted for in accordance with the provisions of FAS 112.

INVENTORIES

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

ADVERTISING

CooperSurgical expenses the production costs of advertising the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits.

Direct Response advertising consists primarily of catalog mailings that include order forms for CooperSurgical's products. The capitalized costs of the advertising are amortized over a three to four month period or until the next catalog mailing is made.

At October 31, 1996 and 1995, direct response advertising costs of \$89,000 and \$136,000, respectively, were included in prepaid expenses. Advertising expense was \$993,000, \$839,000 and \$1,033,000 in fiscal 1996, 1995, and 1994, respectively.

FURNITURE AND EQUIPMENT

Furniture and equipment is 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, 1996 and 1995 was \$1,686,000 and \$1,454,000, respectively. The Company assesses the recoverability of goodwill and other long-lived assets by determining whether the amortization of these assets over their remaining life can be recovered through reasonably expected future cash flow.

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

2. SIGNIFICANT EVENTS

RESTRUCTURING

During fiscal 1995, CooperSurgical closed their Redmond, Washington and Belgium field offices whereby all employees at these locations and certain support personnel at CooperSurgical's Shelton, Connecticut headquarters were terminated, resulting in a \$425,000 restructuring charge. The restructuring charge includes termination benefits of \$314,000 which covers eight employees. As of October 31, 1996, all termination benefits had been paid and eight employees had been officially terminated.

PATENT ACQUISITION

During fiscal 1995, CooperSurgical acquired the rights to certain patented products for \$1,000,000. \$800,000 had been paid prior to October 31, 1995 with the remaining \$200,000 paid during fiscal 1996 which ended October 31, 1996.

LICENSE AGREEMENTS

On April 11, 1996, CooperSurgical obtained the worldwide license rights, from an affiliate of the Parent, for the complete line of Unimar, Inc. products. This agreement allows the Company to market and sell, through its existing sales distribution channels, all products through April 11, 2006 with a 60 day cancellation clause by either entity. A monthly Royalty fee of approximately \$100,000 will be incurred by CooperSurgical.

3. EXPORT SALES

CooperSurgical had export sales of \$2,995,000, \$2,118,000, and \$2,441,000 for the years ended October 31, 1996, 1995 and 1994, respectively.

4. ACCOUNTS PAYABLE

CooperSurgical utilized a cash concentration account with the Parent whereby approximately \$713,000 and \$180,000 of checks issued and outstanding at October 31, 1996 and 1995, respectively, in excess of related bank cash balances were reclassified to accounts payable. Sufficient funds were available from the Parent to cover these checks.

5. RELATED PARTY TRANSACTIONS

Included in CooperSurgical's selling, general and administrative expense are Parent allocations for technical service fees of \$1,191,000, \$389,000, and \$514,000 for the years ended October 31, 1996, 1995 and 1994, respectively. These costs are charges from the Parent for accounting, legal, tax and other services provided to CooperSurgical and are added to the balance Due to Parent.

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). The maturity date of this Term Note for principal plus any accrued unpaid interest was extended to October 31, 2001.

Included in CooperSurgical's selling, general and administrative expenses are Royalty payments of \$675,000 made during fiscal 1996 in conjunction with license agreements for Unimar, Inc. product line. This amount covers the period from April 11, 1996 to October 31, 1996.

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

6. INCOME TAXES

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,		
	1996	1995	1994
	(IN THOUSANDS OF DOLLARS)		
Computed expected provision for (benefit of) taxes.....	\$ (164)	\$ (473)	\$ (817)
Increase in taxes resulting from:			
Amortization of intangibles.....	33	33	33
Net operating losses for which no tax benefit was recognized.....	119	432	781
Other.....	12	8	3
	----	----	----
Actual provision for income taxes.....	\$--	\$--	\$--
	----	----	----

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

	OCTOBER 31,	
	1996	1995
	(IN THOUSANDS OF DOLLARS)	
Deferred Tax Assets:		
Accounts receivable, principally due to allowance for doubtful accounts.....	\$ 280	\$ 230
Inventories, principally due to obsolescence reserves.....	743	697
Accrued liabilities, principally due to compensation accruals.....	401	327
Net operating loss carryforwards.....	5,744	5,731
Other.....	136	98
	-----	-----
Total gross deferred tax assets.....	7,304	7,083
Less valuation allowance.....	(7,304)	(7,083)
	-----	-----
Net deferred tax asset.....	\$--	\$--
	-----	-----

The net change in the total valuation allowance for the year ended October 31, 1996, 1995 and 1994 was an increase of \$221,000, \$503,000 and \$1,250,000; respectively.

At October 31, 1996, the Parent had consolidated net operating loss carryforwards of which approximately \$11,400,000 related to CooperSurgical. The tax benefit of an additional \$3,000,000 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.

7. LONG-TERM DEBT

Long-term debt consists of the following:

	OCTOBER 31,
	1996
	1995

(IN THOUSANDS OF DOLLARS)

Note payable; interest at 9%, maturing 1998.....	\$ 81	\$ 105
Capitalized lease; interest at 8%, maturing 1999.....	38	48
	-----	-----
	119	153
Less current portion.....	(17)	--
	-----	-----
	\$102	\$ 153
	-----	-----
	-----	-----

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

During fiscal 1995, CooperSurgical acquired a new telephone system under the terms of a capital lease for \$72,000 whereby CooperSurgical can purchase the system for \$1 at the end of the 48 month lease term. As of October 31, 1995, accumulated depreciation associated with the telephone system totaled \$5,000.

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

YEAR ENDING OCTOBER 31, (IN THOUSANDS OF DOLLARS)

1997.....	17
1998.....	85

8. COMMITMENTS AND CONTINGENCIES

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

CooperSurgical leases certain property and equipment under non-cancellable 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, 1996:

YEAR ENDING OCTOBER 31, (IN THOUSANDS OF DOLLARS)

1997.....	256
1998.....	262
1999.....	263
2000.....	263
2001.....	262
2002 and thereafter.....	--

Rental expense for all leases amounted to approximately \$300,000, \$317,000, and \$311,000 for the years ended October 31, 1996, 1995 and 1994, respectively.

9. 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, 1996, CooperSurgical has not elected to participate in the Parent's Retirement Income Plan. Employer contributions to the Parent's 401(k) Savings Plan, as well as costs and expenses of administering the Plan, are allocated to CooperSurgical as appropriate. These amounts were not significant for the years ended October 31, 1996, 1995 and 1994.

10. 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, 1996 is \$20,253,000, plus cumulative dividends of \$6,324,000. 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 II

COOPERSURGICAL, INC. VALUATION AND QUALIFYING ACCOUNTS THREE YEARS ENDED OCTOBER 31, 1996

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE END OF YEAR
(AMOUNTS IN THOUSANDS OF DOLLARS)					
Allowance for doubtful accounts:					
Year ended October 31, 1996.....	\$373	\$ 55	\$103	\$ --	\$ 531
	-----	---	-----	---	-----
Year ended October 31, 1995.....	\$379	\$ 18	\$ --	\$ 24	\$ 373
	-----	---	-----	---	-----
Year ended October 31, 1994.....	\$309	\$ 70	\$ --	\$ --	\$ 379
	-----	---	-----	---	-----

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3. EXHIBITS.

EXHIBIT
NUMBER
- - - - -

PAGE

- 3.1 --Restated Certificate of Incorporation, as partially 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 --Certificate of Amendment of Restated Certificate of Incorporation dated September 21, 1995 incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1995.....
- 3.3 --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.....
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- 4.6 --Amendment No. 2 to Rights Agreement, dated as of January 16, 1995, between the Company and The First National Bank of Boston, incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1994.....
- 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, incorporated by

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10.5	--Letter dated March 25, 1994, to A. Thomas Bender from the Chairman of the Compensation Committee of the Company's Board of Directors, incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1994.....
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EXHIBIT
NUMBER

PAGE

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11	--Calculation of Earnings (loss) per share.....
13	--Five Year Financial Highlights, Management's Discussion and Analysis of Financial Condition and Results of Operations, the Consolidated Financial Statements and the Notes thereto, and the Independent Auditors' Report in the 1996 Annual Report to Stockholders are incorporated by reference in this document and are deemed 'filed'.....
21	--Subsidiaries.....
27	--Financial Data Schedule.....

(B) REPORTS ON FORM 8-K.

August 8, 1996 -- Item 5. Other Events.

August 27, 1996 -- Item 5. Other Events.

October 29, 1996 -- Item 5. Other Events.

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 27, 1997.

THE COOPER COMPANIES, INC.

By: /s/ A. THOMAS BENDER

 A. THOMAS BENDER
 PRESIDENT, CHIEF EXECUTIVE
 OFFICER AND DIRECTOR

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 the dates set forth opposite their respective names.

SIGNATURE	CAPACITY	DATE
/s/ ALLAN E. RUBENSTEIN (ALLAN E. RUBENSTEIN)	Chairman of the Board of Directors	January 27, 1997
/s/ A. THOMAS BENDER (A. THOMAS BENDER)	President, Chief Executive Officer and Director	January 27, 1997
/s/ ROBERT S. WEISS (ROBERT S. WEISS)	Executive Vice President, Treasurer, Chief Financial Officer and Director	January 27, 1997
/s/ STEPHEN C. WHITEFORD (STEPHEN C. WHITEFORD)	Vice President and Corporate Controller	January 27, 1997
/s/ MARK A. FILLER (MARK A. FILLER)	Director	January 27, 1997
/s/ MICHAEL H. KALKSTEIN (MICHAEL H. KALKSTEIN)	Director	January 27, 1997
/s/ MOSES MARX (MOSES MARX)	Director	January 27, 1997
/s/ DONALD PRESS (DONALD PRESS)	Director	January 27, 1997
/s/ STEVEN ROSENBERG (STEVEN ROSENBERG)	Director	January 27, 1997

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EXHIBIT INDEX

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(B) REPORTS ON FORM 8-K.

August 8, 1996 -- Item 5. Other Events.

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October 29, 1996 -- Item 5. Other Events.

STATEMENT OF DIFFERENCES

The registered trademark symbol shall be expressed as 'r'

The trademark symbol shall be expressed as 'tm'

The British pound sterling sign shall be expressed as 'L'

FIRST AMENDMENT TO THE COOPER COMPANIES, INC.
1988 LONG TERM INCENTIVE PLAN AS AMENDED AND RESTATED

WHEREAS, the Board of Directors approved and adopted and The Cooper Companies, Inc. 1988 Long Term Incentive Plan (the "1988 Plan"), effective September 15, 1988, and amended the 1988 Plan on April 26, 1990 and February 12, 1991 and amended and restated the 1988 Plan on January 16, 1996 (together, the "Restated Plan").

