

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarterly Period Ended January 31, 2002  
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( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-8597  
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The Cooper Companies, Inc.

-----  
(Exact name of registrant as specified in its charter)

Delaware

94-2657368

-----  
(State or other jurisdiction of incorporation or organization)

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

6140 Stoneridge Mall Road, Suite 590, Pleasanton, CA 94588

-----  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (925) 460-3600  
-----

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

Yes X No  
--- ---

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

Common Stock, \$.10 par value

15,225,224

-----  
Class

-----  
Outstanding at February 28, 2002

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements  
THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Consolidated Condensed Statements of Income  
(In thousands, except for per share amounts)  
(Unaudited)

	Three Months Ended January 31,	
	2002	2001
Net sales	\$58,112	\$49,976
Cost of sales	20,625	16,790
	37,487	33,186
Gross profit		
Selling, general and administrative expense	23,215	21,415
Research and development expense	857	884
Amortization of intangibles	308	1,222
	13,107	9,665
Operating income		
Interest expense	893	999
Other income, net	1,036	826
	13,250	9,492
Income before income taxes		
Provision for income taxes	3,845	3,183
	\$ 9,405	\$ 6,309
Net income	=====	=====
Earnings per share:		
Basic	\$ 0.62	\$ 0.44
	=====	=====
Diluted	\$ 0.61	\$ 0.43
	=====	=====
Number of shares used to compute earnings per share:		
Basic	15,220	14,493
	=====	=====
Diluted	15,538	14,818
	=====	=====

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Consolidated Condensed Balance Sheets  
(Unaudited)

	January 31, 2002 -----	October 31, 2001 -----
ASSETS		
(In thousands)		
Current assets:		
Cash and cash equivalents	\$ 4,867	\$ 12,928
Trade receivables, net	56,016	55,318
Marketable securities	5,006	7,982
Inventories	54,176	51,153
Deferred tax asset	17,689	17,308
Other current assets	11,227	10,516
	-----	-----
Total current assets	148,981	155,205
	-----	-----
Property, plant and equipment, net	64,519	61,028
Goodwill, net	130,112	131,732
Other intangibles, net	13,690	13,890
Deferred tax asset	28,830	31,246
Other assets	3,808	3,748
	-----	-----
	\$389,940	\$396,849
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 27,103	\$ 8,249
Accounts payable	10,537	11,149
Accrued acquisition costs	16,605	16,378
Accrued income taxes	8,162	7,688
Other current liabilities	25,058	24,509
	-----	-----
Total current liabilities	87,465	67,973
Long-term debt	36,813	60,553
Other noncurrent liabilities	2,978	12,039
	-----	-----
Total liabilities	127,256	140,565
	-----	-----
Commitments and Contingencies (Note 8)		
Stockholders' equity:		
Common stock, \$.10 par value	1,589	1,588
Additional paid-in capital	278,835	278,459
Accumulated other comprehensive loss	(5,915)	(3,305)
Accumulated deficit	(1,468)	(10,112)
Other	(156)	(145)
Treasury stock at cost	(10,201)	(10,201)
	-----	-----
Total stockholders' equity	262,684	256,284
	-----	-----
	\$389,940	\$396,849
	=====	=====

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Consolidated Condensed Statements of Cash Flows  
(In thousands)  
(Unaudited)

	Three Months Ended January 31,	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 9,405	\$ 6,309
Depreciation and amortization	2,093	2,536
Net increase in operating working capital	(4,361)	(5,563)
Net decrease in non-current liabilities	(6,111)	(4,252)
Net decrease in non-current assets	3,142	3,420
	4,168	2,450
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,273)	(3,269)
Acquisitions of assets and businesses	(5,403)	(3,402)
Sale of marketable securities	3,622	-
Other	(12)	(18)
	(8,066)	(6,689)
Net cash used by investing activities		
Cash flows from financing activities:		
Net (repayments) proceeds under short-term agreements	(1,330)	62
Repayments of long-term debt	(4,228)	(576)
Proceeds from long-term debt	1,847	634
Dividends on common stock	(761)	(289)
Exercise of stock options	330	1,728
	(4,142)	1,559
Net cash (used) provided by financing activities		
Effect of exchange rate changes on cash and cash equivalents	(21)	52
	(8,061)	(2,628)
Net decrease in cash and cash equivalents		
Cash and cash equivalents - beginning of period	12,928	14,608
	\$ 4,867	\$11,980
Cash and cash equivalents - end of period	=====	=====

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Consolidated Condensed Statements of Comprehensive Income  
(In thousands)  
(Unaudited)

	Three Months Ended January 31,	
	2002	2001
Net income	\$ 9,405	\$ 6,309
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(2,389)	341
Change in value of derivative instruments	27	(715)
Unrealized loss on marketable securities	-	(177)
Gain arising during the period	437	-
Reclassification adjustment	(685)	-
Unrealized loss on marketable securities	(248)	(177)
	(2,610)	(551)
Comprehensive income	\$ 6,795	\$ 5,758

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements  
(Unaudited)

Note 1. General

The Cooper Companies, Inc. ("Cooper" or "we" and similar pronouns), through its principal business units, develops, manufactures and markets healthcare products. CooperVision ("CVI") markets a range of specialty contact lenses to correct visual defects, including toric lenses that correct astigmatism, cosmetic lenses that change or enhance the appearance of the eyes' natural color, aspheric lenses that improve vision in low light conditions and multifocal lenses that are designed to correct presbyopia, an age-related vision defect. Its leading products are disposable-planned replacement toric and spherical lenses. CooperSurgical ("CSI") markets diagnostic products and surgical instruments and accessories used primarily by gynecologists and obstetricians.