WHEREAS, as permitted by Section 13 of the Restated Plan, this First Amendment to the Restated Plan was approved by a resolution of the Board of Directors of the Company on September 9, 1996, effective immediately. This First Amendment, together with Restated Plan, constitutes the entire 1988 Long Term Incentive Plan as amended to date.

NOW, THEREFORE, the Restated Plan is amended as set forth herein.

Section 1(e). of the Restated Plan is hereby amended to read in its entirety as follows:

(e) "Committee" shall mean the Board or, if, after September 9, 1996, the Board delegates its power and authority to administer this Plan to a committee of the Board described in this Section 2 of the Plan, such committee.

The first unnumbered paragraph of Section 2 of the Restated Plan is hereby amended to read in its entirety as follows:

The Plan shall be administered by the Board or, if, after September 9, 1996, the Board delegates its power and authority to administer this Plan to a committee of the Board, such committee. Any such committee shall consist solely of two or more directors appointed by and holding office at the pleasure of the Board, each of whom is a "non-employee director" as defined by Rule 16b-3. If the Board delegates its power and authority to administer this Plan to a committee, the members of such committee shall serve at the pleasure of the Board, such committee members may resign at any time by delivering written notice to the Board and vacancies in the committee may be filled by the Board.

Executed at Pleasanton, California, this 10th day of October, 1996.

By: /s/ Robert S. Weiss

Robert S. Weiss
Executive Vice President

By: /s/ Carol R. Kaufman

Carol R. Kaufman
Secretary

HOSPITAL GROUP OF AMERICA, INC.
PSG MANAGEMENT, INC.
1265 Drummers Lane, Suite 107
Wayne, PA 19807

April 15, 1996

Mr. Mark Russell
c/o Hospital Group of America, Inc.
1265 Drummers Lane, Suite 107
Wayne, PA 19087

Re: Employment Agreement

Dear Mark:

Reference is made to the Employment Agreement ("Employment Agreement") dated as of May 27, 1992 between you and Hospital Group of America, Inc. ("HGA"), as amended by the letter agreement effective as of June, 15, 1993 among you, HGA and PSG Management, Inc. ("PSG") and as further amended by Steven G. Singer's memorandum to you dated November 12, 1993 and by the letter agreement effective as of January 11, 1995 among you, HGA and PSG.

HGA and PSG each hereby ratifies and confirms the Employment Agreement in all respects, except that, effective as of the date hereof, clause (a) of Section 1 of the Employment Agreement shall be amended to read in its entirety as follows: (a) July 1, 1998; and".

The provisions of Sections 9, 10 and 11(c) of the Employment Agreement shall be deemed incorporated in this Agreement as if fully set forth herein.

Kindly evidence your agreement with the foregoing amendments to the Employment Agreement by signing in the space provided below for your signature.

Very truly yours,

HOSPITAL GROUP OF AMERICA, INC.

By: /s/ Carol R. Kaufman

PSG MANAGEMENT, INC.

By: /s/ Carol R. Kaufman

Agreed to and accepted this
17th day of April, 1996, to
be effective as of the date
set forth above.

/s/ Mark R. Russell

Mark R. Russell

FIRST AMENDMENT TO THE 1996 LONG TERM
INCENTIVE PLAN OF THE COOPER COMPANIES, INC.
FOR NON-EMPLOYEE DIRECTORS

WHEREAS, the Board of Directors approved and adopted The 1996 Long Term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc. (the "Plan"), effective November 1, 1995.

WHEREAS, as permitted by Section 11 of the Plan, this First Amendment to the Plan was approved by a resolution of the Board of Directors of the Company on September 9, 1996, effective immediately. This First Amendment, together with the Plan, constitutes the entire Plan as amended to date.

NOW, THEREFORE, the Plan is amended as set forth herein.

Section 2f. of the Plan is hereby amended to read in its entirety as follows:

"Committee" shall mean the Board or, if, after September 9, 1996, the Board delegates its power and authority to administer this Plan to a committee of the Board described in this Section 4, such committee.

Section 4 of the Plan is hereby amended to read in its entirety as follows:

4. COMMITTEE. The Plan shall be administered by the Board or, if, after September 9, 1996, the Board delegates its power and authority to administer this Plan to a committee of the Board described in this Section 4, such committee. Any such committee shall consist solely of two or more directors appointed by and holding office at the pleasure of the Board, each of whom is a "non-employee director" as defined by Rule 16b-3. If the Board delegates its power and authority to administer this Plan to a committee, the members of such committee shall serve at the pleasure of the Board, such committee members may resign at any time by delivering written notice to the Board and vacancies in the committee may be filled by the Board. At all meetings of the Committee, the presence of a majority of the members of the Committee at the time of such meeting shall be necessary to constitute a quorum. Any act of a majority of the quorum present at the meeting shall be the act of the Committee.

Executed at Pleasanton, California, this 10th day of October, 1996.

By: /s/ Robert S. Weiss

 Robert S. Weiss
 Executive Vice President

By: /s/ Carol R. Kaufman

 Carol R. Kaufman
 Secretary

EXHIBIT 11

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
CALCULATION OF EARNINGS (LOSS) PER SHARE

	Years Ended October 31,		
	1996	1995	1994
	(In thousands, except per share figures)		
Primary:			
Net income (loss)	\$ 16,603	\$ 115	\$ (4,786)
	=====	=====	=====
Weighted average number of common shares outstanding	11,645	11,416	10,193
Number of common equivalent shares using the treasury stock method	116	160	--
	-----	-----	-----
Average number of common shares used to compute earnings per share	11,761	11,576	10,193
	=====	=====	=====
Earnings (loss) per share	\$ 1.41	\$ 0.01	\$ (0.47)
	=====	=====	=====
Fully diluted:			
Net income (loss)	\$ 16,603	\$ 115	\$ (4,786)
	=====	=====	=====
Weighted average number of common shares outstanding	11,645	11,416	10,193
Number of common equivalent shares using the treasury stock method	169	207	--
	-----	-----	-----
Average number of common shares used to compute earnings per share	11,814	11,623	10,193
	=====	=====	=====
Earnings (loss) per share	\$ 1.41	\$ 0.01	\$ (0.47)
	=====	=====	=====

Five Year Financial Highlights
The Cooper Companies, Inc. and Subsidiaries

Consolidated Operations

	Years Ended October 31,				
	1996	1995	1994	1993	1992
	----	----	----	----	----
	(In thousands, except per share figures)				
Net operating revenue	\$109,131	\$ 97,090	\$ 95,645	\$ 92,652	\$ 63,279
	=====	=====	=====	=====	=====
Income (loss) from continuing operations before extraordinary items	\$ 16,603	\$ 115	\$ (4,697)	\$ (34,072)	\$ (16,158)
Loss on sale of discontinued operations, net of taxes	--	--	--	(13,657)	(9,300)
	-----	-----	-----	-----	-----
Income (loss) before extraordinary items	16,603	115	(4,697)	(47,729)	(25,458)
Extraordinary items	--	--	--	924	640
	-----	-----	-----	-----	-----
Net income (loss)	16,603	115	(4,697)	(46,805)	(24,818)
Less, preferred stock dividends	--	--	89	320	1,804
	-----	-----	-----	-----	-----
Net income (loss) applicable to common stock	\$ 16,603	\$ 115	\$ (4,786)	\$ (47,125)	\$ (26,622)
	=====	=====	=====	=====	=====
Earnings (loss) per share:					
Continuing operations	\$ 1.41	\$.01	\$ (.47)	\$ (3.43)	\$ (1.96)
Loss on sale of discontinued operations	--	--	--	(1.36)	(1.01)
	-----	-----	-----	-----	-----
Income (loss) before extraordinary items	1.41	.01	(.47)	(4.79)	(2.97)
Extraordinary items	--	--	--	.09	.07
	-----	-----	-----	-----	-----
Earnings (loss) per share	\$ 1.41	\$.01	\$ (.47)	\$ (4.70)	\$ (2.90)
	=====	=====	=====	=====	=====
Average number of common shares used to compute earnings per share	11,761	11,576	10,193	10,035	9,167
	=====	=====	=====	=====	=====

Consolidated Financial Position

	October 31,				
	1996	1995	1994	1993	1992
	----	----	----	----	----
	(In thousands)				
Current assets	\$ 42,495	\$ 41,228	\$ 43,505	\$ 51,875	\$119,282
Property, plant and equipment, net	34,674				
	34,062	34,787	39,895	39,732	
Intangible assets, net	21,468	14,933	15,327	16,285	10,083
Other assets	4,272	1,769	1,439	1,469	3,910
	-----	-----	-----	-----	-----
Total assets	\$102,909	\$ 91,992	\$ 95,058	\$109,524	\$173,007
	=====	=====	=====	=====	=====
Current liabilities	\$ 33,308	\$ 39,613	\$ 42,256	\$ 51,995	\$ 68,119
Long-term debt	47,920	43,490	46,184	48,077	58,591
Other long-term liabilities	6,351	10,638	10,272	9,000	--
	-----	-----	-----	-----	-----
Total liabilities	87,579	93,741	98,712	109,072	126,710
	-----	-----	-----	-----	-----
Stockholders' equity (deficit)	15,330	(1,749)	(3,654)	452	46,297
	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$102,909	\$ 91,992	\$ 95,058	\$109,524	\$173,007
	=====	=====	=====	=====	=====

</TABLE>

Management's Discussion and Analysis of Financial
Condition and Results of Operations

References to Note numbers are references to the "Notes to Consolidated Financial Statements" of the Company beginning on page 27 of this report. The

following products that appear in this exhibit are protected by trademarks or service marks that are owned by, licensed to or distributed by The Cooper Companies, Inc., its subsidiaries or affiliates: Hydrasoft'r', J-Needle'tm', KOH Colpotomizer System'tm', Preference Toric'tm', Preference'r', Pipelle'r', RUMI'tm', The RUMI System'tm' and Unimer'r'.

Results of Operations

Comparison of each of the fiscal years in the three-year period ended October 31, 1996:

Net Sales of Products

The following table summarizes the increases and decreases in net sales of products of the Company's CooperVision ("CVI") and CooperSurgical ("CSI") business units over the three-year period. Sales generated by the Company's CooperVision Pharmaceuticals ("CVP") unit were zero in 1996, \$16 thousand in 1995 and \$394 thousand in 1994.

	Increase (Decrease)			
	1996 vs. 1995		1995 vs. 1994	
	(Dollars in thousands)			
Business Unit				
CVI	\$6,436	15%	\$ 4,663	12%
	=====	==	=====	=====
CSI	\$4,402	34%	\$ (23)	--- %
	-----	--	-----	-----

Consolidated net sales of products grew 20% in 1996 and 8% in 1995.

1996 vs. 1995

Net sales of CVI grew by 15%. The primary contributors to the growth were increased sales of the Preference spherical and Preference Toric product lines, which together grew approximately 70%. Sales of toric lenses to correct astigmatism, CVI's leading product group, grew by 35% year to year and now account for approximately one-half of its sales. 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 line of planned replacement lenses and its line of custom toric lenses. CVI recently announced plans to double the capacity of its Scottsville, New York, facility where Preference Toric lenses are manufactured. These increases were partially offset by anticipated decreases in sales of more mature product lines.

Net sales of CSI increased 34%. Its gynecology product line grew by approximately 50%, primarily due to sales of Unimar and Blairden products which were acquired in April 1996 and June 1995, respectively. The effect of increased sales of gynecology products was partially offset by reduced sales of nonstrategic or nongynecologic products. CSI's sales mix continued to shift toward its gynecology product line, which now accounts for approximately 90% of its sales.

1995 vs. 1994

The primary contributors to CVI's growth in 1995 were increased sales of the Preference spherical product line and the Hydrasoft toric and Preference Toric product lines (the latter of which was launched in the fourth quarter of fiscal 1994). Sales of CVI's toric lenses in the United States grew by approximately 50% in 1995. Toric and other specialty lenses accounted for approximately two-thirds of CVI's total sales. The 1995 increases were partially offset by anticipated decreases in sales of more mature product lines. CVI's sales mix shifted toward daily wear, planned replacement and other specialty products and away from extended wear products.

Net sales of CSI products were essentially flat in 1995 as compared to 1994. Nearly 75% of CSI's net sales related to womens' healthcare products, as the unit continued to direct its sales efforts toward the gynecology market to take advantage of the lower cost to service a highly focused market niche.

Net Service Revenue

Net service revenue consists of the following:

	1996	1995	1994
	(In thousands)		
Net patient revenue	\$43,013	\$40,643	\$42,611
Management fees	--	1,151	2,000
	-----	-----	-----

\$43,013	\$41,794	\$44,611
=====	=====	=====

Net patient revenue by major providers was as follows:

	1996		1995		1994	
	Amount	% Total	Amount	% Total	Amount	% Total
Commercial	\$ 3,989	9%	\$ 5,055	13%	\$ 9,170	21%
Medicare	13,034	30	11,767	29	9,225	22
Medicaid	9,884	23	8,566	21	7,254	17
Blue Cross	3,617	9	4,015	10	4,729	11
HMOs	8,896	21	8,714	21	7,722	18
Other	3,593	8	2,526	6	4,511	11
	-----	---	-----	---	-----	---
	\$43,013	100%	\$40,643	100%	\$42,611	100%
	=====	===	=====	===	=====	===

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Net Patient Revenue
(See Note 1 "Net Service Revenue")

Net patient revenue grew 6% to \$43 million in fiscal 1996. In each of the last three quarters of 1996, following the transition of the physician group at Hampton Hospital, Hospital Group of America Inc.'s ("HGA") revenue showed improving growth rates compared with the comparable quarter in 1995. Increased patient visits to outpatient and day treatment programs have helped offset pressure on revenue resulting from declining average length of stay. Outpatient revenue increased to approximately 12% of net patient revenue in 1996 from approximately 9% in 1995, and approximately 5% in 1994.

Net patient revenue decreased by \$2.0 million or 5% in 1995. Revenue has been pressured by the current industry trend toward 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. In addition, management estimates that the dispute with the Hampton Medical Group, P.A. ("HMG"), which was settled in 1995 (See Note 4.), reduced revenue during 1995 at Hampton Hospital by approximately \$2 million compared with 1994.

Management Fees

On May 29, 1992, PSG Management, Inc. ("PSG Management"), a subsidiary of the Company, entered into a three-year management agreement with Progressions Health Systems, Inc. ("Progressions"), under which PSG Management managed three hospitals owned by Progressions, having a total of 220 licensed beds. PSG Management received a management fee of \$166,667 per month under the agreement, which expired by its terms in May 1995.

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		
	1996	1995	1994
CVI	77%	73%	71%
CSI	51%	52%	48%
Consolidated	70%	68%	65%

CVI's margin has increased from 1994 through 1996 due to efficiencies associated with higher production levels, as well as a favorable product mix,

reflecting the growth in sales of toric contact lenses, which have higher margins. CSI's 1996 margin decreased compared to 1995 due to the acquisition of Unimar products, which have slightly lower margins as compared to the Company's previous year's product mix. Cost reductions are underway, which management anticipates will improve future Unimar product line margins. CSI's 1995 margin increased compared to 1994 due to a favorable product mix in the United States. Internationally, a margin increase was primarily due to cost reductions accomplished within the LEEP product line. Also, 1994 CSI margins were impacted by a \$200 thousand write-down of endoscopy inventory, which reduced margins by 2%.

Cost of Services Provided

Cost of services provided represents all normal operating costs (other than financing costs and amortization of intangibles) 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 \$2.8 million or 6% of net service revenue in 1996, \$1.3 million or 3% of net service revenue in 1995 and \$3.6 million or 8% of net service revenue in 1994. The 1996 increased percentage of operating profits as compared to 1995 is attributable to increased revenue, as described above, while cost of services were about the same as 1995. The decreased percentage of operating profits in 1995 compared with 1994 was primarily attributable to lower revenue as described above, partially offset by lower cost of services.

Research and Development Expense

Research and development expense was \$1.2 million or 2% of net sales of products in 1996 compared to \$2.9 million or 5% in 1995 and \$4.4 million or 9% in 1994.

The decreases in 1996 and 1995 are primarily attributable to the Company's decision to discontinue development of its calcium channel blocker compound. This project accounted for 43% and 63% of consolidated research and development expense in 1995 and 1994, respectively. A 1996 vs. 1995 decrease of \$418 thousand in CSI research and development reflected primarily the May 1995 discontinuance of the development of Innerdyne Inc.'s thermal endometrial ablation technology, begun in 1994, and on which CSI had spent approximately \$600 thousand by mid 1995.

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The Company currently anticipates that the level of spending on research and development has stabilized. The Company is focusing on acquiring products which will be marketable immediately or in the short-term, rather than on funding longer-term, higher risk research and development projects.

Selling, General and Administrative Expense

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

	1996	1995	1994
	(In thousands)		
	-----	-----	-----
CVI	\$17,281	\$15,949	\$13,621
CSI	6,243	5,520	6,125
Corporate/Other	6,193	4,357	11,281
	-----	-----	-----
	\$29,717	\$25,826	\$31,027
	=====	=====	=====

The increase in 1996 vs. 1995 Corporate/Other SGA is primarily due to the \$1.3 million credits reflected in 1995 SGA as noted below. The 61% decrease in 1995 vs. 1994 Corporate/Other SGA reflects the resolution of various legal matters, a reduction in the level of corporate staffing, a credit of \$648 thousand for the recovery of the Company's claim against the Cooper Laboratories, Inc. Liquidating Trust, representing the recovery of previously rendered administrative services, the reversal of a \$649 thousand receivable reserve and certain other accruals no longer required and a significant reduction in the cost of the Company's Directors and Officers insurance.

SGA for CVI increased by 8% and 17% in 1996 vs. 1995 and 1995 vs. 1994, respectively. The increase in 1996 vs. 1995 relates to increased sales, and the increase in 1995 vs. 1994 was due primarily to costs associated with the successful launch of the Preference Toric line of contact lenses and the cost of programs associated with the launch of additional new products. As a percentage of sales, CVI's SGA was 35% in 1996, 38% in 1995 and 36% in 1994.

The 1996 increase in CSI SGA resulted primarily from the acquisition of

Unimar. (See Note 2.) The 1995 decrease at CSI reflects savings generated by the consolidation of CSI facilities with attendant efficiencies.

Costs Associated With Restructuring Operations (See Note 5.)

In 1995, the Company recorded \$1.5 million of restructuring costs to provide for costs primarily associated with the closure of facilities in the Company's CVP, CSI and corporate operations and downsizing HGA headquarters.

Amortization of Intangibles

Amortization of intangibles was \$1.2 million in 1996, \$859 thousand in 1995 and \$843 thousand in 1994. In 1996, the Company accelerated \$246 thousand of amortization for a use patent as a result of its decision to discontinue the development and outlicensing of its calcium channel blocker compound. The Company stopped funding this project in 1995. The balance of the changes in each year reflect acquisition activity during the three-year period. (See Note 2.)

Income From Operations

As a result of the variances discussed above, income from operations has improved by \$16.4 million over the three-year period. Income from operations by business unit and Corporate/Other was as follows:

	October 31,		
	1996	1995	1994
	(In thousands)		
CVI	\$ 19,065	\$ 13,959	\$ 11,963
CSI	1,667	(425)	(932)
HGA	2,573	878	3,321
Corporate/Other	(6,462)	(6,404)	(13,929)
	<u>\$ 16,843</u>	<u>\$ 8,008</u>	<u>\$ 423</u>
	=====	=====	=====

Settlement of Disputes, Net (See Note 4.)

In fiscal 1996, the Company recorded a credit to income of \$223 thousand related to the agreement which settled cross claims between HGA and Progressions related to purchase price adjustments (which were credited to goodwill) and other disputes. Pursuant to this agreement, HGA received \$447 thousand in fiscal 1996 of which \$223 thousand has been credited to settlement of disputes.

In 1995, the Company recorded a charge of \$5.6 million for the settlement of the HMG dispute. This charge was partially offset by net credits to income of \$2.0 million, which primarily represented cash received by the Company in connection with the settlement of other litigation matters.

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

A credit of \$850 thousand following receipt of funds by the Company to settle certain of the Company's claims associated with a real estate transaction.

A charge of \$5.8 million which represented the Company's estimate of costs required to settle certain disputes and other litigation matters, including \$3.5 million associated with the Company's criminal conviction and the related SEC enforcement action against the Company.

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Investment Income (Loss), Net

Investment income (loss), net includes interest income of \$250 thousand, \$394 thousand and \$377 thousand in 1996, 1995 and 1994, respectively. The decrease in interest income in 1996 reflects lower investment balances primarily as a result of the Company's use of cash for the acquisition of Unimar in April 1996. (See Note 2.) Also included in investment income, net for 1994 is a \$530 thousand loss on the sale of marketable securities.

Interest Expense

Interest expense was \$5.3 million in 1996, \$4.7 million in 1995 and \$4.5 million in 1994. The increase in interest expense for 1996 over 1995 is primarily related to the interest on \$4,000,000 principal amount of notes issued

in April 1996 in connection with the acquisition of Unimar, bearing interest at a rate of 12% per annum (See Note 8.) and accreted interest in 1996 related to the settlement of the HMG dispute. The increase in interest expense in 1995 was primarily a result of the increased borrowing related to a line of credit, partially offset by reduced interest expense due to an exchange offer and consent solicitation which occurred in the first quarter of fiscal 1994.