During interim periods, we have followed the accounting policies described in our Form 10-K for the fiscal year ended October 31, 2001. Please refer to this and to our Annual Report to Stockholders for the same period when reviewing this Form 10-Q. Certain prior period amounts have been reclassified to conform to current period presentation. Current results are not a guarantee of future performance.

The unaudited consolidated condensed financial statements presented in this report contain all adjustments necessary to present fairly Cooper's consolidated financial position as of January 31, 2002 and October 31, 2001, and the consolidated results of its operations and its cash flows for the three months ended January 31, 2002 and 2001. Unless otherwise disclosed herein, adjustments are normal and recurring.

Note 2. Inventories, at the Lower of Average Cost or Market

	January 31, 2002 -----	October 31, 2001 -----
	(In thousands)	
Raw materials	\$10,846	\$ 9,889
Work-in-process	9,287	8,491
Finished goods	34,043	32,773
	-----	-----
	\$54,176	\$51,153
	=====	=====

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Continued  
(Unaudited)

Note 3. New Accounting Pronouncements

We adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") in the first quarter of fiscal 2002. In accordance with the requirements of SFAS 142, during the three months ended January 31, 2002, we:

- o Evaluated the balance of goodwill and other intangible assets recorded on our balance sheet as of October 31, 2001. No reclassifications were required to conform to the new criteria for recognition apart from goodwill.
- o Reassessed the useful lives and residual values of all acquired intangibles assets. No amortization period adjustments were required, and we had no intangible assets (other than goodwill) with indefinite useful lives.

We will test goodwill for impairment under SFAS 142 at the reporting unit level. By April 30, 2002, we will complete our analysis to determine which reporting units are to be used for goodwill impairment testing. We will then have up to six months to determine the fair value of each reporting unit and compare it to the carrying amount. If a reporting unit's carrying amount exceeds its fair value, we will then perform the second step of the transitional impairment test by comparing the implied fair value of the reporting unit's goodwill against the recorded amount. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle. Based on preliminary assessments, Management believes that when these steps are completed, the fair value of each reporting unit will exceed its carrying value.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Continued  
(Unaudited)

Note 4. Intangible Assets

	As of January 31, 2002	
	Gross Carrying Amount	Accumulated Amortization
	(In thousands)	
Other Intangible Assets		
Trademarks	\$ 578	\$ 125
Patents	12,710	3,843
License and distribution rights	5,354	1,121
Other	150	13
	-----	-----
	\$ 18,792	\$ 5,102
	=====	=====

Estimated annual amortization expense is about \$1.3 million for each of the years in the five-year period ended October 31, 2006.

	(In thousands)
Goodwill	
Balance as of November 1, 2001	\$131,732
Goodwill acquired in first quarter	477
Other adjustments*	(2,097)
	-----
	\$130,112
	=====

\* Primarily translation differences in goodwill denominated in foreign currency.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Continued  
(Unaudited)

Note 5. Debt

	January 31, 2002	October 31, 2001
	-----	-----
	(In thousands)	
Short-term:		
Notes payable to banks	\$ 4,984	\$ 6,312
Current portion of long-term debt	22,119	1,937
	-----	-----
	\$ 27,103	\$ 8,249
	=====	=====
Long-term:		
Promissory notes - Aspect	\$ 20,100	\$ 20,714
KeyBank line of credit	26,842	28,955
Aspect Vision bank loans	4,791	5,019
County of Monroe Industrial Development Agency ("COMIDA") bond	2,135	2,175
Other	197	289
Capitalized leases	4,867	5,338
	-----	-----
	58,932	62,490
Less current portion	22,119	1,937
	-----	-----
	\$ 36,813	\$ 60,553
	=====	=====

KeyBank Line of Credit:

On January 31, 2002, we had \$41 million available for further borrowings (see Note 11):

(In millions)

Amount of line	\$75.0
Outstanding loans	(34.0)*
	-----
Available	\$41.0
	=====

\* Includes \$7.2 million in letters of credit backing other debt.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Continued  
(Unaudited)

Note 6. Earnings Per Share ("EPS")

	Three Months Ended January 31,	
	2002	2001
	(In thousands, except for earnings per share)	
Net income	\$ 9,405 =====	\$ 6,309 =====
Basic:		
- - - - -		
Weighted average common shares	15,220 =====	14,493 =====
Basic earnings per share	\$ 0.62 =====	\$ 0.44 =====
Diluted:		
- - - - -		
Weighted average common shares	15,220	14,493
Add dilutive securities:		
- - - - -		
Stock options	318	325
Denominator for diluted earnings per share	15,538 =====	14,818 =====
Diluted earnings per share	\$ 0.61 =====	\$ 0.43 =====

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Continued  
(Unaudited)

Pro forma EPS:

We adopted SFAS 142 November 1, 2001. Accordingly, we no longer amortize goodwill. Actual information for the 2002 period and pro forma EPS for the 2001 period is shown below:

	Three Months Ended January 31,	
	----- 2002 -----	----- 2001 -----
	(In thousands, except for earnings per share)	
Net income	\$ 9,405	\$ 6,309
Add back goodwill amortization(1)	-	666
Pro forma net income	----- \$ 9,405 -----	----- \$ 6,975 -----
Basic earnings per share	----- \$ 0.62 -----	----- \$ 0.48 -----
Diluted earnings per share	----- \$ 0.61 -----	----- \$ 0.47 -----
Weighted average common shares	----- 15,220 -----	----- 14,493 -----
Denominator for diluted earnings per share	----- 15,538 -----	----- 14,818 -----

(1) net of tax, assuming an effective tax rate of 29%.

We excluded the following options to purchase Cooper's common stock from the computation of diluted EPS because their exercise prices were above the average market price.

	Three Months Ended January 31,	
	----- 2002 -----	----- 2001 -----
Number of shares excluded	----- 530,750 -----	----- 503,150 -----
Range of exercise prices	----- \$47.31 - \$62.21 -----	----- \$36.00 - \$62.21 -----

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Continued  
(Unaudited)

Note 7. Income Taxes

The effective tax rate ("ETR") for the provision for income taxes of \$3.8 million for the three months ended January 31, 2002 was 29%. The ETR is based on full fiscal year projections for income from continuing operations. The ETR used to record the provision for income taxes of \$3.2 million for the three months ended January 31, 2001 was 33.5%.

Note 8. Commitments and Contingencies

Pending Litigation: On April 20, 2001, Wesley Jessen Corporation ("WJ") filed a lawsuit against CooperVision, Inc. in the United States District Court for the Central District of California, CV-01-03678. The lawsuit alleges that CooperVision's Frequency Colors opaque contact lenses (sold under the name Expressions in the United States) infringe on WJ's United States Patent No. 5,414,477 ("477 Patent") and seeks an injunction and damages of an unspecified amount. On May 3, 2001, WJ also filed a Motion for a Preliminary Injunction to stop sales of these lenses in the United States. CooperVision responded that the asserted patent is invalid and not infringed, and that WJ is otherwise not entitled to an injunction. The Court heard WJ's Motion for a Preliminary Injunction on June 11, 2001 and subsequently denied it. On September 26, 2001, WJ amended its complaint to also allege infringement of U.S. Patent No. 4,668,240 ("240 Patent") by the same CooperVision contact lenses, seeking an injunction and damages in an unspecified amount. WJ has also filed suit against the Company in England alleging that the Company's Frequency Colors opaque lenses infringe on the 240 Patent and one other patent, and in France alleging that Frequency Colors opaque lenses infringe on yet another patent. Each of the lawsuits seeks an injunction and damages in an unspecified amount. The Company believes it does not infringe on WJ's valid patent rights used in the development and manufacture of opaque lenses, and will vigorously defend these actions.

Revenue derived from products that include the disputed technology was \$2.3 million in 2001, and was approximately \$1.2 million in the first quarter of 2002.

Aspect Earn Out Payments: When we acquired Aspect Vision Care, Ltd. ("Aspect") in 1997, we agreed to make contingent payments to its former shareholders based upon Aspect's performance over the three-year period ended October 31, 2000. The parties agreed to an additional amount payable of (pound)13.5 million (about \$20.5 million). Of this amount, (pound)11.1 was paid in fiscal 2001, and the balance of (pound)2.4 million was paid in December 2001.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Concluded  
(Unaudited)

Note 9. Cash Dividends

We paid a semiannual dividend of 5 cents per share on January 4, 2002 to holders of record on December 14, 2001.

Note 10. Business Segment Information

Cooper is organized by operating business segment for management reporting with operating income the primary measure of segment profitability. Corporate expenses are not allocated to segment operating income. Items accounted for below operating income are not considered when measuring segment profitability. The accounting policies used to generate segment results are the same as our overall accounting policies.

Identifiable assets are those assets used in continuing operations excluding cash and cash equivalents, which we deem to be corporate assets. Long-lived assets are primarily property, plant and equipment and goodwill and other intangibles.

Segment information:

	Three Months Ended January 31,	
	2002	2001
	(In thousands)	
Sales to external customers:		
CVI	\$ 42,139	\$ 36,394
CSI	15,973	13,582
	\$ 58,112	\$ 49,976
	=====	=====
Operating income:		
CVI	\$ 11,319	\$ 9,428
CSI	3,533	1,837
Corporate	(1,745)	(1,600)
	13,107	9,665
Total operating income	13,107	9,665
Interest expense	(893)	(999)
Other income, net	1,036	826
	\$ 13,250	\$ 9,492
Income before income taxes	\$ 13,250	\$ 9,492
	=====	=====

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Continued  
(Unaudited)

	January 31, 2002 -----	October 31, 2001 -----
	(in thousands)	
Identifiable assets:		
CVI	\$250,651	\$246,563
CSI	86,178	87,056
Corporate	53,111	63,230
	-----	-----
Total	\$389,940	\$396,849
	=====	=====
Goodwill:		
CVI	\$ 84,124	\$ 85,107
CSI	45,988	46,625
	-----	-----
Total	\$130,112	\$131,732
	=====	=====

Geographic information:

	Three Months Ended January 31,	
	2002 -----	2001 -----
	(in thousands)	
Sales to external customers by country of domicile:		
United States	\$ 42,163	\$ 37,666
Europe	12,398	8,970
Canada	3,551	3,340
	-----	-----
Total	\$ 58,112	\$ 49,976
	=====	=====

	January 31, 2002 -----	October 31, 2001 -----
	(in thousands)	
Long-lived assets by country of domicile:		
United States	\$ 82,772	\$ 80,735
Europe	123,405	123,742
Canada	2,144	2,173
	-----	-----
Total	\$208,321	\$206,650
	=====	=====