Provision for (Benefit of) Income Taxes

Details with regard to the Company's provision for (benefit of) income taxes for each of the years in the three-year period ended October 31, 1996 are set forth in Note 7. The 1996 provision for federal and state taxes of \$275 thousand was offset by a reversal of \$615 thousand of tax accruals no longer required and the recognition of an income tax benefit of \$4.1 million from reducing the valuation allowance against net deferred tax assets. The 1995 provision for state income and franchise taxes of \$315 thousand was partially offset by a reversal of \$200 thousand of tax accruals no longer required. The 1994 provision for state income and franchise taxes of \$400 thousand was offset by a reversal of \$5.0 million of tax accruals no longer required following the successful resolution of certain tax issues.

Capital Resources & Liquidity

The financial condition of the Company continued to improve in fiscal 1996 and, in the opinion of management, is now reflective of an effectively competing commercial enterprise, unhampered by an inordinate level of litigation and other distractions. In 1996, the Company generated \$16.8 million of income from operations, which was more than twice the amount generated in 1995. In addition, stockholders' equity improved by \$17 million to \$15.3 million vs. the deficit of over \$1.7 million that existed at the end of fiscal 1995. As a result of the Company's improved financial strength and prospects, it was able, effective at the beginning of fiscal 1997, to decrease by two percentage points the interest rate on its \$11 million HGA debt. The Company was also able to reduce by one percentage point the interest rate on CVI's \$8 million line of credit.

Cash provided by the Company's operating activities rebounded from a negative \$7.8 million in the traditionally lower first quarter to \$11.3 million in the succeeding nine months. As a result, operating cash flow for fiscal 1996, at \$3.5 million, achieved virtually the same level as in 1995. Higher operating cash flow levels in 1996 were precluded due to approximately \$2 million in increased payments for certain settlements as well as additional investments in receivables and inventory reflective of growth in sales and ongoing launches of new products. Operating cash flow was negative \$2 million in fiscal 1994.

Cash used by investing activities in 1996 was \$6.5 million, driven by \$3.2 million in capital expenditures and the acquisition of Unimar, Inc. in April for \$3.9 million in cash and \$4 million in 12% notes due in three years. The cash portion of the acquisition was funded primarily by cash on hand.

Cash used by financing activities in 1996 of \$1.3 million reflected repayment of the HGA Industrial Revenue Bond. (See Note 8.) Financing activities were virtually neutral in 1995. The cash use of \$6.9 million in fiscal 1994 related primarily to payments associated with a debt restructuring completed by the Company in January 1994.

Management believes that the Company is positioned to generate sufficient operating cash flow to fund its day-to-day needs and expects that operating cash flow will increase in the future. The Company further expects that operating cash flow for the first quarter of 1997 will continue to be below the other three quarters of 1997, but will compare favorably with the negative \$7.8 million used in the first quarter of 1996, when the Company paid \$3.1 million to Dr. Pottash. (See Note 4.) The balance of an additional \$3.1 million due to HMG will be paid in two equal installments in the third quarters of fiscal 1997 and 1998. Items which continue to pressure first quarter operating cash flow include ongoing payments to Medical Engineering Corporation (See Note 11.) and employee incentive payments made in the first quarter.

The Company expects to spend approximately \$7 million for purchases of property, plant and equipment in fiscal 1997, including approximately \$1 million to be spent by CVI to expand its manufacturing facilities and \$1.7 million to be spent by HGA to construct a residential treatment center in Indiana. The Company expects to finance the CVI expansion with credit facilities currently being negotiated, whereas the residential treatment center will be funded by cash on hand and credit facilities now in place, with a plan to refinance when construction is completed.

The Company regularly evaluates acquisition opportunities which, if pursued, it would intend to fund by a combination of cash then on hand, financing vehicles now in place and, where appropriate, other methods of raising capital as needed.

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 October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 applies to all transactions in which an entity acquires goods or services by issuing equity instruments such as common stock, except for employee stock ownership plans. SFAS No. 123 establishes a new method of accounting for stock-based compensation arrangements with employees which is fair value based. The statement encourages (but does not require) employers to adopt the new method in place of the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Companies may continue to apply the accounting provisions of APB No. 25 in determining net income, however, they must apply the disclosure requirements of SFAS No. 123. Companies that adopt the fair value based method of SFAS No. 123 would typically incur a higher compensation cost for fixed stock option plans and a different compensation cost for contingent or variable stock option plans. The recognition provisions and disclosure requirements of SFAS No. 123 are effective for fiscal years beginning after December 15, 1995. The Company will adopt the disclosure requirements in its 1997 fiscal year. Such adoption will have no impact on reported results.

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Management's Statement

The financial statements and other financial information in this report are management's responsibility and were prepared according to generally accepted accounting principles. They include amounts based on management's informed estimates and judgments. Other financial information in this report is consistent with that in the financial statements.

The Company's accounting systems include controls to reasonably assure that assets are safeguarded and financial statements conform to generally accepted accounting principles. These systems are supplemented by selecting and training qualified personnel and by an organizational structure that provides for appropriate separation of duties.

The Board of Directors, through its Audit and Finance Committee of three outside directors, is responsible to determine that management fulfills its responsibilities regarding preparation of financial statements and maintenance of financial control over operations. The Audit and Finance Committee recommends to the Board of Directors appointment of the Company's independent certified public accountants subject to ratification by the stockholders. It meets regularly with management and the independent accountants. The independent accountants have complete access to the Audit and Finance Committee, without management present, to discuss auditing and financial reporting.

KPMG Peat Marwick LLP ("KPMG") has been the Company's independent certified public accountants since 1980 when the Company incorporated. KPMG provides an objective, independent review of management's discharge of its responsibilities relating to the fair presentation of the consolidated financial statements. Their report follows.

/s/ A. Thomas Bender

A. Thomas Bender
President and
Chief Executive Officer

/s/ Robert S. Weiss

Robert S. Weiss
Executive Vice President
and Chief Financial Officer

Independent Auditors' Report

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, 1996 and 1995 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, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 as of October 31, 1996 and 1995 and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 1996, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

San Francisco, California
December 9, 1996

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Consolidated Statements of Operations
The Cooper Companies, Inc. and Subsidiaries

	Years Ended October 31,		
	1996	1995	1994
	(In thousands, except per share figures)		
Net sales of products	\$ 66,118	\$ 55,296	\$ 51,034
Net service revenue	43,013	41,794	44,611
Net operating revenue	109,131	97,090	95,645
Cost of products sold	19,911	17,549	17,906
Cost of services provided	40,235	40,454	41,039
Research and development expense	1,176	2,914	4,407
Selling, general and administrative expense	29,717	25,826	31,027
Amortization of intangibles	1,249	859	843
Costs associated with restructuring operations	--	1,480	--
Income from operations	16,843	8,008	423
Provision for (benefit of) settlements of disputes	(223)	3,532	4,950
Investment income (loss), net	281	444	(153)
Other income, net	80	51	256
Interest expense	5,312	4,741	4,533
Debt restructuring costs	--	--	340
Income (loss) before income taxes	12,115	230	(9,297)
Provision for (benefit of) income taxes	(4,488)	115	(4,600)
Net income (loss)	16,603	115	(4,697)
Less preferred stock dividends	--	--	89
Net income (loss) applicable to common stock	\$ 16,603	\$ 115	\$ (4,786)
Earnings (loss) per share	\$ 1.41	\$.01	\$ (.47)
Average number of common shares used to compute earnings per share	11,761	11,576	10,193

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets
The Cooper Companies, Inc. and Subsidiaries

Assets

October 31,

	1996	1995
	(In thousands)	

Current assets:		
Cash and cash equivalents	\$ 6,837	\$ 11,207
Trade and patient accounts receivable, less allowances of \$1,969,000 in 1996, \$2,241,000 in 1995	21,650	17,717
Inventories	10,363	9,570
Deferred tax asset	953	--
Prepaid expenses and other current assets	2,692	2,734
	-----	-----
Total current assets	42,495	41,228
	-----	-----
Property, plant and equipment at cost	49,306	46,597
Less accumulated depreciation and amortization	14,632	12,535
	-----	-----
	34,674	34,062
	-----	-----
Goodwill and other intangibles, net	21,468	14,933
Deferred tax asset	3,195	--
Other assets	1,077	1,769
	-----	-----
	\$102,909	\$ 91,992
	-----	-----

Liabilities and Stockholders' Equity (Deficit)

	October 31,	
	1996	1995
	(In thousands)	
Current liabilities:		
Current installments of long-term debt	\$ 844	\$ 2,288
Borrowings under line of credit	--	1,025
Accounts payable	9,206	5,730
Employee compensation, benefits and severance	6,418	6,978
Other accrued liabilities	7,303	13,596
Accrued income taxes	9,537	9,996
	-----	-----
Total current liabilities	33,308	39,613
	-----	-----
Long-term debt	47,920	43,490
Other noncurrent liabilities	6,351	10,638
	-----	-----
Total liabilities	87,579	93,741
	-----	-----
Commitments and Contingencies (See Note 11)		
Stockholders' equity (deficit):		
Preferred stock, \$.10 par value, shares authorized: 1,000,000; zero shares issued or outstanding	--	--
Common stock, \$.10 par value, shares authorized: 20,000,000; issued and outstanding: 11,670,898 and 11,576,482 at October 31, 1996 and 1995, respectively	1,167	1,158
Additional paid-in capital	184,300	183,840
Translation adjustments	(326)	(333)
Accumulated deficit	(169,811)	(186,414)
	-----	-----
Total stockholders' equity (deficit)	15,330	(1,749)
	-----	-----
	\$ 102,909	\$ 91,992
	=====	=====

See accompanying notes to consolidated financial statements.