Note 11. Subsequent Events

Biocompatibles: On February 28, 2002, we completed the acquisition of the contact lens business of Biocompatibles International plc. ("Biocompatibles"), comprised of its wholly owned subsidiaries Hydron Limited ("Hydron"), Biocompatibles Eyecare Inc. ("BE Inc.") and Biocompatibles Canada Inc. ("BE Canada"). Pursuant to an International Share Sale Agreement (the "Sale Agreement") dated January 15, 2002, among Biocompatibles, Cooper and Cooper's wholly owned subsidiary Aspect Vision Holdings Limited ("AVH"),

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Condensed Financial Statements, Concluded  
(Unaudited)

Biocompatibles sold all of the outstanding shares of Hydron to AVH and all of the outstanding shares of BE Inc. and BE Canada to Cooper.

The aggregate consideration paid for the shares and to repay outstanding indebtedness of the acquired business was (pound)68 million (about \$97 million) plus transaction costs. Cooper paid (pound)24 million of such amount in cash at closing, which funds were obtained from its existing line of credit, and it and AVH issued promissory notes in an aggregate principal amount of (pound)44 million to Biocompatibles, maturing on November 15, 2002 and bearing interest at 5% per annum. The notes are secured by the shares of BE Inc., the production facility of BE Inc. in Norfolk, Virginia, and BE Inc.'s inventory and receivables. The AVH note is also secured by the shares of Hydron. The notes may be prepaid at the option of Cooper and AVH without penalty at any time. We are currently negotiating an expanded bank credit facility which we expect to complete in early May, part of the proceeds of which will be used to repay the notes. An Arrangement and Administration Agreement dated February 28, 2002 among Biocompatibles, Cooper and AVH (the "Administration Agreement") provides for certain payments to Biocompatibles by Cooper if payment of the principal amount of the notes, together with accrued interest, is not made by May 15, 2002, until such time as such payment is made.

Norland Medical Systems: On February 28, 2002, CSI signed an agreement to acquire the bone densitometry business of Norland Medical Systems ("Norland"). The acquisition is subject to the approval of Norland's shareholders, customary closing conditions and satisfactory completion of due diligence by CSI. The transaction is expected to close before the end of April 2002.

Norland's densitometry products, which are used in the evaluation of osteoporosis, had sales of \$8.5 million in 2001. CSI has been a distributor of these products since November 2000.

Cooper will pay \$5 million for the business at closing and may pay additional amounts not to exceed a maximum purchase price of \$12 million based on performance over three years. Cooper expects that the acquisition will be neutral to earnings per share in fiscal 2002 and will be accretive thereafter.

Patent License Agreement: On February 13, 2002, we renegotiated the terms of a license agreement between CVI and certain former shareholders of Aspect. The renegotiated agreement calls for a fixed license fee of (pound)21.4 million (about \$31 million) including interest, due in quarterly installments, which escalate at 5% annually, over an eight-year term. Previously, payments were based on levels of revenue.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations

Note numbers refer to "Notes to Consolidated Condensed Financial Statements" beginning on page 7 of this report.

Forward-Looking Statements: Some of the information included in this Form 10-Q contains "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. The forward-looking statements include certain statements pertaining to our capital resources, performance and results of operations. In addition, all statements regarding anticipated growth in our revenue, and anticipated market conditions and results of operations are forward-looking statements. To identify forward-looking statements look for words like "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates" or "anticipates" and similar words or phrases. Discussions of strategy, plans or intentions often contain forward-looking statements. These, and all forward-looking statements, necessarily depend on assumptions, data or methods that may be incorrect or imprecise.

Events, among others, that could cause actual results and future actions to differ materially from those described by or contemplated in forward-looking statements include major changes in business conditions, a major disruption in the operations of our manufacturing facilities, new competitors or technologies, the impact of an undetected virus on our computer systems, acquisition integration delays or costs, foreign currency exchange exposure, investments in research and development and other start-up projects, dilution to earnings per share from acquisitions or issuing stock, regulatory issues, changes in tax laws, significant environmental cleanup costs above those already accrued, litigation costs including any related settlements, cost of business divestitures, the requirement to provide for a significant liability or to write off a significant asset, changes in accounting principles or estimates, and other factors described in our Securities and Exchange Commission filings, including the "Business" section in our Annual Report on Form 10-K for the year ended October 31, 2001. We caution investors that forward-looking statements reflect our analysis only on their stated date or the date of this Form 10-Q. We disclaim any intent to update them except as required by law.

#### Results of Operations

In this section we discuss the results of our operations for the first quarter of fiscal 2002 and compare them with the same period of fiscal 2001. We discuss our cash flows and current financial condition beginning on page 24 in the "Capital Resources and Liquidity" section.