Years Ended October 31, 1996, 1995 and 1994

	Series B Preferred Stock		Common Stock		Additional Paid-In Capital
	Shares	Par Value	Shares	Par Value	
	(In thousands)				
Balance October 31, 1993	345	\$--	10,043	\$1,004	\$181,819
Net loss	--	--	--	--	--
Aggregate translation adjustment	--	--	--	--	--
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions	--	--	99	10	436
Exercise of stock options	--	--	1	--	2
Dividend requirements on Series-B Preferred Stock	--	--	--	--	--
Conversion of Series B Preferred to Common	(345)	--	1,150	115	(115)
Balance October 31, 1994	--	\$--	11,293	\$1,129	\$182,142
Net income	--	--	--	--	--
Aggregate translation adjustment	--	--	--	--	--
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions	--	--	176	18	1,526
Exercise of stock options	--	--	5	1	9
Exercise of warrants and warrant valuation	--	--	102	10	163
Balance October 31, 1995	--	\$--	11,576	\$1,158	\$183,840
Net income	--	--	--	--	--
Aggregate translation adjustment	--	--	--	--	--
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions	--	--	7	1	46
Exercise of stock options	--	--	22	2	117
Exercise of warrants and warrant valuation	--	--	66	6	297
Balance October 31, 1996	--	\$--	11,671	\$1,167	\$184,300

	Translation Adjustments	Accumulated Deficit	Unamortized Restricted Stock Award Compensation	Total
	(In thousands)			
Balance October 31, 1993	\$ (223)	\$ (181,743)	\$ (405)	\$ 452
Net loss	--	(4,697)	--	(4,697)
Aggregate translation adjustment	(173)	--	--	(173)
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions	--	--	405	851
Exercise of stock options	--	--	--	2
Dividend requirements on Series-B Preferred Stock	--	(89)	--	(89)
Conversion of Series B Preferred to Common	--	--	--	--
Balance October 31, 1994	\$ (396)	\$ (186,529)	\$ --	\$ (3,654)
Net income	--	115	--	115
Aggregate translation adjustment	63	--	--	63
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions	--	--	--	1,544
Exercise of stock options	--	--	--	10
Exercise of warrants and warrant valuation	--	--	--	173
Balance October 31, 1995	\$ (333)	\$ (186,414)	\$ --	\$ (1,749)
Net income	--	16,603	--	16,603
Aggregate translation adjustment	7	--	--	7
Restricted stock amortization and share issuance, forfeiture and lifting of restrictions	--	--	--	47
Exercise of stock options	--	--	--	119
Exercise of warrants and warrant valuation	--	--	--	303

Source: COOPER COMPANIES INC, 10-K, January 27, 1997

Balance October 31, 1996	----- \$ (326) =====	----- \$ (169,811) =====	----- \$ -- =====	----- \$15,330 =====
--------------------------	----------------------------	--------------------------------	-------------------------	----------------------------

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows
The Cooper Companies, Inc. and Subsidiaries

	Years Ended October 31,		
	1996	1995	1994
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	\$ 16,603	\$ 115	\$ (4,786)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Deferred income taxes	(4,148)	--	--
Depreciation expense	2,629	2,704	2,870
Provision for doubtful accounts	1,849	2,300	2,431
Amortization expenses:			
Intangible assets	1,249	992	975
Debt discount	(526)	(443)	(499)
Stock compensation expense	46	--	853
Net (gain) loss from:			
Sales of assets and businesses	--	--	(214)
Investments	--	--	530
Debt restructuring costs	--	--	340
Change in operating assets and liabilities excluding effects from acquisitions and sales of assets and businesses:			
Receivables	(4,998)	(1,918)	(5,373)
Inventories	(445)	2,126	3,291
Other assets	266	275	405
Accounts payable	166	(1,050)	2,311
Accrued liabilities	(4,488)	(2,000)	(925)
Income taxes payable	(459)	(109)	(4,732)
Other long-term liabilities	(4,287)	429	524
Net cash provided (used) by operating activities	3,457	3,421	(1,999)
Cash flows from investing activities:			
Sales of assets and businesses	532	173	2,720
Cash received from Progressions for purchase price adjustment	224	421	--
Purchases of assets and businesses	(4,080)	(821)	--
Purchases of property, plant and equipment	(3,182)	(2,185)	(938)
Sales of temporary investments	--	--	7,302
Net cash provided (used) by investing activities	\$ (6,506)	\$ (2,412)	\$ 9,084

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows-Concluded
The Cooper Companies, Inc. and Subsidiaries

	Years Ended October 31,		
	1996	1995	1994
	(In thousands)		

Cash flows from financing activities:

Payments associated with the Exchange			
Offer and Consent Solicitation including debt restructuring costs	\$ --	\$ --	\$ (5,416)
Proceeds from (repayment of) line of credit, net	(1,025)	1,025	--
Proceeds from long-term note	1,320	--	--
Net payments of notes payable and current long-term debt	(1,808)	(1,270)	(1,462)
Proceeds from exercise of warrants and options	192	123	--
	-----	-----	-----
Net cash used by financing activities	(1,321)	(122)	(6,878)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(4,370)	887	207
Cash and cash equivalents at beginning of year	11,207	10,320	10,113
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 6,837	\$ 11,207	\$ 10,320
	=====	=====	=====

Supplemental disclosures of cash flow information:

Cash paid for:

Interest (net of amounts capitalized)	\$ 4,880	\$ 4,755	\$ 4,791
	=====	=====	=====
Dividends on preferred stock	\$ --	\$ --	\$ 89
	=====	=====	=====
Income taxes	\$ 119	\$ 224	\$ 132
	=====	=====	=====

Supplemental disclosure of noncash investing and financing activities:

In April 1996, the Company purchased certain assets and assumed certain liabilities of Unimar, Inc., by paying \$3.9 million in cash and issuing \$4 million of notes. (See Note 2.)

Acquisition of Unimar, Inc.	
Fair value of assets acquired	\$ 9,661
Less cash acquired	(404)
Less cash paid	(3,880)

Liabilities assumed, notes issued and acquisition costs accrued	\$ 5,377
	=====

In January 1994, the Company completed an exchange offer and consent solicitation by issuing \$22,000,000 of 10% Senior Subordinated Secured Notes due 2003 and paid approximately \$4,350,000 in cash (exclusive of transaction costs) in exchange for approximately \$30,000,000 of 10 5/8% Convertible Subordinated Reset Debentures due 2005. (See Note 8.)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
The Cooper Companies, Inc. and Subsidiaries

NOTE 1.
Summary of Significant Accounting Policies
General

The Cooper Companies, Inc., (together with its subsidiaries, the "Company") develops, manufactures and markets healthcare products, including a range of hard and soft daily, flexible and extended wear contact lenses, and diagnostic and surgical instruments. The Company also provides healthcare services through the ownership of psychiatric facilities, and through May 1995, the management of three other such facilities. Intercompany transactions and accounts are eliminated in consolidation.

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 sheets. 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, 1996, 1995 and 1994 were (\$13,000), (\$130,000) and \$53,000, respectively.

Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during each of the reporting periods. Actual results could differ from those estimates.

Net Service Revenue

Net service revenue consists primarily of net patient revenue, which is based on the Hospital Group of America, Inc. ("HGA") hospitals' established billing rates less allowances and discounts for 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. In 1996 and 1995, the Company received and recognized revenue of approximately \$2,000,000 and \$2,400,000, respectively, associated with prior year cost report settlements. Approximately 53%, 50% and 39%, respectively, of 1996, 1995 and 1994 net service revenue is from participation by hospitals in Medicare and Medicaid programs.

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 \$2,275,000, \$2,142,000 and \$2,498,000 for fiscal 1996, 1995 and 1994, respectively. Hampton Hospital is required by its Certificate of Need to incur not less than 10% of total patient days as free care.

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, where indicated, adjusts the allowances associated with these receivables.

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Net Sales of Products

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

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 include 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.

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,		

	1996	1995
	(In thousands)	

Raw materials	\$ 2,318	\$ 2,212
Work-in-process	1,028	1,114
Finished goods	7,017	6,244
	-----	-----
	\$10,363	\$ 9,570
	=====	=====

Property, Plant and Equipment at Cost

October 31,		
	1996	1995
	(In thousands)	
Land and improvements	\$ 1,360	\$ 1,360
Buildings and improvements	35,191	34,005
Machinery and equipment	12,755	11,232
	-----	-----
	\$49,306	\$46,597
	=====	=====

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. Building depreciation is based on estimated useful lives of 35 to 40 years, and all machinery and equipment are depreciated over 5 to 10 years.

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 30 years. Accumulated amortization at October 31, 1996 and 1995 was \$4,447,000 and \$3,909,000, respectively. The Company assesses the recoverability of goodwill and other long-lived assets by determining whether the amortization of the related balance over its remaining life can be recovered through reasonably expected undiscounted future cash flows. Management evaluates the amortization periods of intangibles to determine whether later events and circumstances warrant revised estimates of useful lives.

Earnings (Loss) Per Share

Earnings (loss) per share is determined by using the weighted average number of common shares and common share equivalents (stock warrants and stock options) outstanding during each year (except where antidilutive). Fully diluted earnings (loss) per share is not materially different from primary earnings (loss) per share.

Note 2. Acquisitions

In April 1996, the Company acquired the stock of Unimar, Inc., a leading provider of specialized disposable medical devices for gynecology, for \$8,000,000 in cash and notes. Sales of Unimar products of \$3,600,000 were included in the Company's results for fiscal 1996. Goodwill from the purchase has been recorded in the amount of \$7,800,000, which is being amortized over 20

years. As part of the acquisition, the Company granted a warrant to purchase 83,333 shares of the Company's common stock for \$11.375 per share. The warrant is valued at \$231,000. The exercise period of the warrant is from April 11, 1999 to June 10, 1999. The number of shares and the exercise price per share are subject to adjustment as provided in the warrant.

In June 1995, CSI acquired from Blairden Precision Instruments the exclusive worldwide rights to The RUMI System uterine manipulator injector and related products for \$1,000,000. No goodwill arose from the recording of this acquisition.

Note 3.
Stockholders Rights Plan

In October 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 (a "Right"). Following the effectiveness of the one-for-three reverse stock split in September 1995, the number of Rights per share increased from one to three. Each Right entitles the holder to initially purchase from the Company a fraction of a share of participating preferred stock at an exercise price of \$60.00, 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. Once the Rights are exercisable, then under certain circumstances, including certain acquisitions of beneficial ownership of 30% or more of the Company's outstanding common stock and certain mergers or other business combinations, each holder of a Right, other than an Acquiring Person, will have the right to receive, upon exercise, shares of common stock of the Company, or of the acquiring company in such merger or other business combination or asset sale, having a value equal to two times the exercise price of the Right.

The Rights expire on October 29, 1997 and may generally be redeemed by the Company at a price of five cents per 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. 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.

In June 1993, the Board of Directors amended the Rights Agreement, so that Cooper Life Sciences, Inc. ("CLS") and its affiliates and associates 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, 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 12.)

Note 4.
Settlement of Disputes, Net

In 1996 and 1995, the Company recorded the following items related to settlement of disputes:

HGA and Progressions Health Systems, Inc. ("Progressions") agreed to settle certain purchase price adjustments (credited to goodwill) and other disputes in return for a series of payments to be made to HGA. Pursuant to this agreement, HGA received \$853,000 of which \$421,000 was credited to settlement of disputes in 1995 and \$447,000 of which \$223,000 was similarly credited in 1996.

Under a 1985 agreement (the "HMG Agreement"), Hampton Medical Group ("HMG"), which is owned by Dr. A. L. C. Pottash, 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 the Company's psychiatric hospital holding company, HGA. Subsequently, HGNJ delivered notices to HMG asserting that HMG had defaulted under the HMG Agreement based upon billing practices by HMG that HGNJ believed to be fraudulent.