#### First Quarter Highlights vs. 2001's First Quarter:

- o Net sales up 16% to \$58.1 million.
- o Gross profit up 13%; margin 65% of sales in fiscal 2002 and 66% in fiscal 2001.
- o Operating income up 36% to \$13.1 million.
- o Diluted earnings per share up 42% to 61 cents from 43 cents.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations, Continued

Selected Statistical Information - Percentage of Sales and Growth

	Percent of Sales Three Months Ended January 31,		% Growth
	2002	2001	
Net sales	100%	100%	16%
Cost of sales	35%	34%	23%
Gross profit	65%	66%	13%
Selling, general and administrative	40%	43%	8%
Research and development	1%	2%	(3%)
Amortization	1%	2%	(75%)
Operating income	23%	19%	36%

Net Sales: Cooper's two business units, CooperVision ("CVI") and CooperSurgical ("CSI") generate all its revenue:

- o CVI markets a broad range of soft contact lenses for the vision care market worldwide.
- o CSI markets diagnostic products, surgical instruments and accessories for the gynecological market, primarily in the U.S.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations, Continued

Our consolidated net sales grew \$8.1 million, or 16%:

	Three Months Ended January 31,		%
	2002	2001	
	-----		
	(In millions)		
CVI	\$42.1	\$36.4	16%
CSI	16.0	13.6	18%
	-----	-----	
	\$58.1	\$50.0	16%
	=====	=====	

CVI Revenue: The contact lens market continues to undergo a shift in modality away from conventional lenses, designed for replacement annually, toward disposable lenses designed for replacement daily, and frequently replaced lenses, designed for replacement biweekly, monthly or quarterly. We refer to the combination of disposable and frequently replaced lenses as "DPR" lenses in this report. CVI's revenue growth is driven by volume rather than by price. Our average selling price on a per lens basis is decreasing, reflective of increased sales of DPR lenses, which are marketed in multiple lens packaging. This is an industry trend. Worldwide sales of Cooper's DPR products grew 20% in the three-month period.

Soft Lens Revenue: CVI's worldwide soft contact lens revenue -- all revenue except royalty revenue and miscellaneous items -- grew 19% for the three-month period. Soft lens revenue includes sales of spherical lenses and our specialty products -- toric, aspheric, cosmetic and multifocal lenses. Toric lenses are prescribed to correct astigmatism; aspheric lenses help improve visual acuity in lowlight conditions and correct low levels of astigmatism; cosmetic lenses are opaque and color enhancing lenses that change eye appearance and multifocal lenses are designed to correct presbyopia, an age-related vision defect.

Total CVI Revenue (Including Royalty, Freight and Miscellaneous):

Segment	First Quarter 2002	% Total	Growth
	-----	-----	-----
	(\$ in millions)		
U.S.	\$24.8	59%	9%
International	15.1	36%	41%
	-----	---	
Soft lens revenue	39.9	95%	19%
Miscellaneous revenue	2.2	5%	(22%)
	-----	---	
	\$42.1	100%	16%
	=====	===	

The 41% growth in international revenue, from 10.7 million to \$15.1 million, was driven by sales of total DPR lenses that grew by 32% to \$11.8 million, and recently introduced cosmetic and multifocal lenses that generated revenue of about \$1.3 million vs. virtually none in the prior period.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
 Item 2. Management's Discussion and Analysis of Financial  
 Condition and Results of Operations, Continued

Revenue in the United States was strong, growing 9% in a market, per independent market research data, that declined 1%. Our specialty lenses grew 12%. The DPR lenses (the majority of which are specialty lenses) grew 14% and now account for over 80% of CVI's U.S. business.

CSI Revenue: CSI revenue grew 18% in the first quarter to \$16 million, with revenue generated by internal or organic growth 10% ahead for the quarter. The acquisitions in the second and fourth quarters of last year accounted for the balance of the growth.

Cost of Sales/Gross Profit: Gross profit as a percentage of sales ("margin" or "gross margin") was as follows:

	First Quarter Margin	
	-----	-----
	2002	2001
	----	----
CVI	69%	71%
CSI	53%	54%
Consolidated	65%	66%

CVI's margin for the first quarter of fiscal 2002 was 69% compared with 71% for the first quarter last year. The decline was primarily due to a higher percentage of our sales being generated by our international operations. International operations typically have lower margin because, as compared with our sales in the U.S. market, a higher percentage is to distributors. Sales to distributors typically generate gross margins below those generated by sales to optometrists, ophthalmologists and retail chains. Corresponding lower operating expenses typically offset these gross margin reductions, since we leverage our distributors' infrastructure. Accordingly, we expect that operating income as a percentage of revenue would not change substantially. Gross margin is expected to decline longer term, assuming the successful implementation of the following business initiatives currently in progress:

- o A substantial increase in sales to our Japanese marketing partner. Sales to our Japanese marketing partner are priced on a distributor basis.
- o A significant increase in sales into retail channels of distribution which, although potentially generating lower gross margins, would provide attractive operating margins due to lower operating expenses associated with sales in this channel.

At CSI, the effect of the Medscand and other acquisitions decreased our margin. We expect that, as acquisitions become fully integrated, we will gain additional efficiencies and CSI's margin will increase.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
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Selling, General and Administrative ("SGA") Expense:

	Three Months Ended January 31,				
	2002	-----		2001	
	-----				
	(\$ in millions)				
	% Rev.		% Rev.		% Increase
	-----				
CVI	\$16.8	40%	\$15.3	42%	10%
CSI	4.6	29%	4.5	33%	3%
Headquarters	1.8	N/A	1.6	N/A	9%
	-----				
	\$23.2	40%	\$21.4	43%	8%
	=====				

Consolidated SGA increased 8% but decreased as a percentage of revenue to 40% in 2002 from 43% in 2001. Results for the three-month period of fiscal 2001 include nonrecurring SGA charges of about \$700,000 to substantially complete the integration of Leisegang and MedaSonic acquisitions. Without these one-time costs, SG&A in the first quarter last year would have been 41% of revenue.

Research and Development ("R&D") Expense: We expect R&D spending to remain a low percentage of revenue, as Cooper is focusing on acquiring products that will not require large expenditures of time or money before introduction. Most of our R&D expense relates to costs of clinical and regulatory and other development activities rather than basic research.

Amortization of intangibles: Amortization expense decreased to \$308,000 in the first quarter of fiscal 2002 from \$1.2 million in last year's first quarter, primarily because we adopted SFAS 142 (see Notes 3 and 4). Goodwill is no longer amortized. Goodwill amortization included in the first quarter of 2001 was \$938,000.

Operating Income: Operating income improved by \$3.4 million, or 36%, in the fiscal first quarter.

	Three Months Ended January 31,				
	2002	-----		2001	
	-----				
	(\$ in millions)				
	% Rev.		% Rev.		% Increase
	-----				
CVI	\$11.3	27%	\$ 9.4	26%	20%
CSI	3.6	22%	1.9	14%	92%
Headquarters	(1.8)	N/A	(1.6)	N/A	N/A
	-----				
	\$13.1	23%	\$ 9.7	19%	36%
	=====				

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
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Interest Expense: Interest expense decreased \$106,000 or 11%, primarily due to lower interest rates and favorable currency translation, which reduced interest expense on our pound sterling denominated debt.

Other Income (Expense), Net:

	Three Months Ended January 31,	
	----- 2002	2001 -----
	(In thousands)	
Interest income	\$ 35	\$162
Foreign exchange	(20)	(49)
Gain on Litmus/Quidel transaction	-	719
Gain on sale of Quidel stock	1,028	-
Other	(7)	(6)
	-----	-----
	\$1,036	\$826
	=====	=====

In last year's first quarter, Quidel Corporation ("Quidel") acquired Litmus Concepts, Inc. through an exchange of common stock. We held a preferred equity position in Litmus, which equated to approximately a 10 percent ownership. As a result of this transaction, we received common shares of Quidel, and we recorded a gain of \$719,000, as the market value of the Quidel shares received exceeded the carrying value of our investment in Litmus. In the first quarter of 2002, we sold 480,000 shares of Quidel stock (about 40% of our holding), realizing a gain of approximately \$1 million.

Interest income in the first quarter of 2002 was \$127,000, or 78%, lower than the prior year, as we have made substantial payments to reduce debt and fund acquisitions. Additionally, interest rates available on our invested funds were substantially lower, reflective of reductions effected by the Federal Reserve over the past year.

Provision for Income Taxes: We estimate that our effective tax rate ("ETR") for fiscal year 2002 will be 29%, down from 33.5% used for the first quarter of 2001.

We implemented a global tax plan in fiscal 1999 to minimize both the taxes reported in our statement of income and the actual taxes we will have to pay once we use all the benefits of our net operating loss carryforwards ("NOLs"). The global tax plan consists of a restructuring of the legal ownership structure for the CooperVision foreign sales and manufacturing subsidiaries.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
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The stock of those subsidiaries is now owned by a single foreign holding company, which centrally directs much of the activities of those subsidiaries. The foreign holding company has applied for and received the benefits of a reduced tax rate under a special tax regime available in its country of residence. On February 28, 2002, the Company acquired BE Inc. Assuming no other major acquisitions or large stock issuances, we currently expect that this plan will extend the cash flow benefits of the NOLs through 2004, and that actual cash payments of taxes will average less than 5% of pretax profits over this period. After 2004, actual cash payments of taxes are expected to average less than 25% of pretax profits.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
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Capital Resources & Liquidity

First Quarter Highlights:

- o Operating cash flow \$4.2 million vs. \$2.5 million in 2001's first quarter.
- o Cash flow (pretax income from continuing operations plus depreciation and amortization) per diluted share 99 cents vs. 81 cents in 2001's first quarter.

Comparative Statistics (Dollars in millions, except per share amounts):

	January 31, 2002	October 31, 2001
Cash and cash equivalents	\$4.9	\$12.9
Total assets	\$389.9	\$396.8
Working capital	\$61.5	\$87.2
Total debt	\$63.9	\$68.8
Stockholders' equity	\$262.7	\$256.3
Ratio of debt to equity	0.24:1	0.27:1
Debt as a percentage of total capitalization	20%	21%
Operating cash flow - twelve months ended	\$27.4	\$25.6
Cash flow per diluted share - twelve months ended	\$4.32	\$4.14

Operating Cash Flows: Our major source of liquidity continues to be cash flow provided by operating activities, which totaled \$4.2 million in the first quarter of fiscal 2002 and \$27.4 million over the twelve-month period ended January 31, 2002.

Major uses of cash for operating activities in the first quarter included payments of \$4 million to settle the dispute with Medical Engineering Corporation, \$1.8 million to fund entitlements under Cooper's bonus plans and \$464,000 in interest payments.

Investing Cash Flows: The cash outflow of \$8.1 million from investing activities was driven by capital expenditures of \$6.3 million and payments of \$5.4 million on acquisitions including \$3.9 million paid to former Aspect Vision Care shareholders to finalize required earn out payments. The cash outflow was partially offset by \$3.6 million cash received from the sale of Quidel shares.