The Company recorded a charge of \$5,551,000 for the settlement of disputes with HMG and Dr. Pottash. Pursuant to the settlement, (i) the parties released each other from, among other things, claims underlying related arbitration, (ii) HGA purchased HMG's interest in the HMG Agreement on

December 31, 1995, and (iii) HGNJ agreed to make certain payments to Dr. Pottash in respect of claims he had asserted. While only HMG and Dr. Pottash are parties to the settlement with HGA, HGNJ and the Company, the Company has not been notified of any claims by other third party payors or others relating to billing or other practices at Hampton Hospital. The settlement with HMG and Dr. Pottash resulted in a one-time charge with a present value of \$5,551,000 to fourth quarter fiscal 1995 earnings. That charge reflects amounts paid to Dr. Pottash in December 1995 of \$3,100,000 included in other current liabilities at October 31, 1995, as well as two payments scheduled to be made to HMG in May 1997 and 1998, each in the amount of \$1,537,500.

1995 charges were partially offset by the receipt of a \$915,000 refund for directors and officers insurance and a disgorgement of \$648,000 from a former officer of the Company.

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 represented the Company's estimate of costs required to settle certain disputes and other litigation matters including \$3,450,000 associated with the criminal conviction and related SEC enforcement action, summarized below.

In January 1994, the Company was found guilty on six counts of mail fraud and one count of wire fraud based upon the conduct of a former Co-Chairman but was acquitted of charges of conspiracy and aiding and abetting violations of the Investment Advisers Act. The Company was sentenced and was ordered to make restitution of \$1,310,166 which was paid in 1994. In addition, the Company was ordered to pay a noninterest bearing fine over three years in the amount of \$1,831,568. Payments of \$350,000 each were made in 1995 and 1996 with an additional payment of \$1,131,568 payable on July 15, 1997. Also the Company settled in December 1994 a related SEC action under which the Company agreed to the disgorgement of \$1,621,474 and the payment of a civil penalty of \$1,150,000. A significant portion of the amounts imposed by the SEC were offset by disgorgement and fines in the related criminal action.

Note 5.

Costs Associated with Restructuring Operations

In the fourth quarter of 1995, the Company recorded \$1,480,000 to provide for costs primarily associated with the closure of facilities, with attendant reductions in personnel, in the Company's CooperVision Pharmaceutical, Inc. ("CVP"), CSI and corporate operations and downsizing HGA headquarters. Approximately 85% of this provision related to severance benefits accrued for 16 employees, substantially all of which was paid by October 1996. The balance primarily reflected provisions for unproductive assets.

Note 6.

Financial Instruments

The fair values of the Company's financial instruments, including cash and cash equivalents, trade receivables, lines of credit, accounts payable, and accrued liabilities, approximated their carrying values as of October 31, 1996 because of the short maturity of these instruments.

The carrying amounts and fair values of the Company's 10% Notes and 10 5/8% Debentures follow:

	October 31, 1996	
	Carrying	Fair
	Amount	Value
	(In thousands)	

10 5/8% Convertible		
Subordinated Reset		
Debentures Due 2005	\$ 9,220	\$10,591
10% Senior Subordinated		
Secured Notes Due 2003	24,285	21,065

The fair values of the 10% Notes and 10 5/8% Debentures, which are not regularly traded, are based on applicable quoted market prices.

The fair value of the Company's other long-term debt approximated the carrying value at October 31, 1996, as the debt was refinanced or entered into within the current fiscal year.

Note 7.
Income Taxes

The income tax provision (benefit) in the consolidated statements of operations consists of:

	Years Ended October 31,		
	1996	1995	1994
	(In thousands)		
Current			
Federal	\$ 146	\$ --	\$ --
State	(486)	115	(4,600)
	(340)	115	(4,600)
Deferred			
Federal	(4,148)	--	--
State	--	--	--
	(4,148)	--	--
	\$ (4,488)	\$ 115	\$ (4,600)
	=====	=====	=====

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

	Years Ended October 31,		
	1996	1995	1994
	(In thousands)		
Computed expected provision for (benefit of) taxes	\$ 4,119	\$ 78	\$ (3,161)
Increase (decrease) in taxes resulting from:			
Income outside the United States subject to			
different tax rates	132	132	(65)
Amortization of intangibles	256	185	185
State taxes, net of federal income tax benefit	70	76	264
Reversal of prior years' estimated tax liabilities			
no longer required	(615)	(200)	(5,000)
Amortization of restricted stock compensation	--	--	(31)
Net operating losses for which no tax benefit			
was recognized	--	--	3,293
Interest expense related to original issue discount	(116)	(100)	(100)
Utilization of net operating loss carryforwards			
for which no tax benefit had been previously			
recognized	(4,406)	--	--
Change in valuation allowance	(4,148)	--	--
Other, net	220	(56)	15
Actual provision for (benefit of) income taxes	\$ (4,488)	\$ 115	\$ (4,600)
	=====	=====	=====

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

	October 31,	
	1996	1995

(In thousands)

Deferred tax assets:

Accounts receivable, principally due to allowances for doubtful accounts	\$ 1,030	\$ 1,138
Inventories, principally due to obsolescence reserves	830	871
Investments, principally due to unrealized losses and other reserves	73	73
Accrued liabilities, principally due to litigation reserves and compensation accruals	2,507	4,868
Deferred income, principally due to the debenture exchange	1,066	1,258
Net operating loss carryforwards	79,681	81,871
Capital loss carryforwards	2,523	2,428
Tax credit carryforwards	2,705	2,560
Other	596	490
	-----	-----
Total gross deferred tax assets	91,011	95,557
Less valuation allowance	(80,304)	(88,755)
	-----	-----
Deferred tax assets	10,707	6,802
	-----	-----

Deferred tax liabilities:

Plant and equipment, principally due to purchase accounting requirements	(6,461)	(6,507)
Other, principally due to differences in accounting methods for financial and tax purposes	(98)	(295)
	-----	-----
Deferred tax liabilities	(6,559)	(6,802)
	-----	-----
Net deferred tax assets	\$ 4,148	\$ --
	=====	=====

The net change in the total valuation allowance for the years ended October 31, 1996, 1995 and 1994 was a decrease of \$8,451,000, an increase of \$1,580,000 and an increase of \$2,327,000, respectively. In the fourth quarter of 1996, the Company recognized an income tax benefit of \$4,148,000 from reducing the valuation allowance based primarily on the significant improvements in the Company's 1996 operating results.

Subsequently recognized tax benefits relating to the valuation allowance as of October 31, 1996 will be allocated as follows to:

(In thousands)

Consolidated statement of operations	\$78,604
Goodwill and other intangible assets	1,700

	\$80,304
	=====

At October 31, 1996 the Company had capital loss, net operating loss, and tax credit carryforwards for federal tax purposes expiring as follows:

Year of Expiration	Capital Losses	Operating Losses (In thousands)	Tax Credits
1998	\$ 5,925	\$ --	\$ --
1999	1,216	147	867
2000	280	56	1,132
2001	--	70,473	202
2002	--	27,326	29
2003	--	1,378	330
2004	--	22,241	--

2005	--	11,006	--
2006	--	22,265	--
2007	--	22,058	--
2008	--	49,535	--
2009	--	6,553	--
2010	--	1,318	--
Indefinite life	--	--	145
	-----	-----	-----
	\$ 7,421	\$234,356	\$ 2,705
	=====	=====	=====

Note 8.
Long-Term Debt

Long-term debt consists of the following:

	October 31,	
	1996	1995
	(In thousands)	
10% Senior Subordinated Secured Notes due 2003 ("Notes")	\$24,285	\$24,816
10 5/8% Convertible Subordinated Reset Debentures due 2005 ("Debentures")	9,220	9,215
12% promissory notes ("Promissory Notes") due April 11, 1999	4,000	--
Bank term loan ("HGA Term Loan")	10,675	9,889
Industrial Revenue Bonds ("HGA IRB")	--	1,458
Capitalized leases, interest rates from 8% to 13% maturing 1999	584	400
	-----	-----
	48,764	45,778
Less current installments	844	2,288
	-----	-----
	\$47,920	\$43,490
	=====	=====

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Aggregate annual maturities for each of the five years subsequent to October 31, 1996 are as follows:

	(In thousands)
1997	\$ 844
1998	\$ 1,013
1999	\$ 4,728
2000	\$ 667
2001	\$ 8,007

The aggregate principal amount of \$21,943,000 of Notes matures on June 1, 2003 and interest is payable quarterly. The Notes are redeemable solely at the option of the Company, in whole or in part, at any time, at a redemption price of 100% of principal plus accrued and unpaid interest 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 rights, title and interest in stock of its subsidiaries HGA and CSI, all additional shares of stock of, or other equity interests in HGA and CSI from time to time acquired by the Company, all intercompany indebtedness of HGA and CSI 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. In accordance with a debt restructuring completed in January 1994, which was accounted for as a troubled debt restructuring, the

Company recorded a deferred premium of \$4,005,000. The Company is recognizing the benefit of the deferred premium as a reduction to the effective interest rate on the Notes over the remaining life of the Notes. The effective interest rate which includes the impact of the amortization of the deferred premium is 6.69%. As of October 31, 1996, the amount of the unamortized deferred premium was \$2,342,000.

The aggregate principal amount of \$9,290,000 of Debentures matures March 1, 2005. Interest at 10 5/8% per annum is paid semi-annually. The Debenture holders may convert Debentures into shares of the Company's common stock at \$15.00 per share, subject to adjustments under certain conditions to prevent dilution to the holders. The difference between the carrying amount and the principal amount of the Company's Debentures represents unamortized discount which is being charged to expense over the life of the issue. The effective interest rate is 10.77%. As of October 31, 1996, the amount of unamortized discount was approximately \$70,000.

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

HGA Debt

Substantially all of the property and equipment and accounts receivable of HGA collateralize its outstanding debt. The HGA Term Loan was renegotiated on September 17, 1996. Terms of the amended agreement reduced the interest rate to two and one-half percentage points above the bank's prime rate and extended the loan maturity to August 1, 2001. Additionally, because HGA achieved targeted operating results, the interest rate was further reduced effective November 1, 1996 to a rate of two percentage points (2%) above the bank's prime rate, subject to a minimum of nine percent (9%). The rate in effect at October 31, 1996 and 1995 was 10.75% and 12.75%, respectively. Interest and principal payments on the HGA Term Loan are due monthly through August 2001. The HGA Term Loan contains 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. The HGA IRB carried interest at 85% of prime. The HGA IRB holders elected their right to accelerate all payments of outstanding principal at December 31, 1995. The outstanding balance of the HGA IRB totaling \$1,320,000 at December 31, 1995 was paid, and the amount was rolled into the HGA Term Loan.

Loan and Security Agreement

In September 1994, CVI entered into a Loan and Security Agreement ("Line of Credit") with a commercial lender providing for revolving advances of up to \$8,000,000, which was amended on April 18, 1996. On October 31, 1996 there were no amounts outstanding. Advances under the Line of Credit bear interest at one and one-half 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. The rate in effect at October 31, 1996 was 9.75% per annum. The weighted average interest rate for 1995 was 11.38%. CVI agreed to the payment of various fees and minimum annual interest of \$115,000. The amount of advances allowed under the agreement is 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 \$7,000,000 in total line availability at October 31, 1996) and is collateralized by virtually all of the assets of CVI.

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The Line of Credit provides 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 cause Tangible Net Worth (as defined in the Line of Credit) to be less than \$3,000,000. At October 31, 1996, CVI had Tangible Net Worth of \$12,534,000, of which \$9,534,000 was unrestricted under the terms of the Loan and Security Agreement.

The Line of Credit contains various 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 Line of Credit, the Company guaranteed all of the obligations under the HGA Term Loan and CVI's obligations under the Line of Credit, and the Company pledged all of the outstanding stock of CVI as collateral for the HGA Term Loan guaranty.

In October 1996, CVI obtained a lease line of credit providing for borrowings of up to \$500,000 from a commercial leasing company. Proceeds under the lease line are to be used to finance the purchase of equipment from the leasing company. The interest rate on each lease will be determined by the

lender. At October 31, 1996, the Company had not drawn on the lease line.

Promissory Notes

In April 1996, Cooper Healthcare Group, Inc. (a subsidiary of the Company) acquired Unimar, Inc. (See Note 2.) and issued Promissory Notes for \$4,000,000 principal amount, bearing an interest rate of 12% per annum, maturing April 1999. Interest is paid annually. The Promissory Notes are collateralized by a security interest in the shares of the common stock of Unimar, Inc., and payment is guaranteed by the Company.

Note 9.

Employee Stock Plans

1988 Long-Term Incentive Plan ("LTIP")

The LTIP is a vehicle for the Company to attract, retain and motivate its key employees and consultants, 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 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 2,125,570 shares of common stock, subject to adjustment for future stock splits, stock dividends, expirations, forfeitures and similar events. Options generally vest based on the Company's stock price, however, in some cases, both stock price and time are used as criteria. In July 1996, two officers of the Company were granted special options totaling 280,000 shares. These shares will vest in four tranches upon the achievement of specific prices of the Company's common stock within prescribed periods. As of October 31, 1996, 502,727 shares remained available under the LTIP for future grants. Restricted shares of zero, 176,196 and 99,259 were granted under the plan in fiscal 1996, 1995 and 1994, respectively. Restricted shares with restrictions in place were 16,529, 91,659 and 54,444 on October 31, 1996, 1995 and 1994, respectively.

1996 Long-Term Incentive Plan for Non-Employee Directors ("1996 NEDRSP")

In March 1996, the Company's stockholders approved a proposal to reduce the annual cash stipend paid to Non-Employee Directors and to award grants of restricted stock and options which are to be awarded annually at the start of each fiscal year. Specifically, each Non-Employee Director will be awarded the right to purchase restricted stock worth \$7,500 for \$0.10 per share (or \$9,375 in the case of the Chairman of the Board who is a Non-Employee Director) by January 15 of the year following the date the grant was made. Grants of restricted stock that are not exercised by such date will expire. The restrictions on the restricted stock will lapse on the earlier to occur of the stock reaching certain target values or by the fifth anniversary of the date of grant. In addition, each Non-Employee Director was granted an option to purchase 5,000 shares of the Company's common stock in fiscal 1996 and will be granted 3,333 shares in each subsequent fiscal year (or, in the case of the Chairman of the Board who is a Non-Employee Director, 6,250 shares in fiscal 1996 and 4,167 shares in each subsequent fiscal year) through fiscal 2000. A total of 215,000 shares of the Company's authorized but unissued common stock have been reserved for issuance under the plan. As of October 31, 1996, 176,357 shares remained available under the 1996 NEDRSP for future grants. Restricted shares of 7,393 were granted under the 1996 NEDRSP in fiscal 1996, and there were no shares with restrictions in place outstanding October 31, 1996.

1990 Non-Employee Directors Restricted Stock Plan ("1990 NEDRSP")

Under the terms of the 1990 NEDRSP, a total of 33,333 shares of common stock were authorized and reserved for issuance. A total of 18,333 shares of restricted stock with restrictions removed were awarded under this plan. Upon approval by the Company's stockholders of the 1996 NEDRSP, the 1990 NEDRSP terminated.

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Transactions involving the granting of options of the Company's common stock in connection with the LTIP and the 1996 NEDRSP are summarized below.

	Number of Shares	
	LTIP	1996 NEDRSP
	(In thousands)	
Outstanding at October 31, 1993	178,075	--
Options granted	136,667	--
Options exercised at \$1.68 per share	(1,073)	--

Options forfeited	(48,113)	--
Outstanding at October 31, 1994	265,556	--
Options granted	131,121	--
Options exercised at \$1.68 to \$2.07 per share	(5,153)	--
Options forfeited	(62,683)	--
Outstanding at October 31, 1995	328,841	--
Options granted	441,111	31,250
Options exercised at \$1.68 to \$7.68 per share	(15,505)	(6,250)
Options forfeited	(39,785)	--
Outstanding at October 31, 1996 (219,164 and 25,000 shares exercisable, respectively)	714,662	25,000
	=====	=====

Options issued and outstanding at October 31, 1996 have option prices ranging from \$1.68 to \$34.00 per share.

The excess of market value over \$.10 per share of LTIP, 1990 NEDRSP and 1996 NEDRSP restricted shares on respective dates of grant is initially recorded as unamortized restricted stock award compensation, a separate component of stockholders' equity and charged to operations as earned. Restricted shares and other stock compensation charged against income from operations for the years ended October 31, 1996, 1995 and 1994 was \$46,000, zero and \$55,000, respectively.

Old Stock Option Plans

On October 31, 1996, there were 7,483 shares outstanding with option prices ranging from \$48.39 - \$59.25 per share under old stock option plans.

Note 10.

Employee Benefits

The Company's Retirement Income Plan

The Company's Retirement Income Plan (the "Plan") covers substantially all full-time United States employees of CVI and the Company's corporate headquarters. The Company's 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 Plan and funds such costs as they accrue. Virtually all of the assets of the Plan are comprised of participations in equity and fixed income funds. The measurement date for assumptions used in developing the projected benefit obligation was changed to August 31 during fiscal 1996.

Net periodic pension cost of the Plan was as follows:

	Years Ended October 31,		
	1996	1995	1994
	(In thousands)		
Service cost	\$ 256	\$ 188	\$ 173
Interest cost	598	521	479
Actual return on assets	(1,047)	(982)	(531)
Net amortization and deferral	488	491	2
Net periodic pension cost	\$ 295	\$ 218	\$ 123

The actuarial present value of benefit obligations and funded status for the Plan was as follows:

	October 31,	
	1996	1995
	(In thousands)	

Vested benefit obligation	\$ 7,049	\$ 7,250
Non-vested benefit obligation	24	77
	-----	-----
Accumulated benefit obligation	7,073	7,327
Projected compensation increases	887	825
	-----	-----
Projected benefit obligation	7,960	8,152
Fair value of plan assets	7,204	6,545
	-----	-----
Projected benefit obligation in excess of assets	756	1,607
Add (Deduct):		
Unrecognized net gain (loss)	538	(386)
Contributions made 8/31/96 to 10/31/96	(335)	---
Prior service cost remaining to be amortized, including unrecognized net asset	(382)	(439)
	-----	-----
Pension liability recognized	\$ 577	\$ 782
	=====	=====

Assumptions used in developing the projected benefit obligation were as follows:

	August 31,	October 31,
	-----	-----
	1996	1995
Discount rate on plan liabilities	8.0%	7.5%
Long-range rate of return on plan assets	9.0%	9.0%
Salary increase rate	6.0%	6.0%
	-----	-----

The Company's 401(k) Savings Plan

The Company's 401(k) Savings 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. Employees who participate in the 401(k) Plan may elect to have from 2% to 10% (1% to 16%, beginning October 1, 1996 for employees whose salary is less than \$66,000 annually) of their pre-tax salary or wages, (but not more than \$5,000 for employees whose salary is more than \$66,000 annually) for the calendar year ended December 31, 1996, deferred and contributed to the trust established under the Plan. The Company's contribution on account of participating employees, net of forfeiture credits, was \$102,000, \$95,000 and \$80,000 for the years ended October 31, 1996, 1995 and 1994, respectively.

The Company's Incentive Payment Plan

The Company's Incentive Payment Plan is available to officers and other key executives. Participants may, in certain years, receive bonuses based on performance. Total payments earned for the years ended October 31, 1996, 1995 and 1994, were approximately \$1,753,000, \$1,504,000 and \$1,296,000, respectively.

The Company's Turn Around Incentive Plan

The Turn Around Incentive Plan ("TIP") was adopted in 1993 to recognize the special efforts of certain individuals in guiding the Company through certain difficulties that existed at that time related to the Company's then capital structure and its former ownership of companies that manufactured and distributed breast implants. All provisions of the TIP have been met, and all required payments have been made to participants as follows:

In May 1994 participants received an aggregate payment of approximately \$247,000 cash and approximately 99,000 shares of restricted stock from which all restrictions were removed in May 1996.

In August 1995 participants received an aggregate payment of approximately \$476,000 cash and approximately 97,000 shares of restricted stock. Restrictions from one-half of these shares were removed in August 1996, and the restrictions on the balance of the shares will be removed in August 1997.

Commitments, Contingencies and Pending Litigation

Total minimum annual rental obligations (net of sublease revenue of approximately \$173,000 per year through March 2000) under noncancelable operating leases (substantially all real property or equipment) in force at October 31, 1996 are payable in subsequent years as follows:

(In thousands)	
1997	\$1,473
1998	1,051
1999	808
2000	766
2001	597
2002 and thereafter	913
-----	-----
	\$5,608
	=====

Aggregate rental expense for both cancelable and noncancelable contracts amounted to \$2,508,000, \$2,354,000 and \$2,438,000 in 1996, 1995 and 1994, respectively.