Financing Cash Flows: Financing activities used \$4.1 million of cash, driven primarily by \$3.7 million of net payment of debt. We also paid dividends on our common stock of \$761,000 in the first fiscal quarter of 2002. These cash outflows were partially offset by \$330,000 received from stock option exercises.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations, Continued

Estimates and Critical Accounting Policies: Estimates and judgments made by Management are an integral part of financial statements prepared in accordance with accounting principle generally accepted in the United States of America ("GAAP"). Actual results may be different from amounts reported for or at the end of any period. We believe that the following critical accounting policies address the more significant estimates required of Management when preparing our consolidated financial statements in accordance with GAAP:

- o Revenue recognition -- In general, we recognize revenue upon shipment of our products, when risk of ownership transfers to our customers. We record, based on historical statistics, appropriate provisions for shipments to customers who have the right of return.
- o Adequacy of allowance for doubtful accounts -- In accordance with GAAP, our reported balance of accounts receivable, net of the allowance for doubtful accounts, represents our estimate of the amount that ultimately will be realized in cash. We review the adequacy of our allowance for doubtful accounts on an ongoing basis, using historical payment trends and the age of the receivables, complemented by individual knowledge of our customers. If and when our analyses indicate, we increase or decrease our allowance accordingly.
- o Net realizable value of inventory -- GAAP states that inventories be stated at the lower of cost or market value, or "net realizable value." On an ongoing basis, we review the carrying value of our inventories, measuring number of months on hand and other indications of salability and, when indicated, reduce the value of inventory if there are indications that the carrying value is greater than market.
- o Valuation of goodwill -- In accordance with the provisions of Statements of Financial Accounting Standards 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets" we will evaluate, by the end of our second fiscal quarter, the reporting units to be used to test for impairment of goodwill (see Note 3).

Outlook: We believe that cash and cash equivalents on hand of \$4.9 million plus cash from operating activities will fund future operations, capital expenditures, cash dividends and smaller acquisitions. We are currently negotiating an expanded bank credit facility, which we expect to complete in early May. Part of the proceeds will be used to repay notes issued to Biocompatibles shareholders (see Note 11). At January 31, 2002, we had \$41 million available under the KeyBank line of credit. We funded the cash required for the Biocompatibles acquisition (see Note 11) via cash on hand and borrowings under our current line of credit.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations, Concluded

Risk Management: We are exposed to risks caused by changes in foreign exchange, principally pound sterling denominated debt and from operations in foreign currencies. We have hedged most of the debt by entering into contracts to buy sterling forward. We are also exposed to risks associated with changes in interest rates, as the interest rate on certain of our debt varies with the London Interbank Offered Rate.

Trademarks: Frequency'r' and Proclear'r' are registered trademarks of The Cooper Companies, Inc., its affiliates and subsidiaries or both. Expressions'TM' is a trademark of The Cooper Companies, Inc., its affiliates and subsidiaries or both.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Item 3. Quantitative and Qualitative Disclosure About Market Risk

See Capital Resources and Liquidity under "Risk Management" in Item 2 of this report.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit Number -----	Description -----
2.1	International Share Sale Agreement among Biocompatibles International plc, Aspect Vision Holdings Limited and The Cooper Companies, Inc. incorporated by reference to Exhibit 2.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on March 13, 2002.
2.2	Arrangement and Administration Agreement among Biocompatibles International plc, The Cooper Companies, Inc. and Aspect Vision Holdings Limited, incorporated by reference to Exhibit 2.2 to the Company's current report on Form 8-K filed with the SEC on March 13, 2002.
10.11*	Patent License Agreement dated 13 February 2002 between Geoffrey H. Galley & Others and CooperVision, Inc.
11**	Calculation of Earnings Per Share.
99.4	Note A between Aspect Vision Holdings Limited and Biocompatibles International plc dated 28 February 2002 incorporated by reference to Exhibit 99.4 to the Company's current report on Form 8-K filed with the SEC on March 13, 2002.
99.5	Note B between The Cooper Companies, Inc. and Biocompatibles International plc dated 28 February 2002 incorporated by reference to Exhibit 99.5 to the Company's current report on Form 8-K filed with the SEC on March 13, 2002.
99.6	Note C between The Cooper Companies, Inc. and Biocompatibles International plc dated 28 February 2002 incorporated by reference to Exhibit 99.6 to the Company's current report on Form 8-K filed with the SEC on March 13, 2002.

PART II - OTHER INFORMATION  
(Continued)

\* Confidential treatment has been requested from the Securities and Exchange Commission with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Commission.

\*\* The information called for in this exhibit is provided in Footnote 6 to the Consolidated Condensed Financial Statements in this report.

(b) Cooper filed the following reports on Form 8-K during the period from November 1, 2001 to January 31, 2002.

Date of Report -----	Item Reported -----
November 14, 2001	Item 5. Other Events
December 11, 2001	Item 5. Other Events
January 15, 2002	Item 5. Other Events

SIGNATURE

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

The Cooper Companies, Inc.

-----  
(Registrant)

Date: March 13, 2002

/s/ Stephen C. Whiteford

-----  
Vice President and Corporate Controller  
(Principal Accounting Officer)

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Index of Exhibits

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Index of Exhibits  
(Continued)

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- \*\* The information called for in this exhibit is provided in Footnote 6 to the Consolidated Condensed Financial Statements in this report.

STATEMENT OF DIFFERENCES

-----

The trademark symbol shall be expressed as.....	'TM'
The registered trademark symbol shall be expressed as.....	'r'
The British pound sterling sign shall be expressed as.....	'L'

Dated 13th February 2002

GEOFFREY H GALLEY & OTHERS (1)

and

COOPER VISION INC. (2)

-----  
PATENT LICENCE AGREEMENT  
-----

PATENT LICENCE AGREEMENT

This Patent Licence Agreement is entered into as of 13th February 2002 by COOPER VISION INC. whose principal place of business is at 21062 Bake Parkway, Suite 200, Lake Forest, CA 92630, USA (hereinafter "CV") and Geoffrey H Galley of Red Lodge, The Close, Totteridge, London N20 8PJ, Anthony D Galley, Albert Morland, Barrie Bevis and Ivor Atkinson (all care of the said Geoffrey H Galley) (together "the Patent Owners").