An agreement was reached in September 1993 with Medical Engineering Corporation ("MEC"), a subsidiary of Bristol-Myers Squibb Company, which limited the Company's contingent liabilities associated with breast implant litigation involving a former division of the Company (the "MEC Agreement"). The remaining liability recorded for payments to be made to MEC under the MEC Agreement become due as follows:

December 31, (In thousands)	
1996	\$1,750
1997	2,000
1998	2,500

	\$6,250
	=====

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 beginning with fiscal 1999, 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, (In thousands)	
1999	\$3,000
2000	\$3,500
2001	\$4,000
2002	\$4,500
2003	\$3,000

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 Pilkington plc, with an aggregate cost of approximately 'L'4,063,000. Lenses with an aggregate value of approximately 'L'520,000, 'L'477,000 and 'L'400,000 were purchased under the terms of the supply agreement in fiscal 1996, 1995 and 1994, respectively. As of December 31, 1996, there remained a commitment of approximately 'L'2,354,000.

Payments amounting to \$3,100,000 were made related to a settlement with HMG (See Note 4.) in December 1995. Two additional payments which are accreting imputed interest are scheduled to be made to HMG in May 1997 and 1998, each in the amount of \$1,537,500. The October 31, 1996 classifications and carrying values are \$1,399,000 in accounts payable and \$1,331,000 in other noncurrent liabilities. These amounts were charged against net income in fiscal 1995.

Warrants

The Company issued a warrant to Foothill Capital Corporation ("Foothill") to purchase 26,666 shares of the Company's common stock at \$5.625 per share in connection with the loan and security agreement among Foothill, CVI, and CooperVision Canada. (See Note 8 "Loan and Security Agreement.") 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.

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The Company granted a warrant to purchase 83,333 shares of the Company's common stock at \$11.375 per share, as part of the acquisition of Unimar, Inc. (See Note 2.) The exercise period of the warrant is from April 11, 1999 to June 10, 1999. The number of shares and the exercise price per share are subject to adjustment as provided in the warrant.

Pending Litigation

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 or results of operations.

The Company was named as a nominal defendant in a stockholder derivative action entitled Harry Lewis and Gary Goldberg v. Gary A. Singer, Steven G. Singer, Arthur C. Bass, Joseph C. Peghali, 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. Lewis and Goldberg subsequently amended their complaint, and the Delaware Chancery Court consolidated the amended complaint with a similar complaint filed by another plaintiff as In re The Cooper Companies, Inc. Litigation, Consolidated C.A. 12584. The Lewis and Goldberg amended complaint was designated as the operative complaint (the "Derivative Complaint").

The 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 a "trading scheme" to "frontrun" high yield bond purchases by the Keystone Custodian Fund, Inc., a group of mutual funds. The Derivative Complaint also alleges that the defendants violated their fiduciary duties to the Company by not vigorously investigating certain allegations of securities fraud. The 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.

The parties have been engaged in negotiations and had agreed upon the terms of a settlement. Although the proposed settlement was submitted to the Court for approval following notice to the Company's stockholders and a hearing, Plaintiffs have decided not to proceed with the settlement in its present form, and the parties have reopened settlement discussions. There can be no assurance that the current discussions will ultimately end the litigation. The individual defendants have advised the Company that they believe they have meritorious defenses to the lawsuit and that, in the event the case proceeds to trial, they intend to defend vigorously against the allegations in the Derivative Complaint.

The Company was also named as a nominal defendant in a stockholder derivative action entitled Bruce D. Sturman v. Gary A. Singer, Steven G. Singer, Brad C. Singer, Dorothy Singer as the Executrix of the Estate of Martin Singer, Karen Sue Singer, Norma Singer Brandes, Normel Construction Corp., Brandes & Singer, and Romulus Holdings, Inc., which was filed on June 6, 1995 in the Court of Chancery of the State of Delaware, New Castle County. The complaint is similar to a derivative complaint filed by Mr. Sturman in the Supreme Court of the State of New York on May 26, 1992, which was dismissed under New York Civil Practice Rule 327(a) on August 17, 1993. The dismissal of the New York case was affirmed by the Appellate Division on March 28, 1995. The allegations in the Delaware complaint filed by Mr. Sturman relate to substantially the same facts and events at issue in In re The Cooper Companies, Inc. Litigation described above, and similar relief is sought. The parties had agreed that Mr. Sturman's Delaware action would be consolidated into and tentatively settled with In re The Cooper Companies, Inc. Litigation.

Note 12.

Relationships and Transactions between the Company and CLS

Agreements with CLS

On June 14, 1993, the Company entered into a Settlement Agreement with CLS (the "Settlement Agreement") in order to resolve all then pending disputes with CLS and to avoid a costly and disruptive proxy fight, while continuing to maintain a Board of Directors, the majority of whose members are independent.

Pursuant to the Settlement Agreement, among other things, the Company agreed to nominate and use its reasonable best efforts to cause, and CLS agreed to vote all shares of Common Stock of the Company owned by it in favor of, the election of a Board of Directors of the Company consisting of eight members, five of whom were designated by the Company (of which a majority would not be employees of the Company or employees, affiliates or significant stockholders of CLS), and three by CLS. Such agreements were to terminate on June 14, 1995, subject to earlier termination or extension under certain circumstances, and were later extended to, and expired on, October 31, 1996. Following such termination and through June 12, 2022, pursuant to the Settlement Agreement, CLS continues to have the right that it had pursuant to a 1992 settlement agreement with the Company to designate two directors of the Company, so long as CLS continues to own at least 800,000 shares of Common Stock, or one director, so long as it continues to own at least 333,333 shares of Common Stock.

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Pursuant to this provision, Donald Press and Steven Rosenberg continue to serve as directors designated by CLS. In addition, the Board of Directors, other than the CLS designees, determined to continue Moses Marx as a non CLS designated director of the Company.

Prior to September 1994, CLS had an investment in the Company's 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 \$3.00 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 \$4.125 for 90 consecutive calendar days and closed at not less than \$4.125 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 1,150,000 shares of the Company's common stock.

Other

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

As of December 31, 1996, CLS owned 1,963,233 shares (or approximately 16.83%) of common stock of the Company.

Two members of the Company's Board of Directors are also directors and/or officers of CLS. Moses Marx is a Director of CLS (and is the controlling stockholder of CLS). Steven Rosenberg is serving as Acting President, Vice President and Chief Financial Officer of CLS and he is also a Director of CLS. In addition to shares purchased on the open market, Mr. Marx owns 3,037 shares and Mr. Rosenberg owns 3,371 shares of the Company's common stock, obtained through the NEDRSP. (See Note 9.)

Note 13.

Business Segment Information

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

HGA, which provides healthcare services for inpatient and outpatient treatment and partial hospitalization programs through the ownership and operation of certain psychiatric facilities, and through May 1995 also managed three other such facilities,

CVI, which develops, manufactures and markets a range of contact lenses, and

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

Total net revenue by business segment represents service and sales revenue as reported in the Company's consolidated statements of operations. Operating income (loss) is total net revenue less cost of products sold (or services provided, in the case of HGA revenue), 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, net, debt restructuring costs, gain on sales of assets and businesses, net, other income (expense), net, and interest expense were not allocated to individual business.

Identifiable assets are those assets used in continuing operations

(exclusive of cash and cash equivalents). Corporate assets include cash and cash equivalents and temporary investments.

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Notes to Consolidated Financial Statements

The Cooper Companies, Inc. and Subsidiaries

Information by business segment for each of the years in the three year period ended October 31, 1996 follows:

	HGA	CVI	CSI	Corporate & Eliminations	Consolidated
1996	(In thousands)				
Net revenue from non affiliates	\$ 43,013	\$ 48,892	\$ 17,226	\$ ---	\$ 109,131
Operating income (loss)	\$ 2,573	\$ 19,065	\$ 1,667	\$ (6,462)	\$ 16,843
Investment income, net					281
Settlement of disputes, net					223
Other income (expense), net					80
Interest expense					(5,312)
Income before income taxes					\$ 12,115
Identifiable assets	\$ 49,051	\$ 23,756	\$ 18,089	\$ 12,013	\$ 102,909
Depreciation Expense	\$ 1,511	\$ 800	\$ 236	\$ 82	\$ 2,629
Amortization Expense	\$ 205	\$ 314	\$ 461	\$ 269	\$ 1,249
Capital Expenditures	\$ 1,431	\$ 1,293	\$ 404	\$ 54	\$ 3,182
1995					
Net revenue from non affiliates	\$ 41,794	\$ 42,456	\$ 12,824	\$ 16	\$ 97,090
Operating income (loss)	\$ 878	\$ 13,959	\$ (425)	\$ (6,404)	\$ 8,008
Investment income, net					444
Settlement of disputes, net					(3,532)
Other income (expense), net					51
Interest expense					(4,741)
Income before income taxes					\$ 230
Identifiable assets	\$ 48,086	\$ 21,965	\$ 8,953	\$ 12,988	\$ 91,992
Depreciation Expense	\$ 1,443	\$ 863	\$ 288	\$ 110	\$ 2,704
Amortization Expense	\$ 205	\$ 448	\$ 317	\$ 22	\$ 992
Capital Expenditures	\$ 335	\$ 1,449	\$ 267	\$ 134	\$ 2,185
1994					
Net revenue from non affiliates	\$ 44,611	\$ 37,793	\$ 12,847	\$ 394	\$ 95,645
Operating income (loss)	\$ 3,321	\$ 11,963	\$ (932)	\$ (13,929)	\$ 423
Investment income (loss), net					(153)
Settlement of disputes, net					(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 before income taxes					\$ (9,297)
Identifiable assets	\$ 50,522	\$ 22,814	\$ 9,289	\$ 12,433	\$ 95,058
Depreciation expense	\$ 1,387	\$ 1,025	\$ 339	\$ 119	\$ 2,870
Amortization expense	\$ 205	\$ 448	\$ 302	\$ 22	\$ 977
Capital expenditures	\$ 338	\$ 524	\$ 58	\$ 18	\$ 938

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SUBSIDIARIES OF
THE COOPER COMPANIES, INC.
A DELAWARE CORPORATION

NAME	JURISDICTION OF INCORPORATION

The Cooper Healthcare Group, Inc.	Delaware
Unimar, Inc.	California
CooperVision Pharmaceuticals, Inc.	Delaware
CooperVision, Inc.	New York
CooperVision, Inc.	Canada
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
HGNJ, Inc.	New Jersey
Residential Centers of Indiana, Inc.	Delaware
MeadowWood Health Service, L.L.C.	Delaware
CooperSurgical, Inc.	Delaware
HBH Medizintechnik GmbH	Germany

NOTE: Except for CooperSurgical and its 52% owned subsidiary, HBH Medizintechnik GmbH, each subsidiary is wholly-owned either by The Cooper Companies, Inc. or by the wholly-owned subsidiary under which it is indented in the list above. In the case of CooperSurgical, Inc., 99.8% of the company is owned by The Cooper Companies, Inc. and the remaining .2% is owned by members of CooperSurgical's Medical Advisory Board.

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