WHEREAS: The Patent Owners are owners of a series of patents.

and

WHEREAS: CV entered into a licence with the Patent Owners dated 2 December 1997 ("1997 Licence") for itself and its affiliates under those patents to manufacture contact lenses.

and

WHEREAS: CV intends to acquire Biocompatibles and Hydron.

and

WHEREAS: The Parties wish to terminate with effect from the Effective Date the 1997 Licence,

and

WHEREAS: The Patent Owners are willing to grant a new licence to CV on the terms and conditions of this Agreement, to apply in substitution for the 1997 Licence.

Now it is hereby agreed as follows:

1. In this Agreement the following expressions shall have the following meanings:

Affiliate shall mean any company which directly or indirectly controls or is controlled by or is under common control with another company including as a subsidiary or holding company. For the purposes of this definition, "control" means the ownership of 100% of the issued share capital in or the legal power to direct or cause the direction of the general management and policies of the company in question.

Agreement shall mean this patent licence agreement.

Arbitrator	shall mean a QC (being Queen's Counsel, who is a member of a United Kingdom Inn of Court) acceptable to both Parties with the assistance, if required, of an independent chartered accountancy practice acceptable to both Parties or if no agreement can be reached within fourteen days of one Party notifying the other of its wish to refer a matter to an arbitrator in accordance with Clause 13, such arbitrator shall, upon the application of either Party, be appointed by the President, for the time being, of the Law Society.
Biocompatibles	shall mean Biocompatibles Eyecare Inc.
Biocompatibles Licence	shall mean the patent licence agreement between Biocompatibles Licence Limited and the Patent Owners dated 4 December 1997 (now terminated).
Effective Date	shall mean the 1st of November 2001.
Hydron	shall mean Hydron Limited.
Hydron Licence	shall mean the patent licence agreement between Hydron and the Patent Owners dated 6 July 1995.
Improvement	shall mean any improvement, modification or addition to the Licensed Patents or to any Know-How.
Know-How	shall mean all information to the extent that such information is not in the public domain (including that comprised in formulae, techniques, designs, specifications, drawings, components, lists, manuals, instructions and catalogues) relating to: <ul style="list-style-type: none"> <li>(i) the composition or production of Lenses;</li> <li>(ii) the design, development, manufacture or use of Lenses;</li> <li>(iii) the repair and maintenance of Lenses;</li> <li>(iv) quality control;</li> <li>(v) tooling design.</li> </ul>

Lenses	Lenses shall mean contact lenses produced in accordance with the Licensed Patents.
Licence Fee	shall mean the Standard Licence Fee or the Reduced Licence Fee (as the case may be).
Licensed	Patents shall mean the patents deriving and prioritised from an original application which resulted in the granting of United Kingdom Patent No. GB 2,226,977 as listed in Schedule 1, together with all other patent applications and patents as may in the future be derived therefrom.
[ * ]	shall mean [ * ]
[ * ]	shall mean [ * ]
Parties	shall mean CV and the Patent Owners.
Patents	shall mean the patents included in the Licensed Patents.
Quarter	shall mean the period of 3 calendar months from the Effective Date and each consecutive period of 3 calendar months thereafter (ending on 31 January, 30 April, 31 July and 31 October respectively) and the phrase "Quarterly" shall be construed accordingly.
Reduced Licence Fee	shall have the meaning ascribed to it in Clause 3.3.
Relevant Tax	shall mean in relation to any payment which is required to be made under this Agreement any present or future tax of any nature now or hereafter imposed by the rules of any tax authority.
Standard Licence Fee	shall have the meaning ascribed to it in Clause 3.1.
Term	shall have the meaning ascribed to it in Clause 9.
Third Party	shall have the meaning ascribed to it in Clause 2.3.

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Year shall mean the period of 12 calendar months from the Effective Date and each consecutive period of 12 calendar months thereafter (ending on 31 October). For the purposes of Schedule 2, "Year 1" is the period from the Effective Date until 31 October 2002 and "Year 2", "Year 3" etc. shall be construed accordingly.

1.2 In this Agreement:

- 1.2.1 unless the context otherwise requires all references to a particular Clause or Schedule shall be a reference to that clause or schedule in or to this Agreement as it may be amended from time to time pursuant to this Agreement;
- 1.2.2 the headings are inserted for convenience only and shall be ignored in construing this Agreement;
- 1.2.3 unless the contrary intention appears, words importing the masculine gender shall include the feminine and vice versa and words in the singular shall include the plural and vice versa; and
- 1.2.4 unless the contrary intention appears, words denoting persons shall include any individual, partnership, company, corporation, joint venture, trust, association, organisation or other entity, in each case whether or not having separate legal personality.

2. TERMINATION OF THE 1997 LICENCE AND GRANT OF NEW LICENCE

- 2.1 The Parties agree that, in consideration of the covenants contained in this Agreement, the 1997 Licence shall, with effect from the Effective Date, terminate and all the rights and obligations of the parties thereunder shall cease and be of no further force and effect. For the avoidance of doubt, any breach by either party thereto of any provisions of the 1997 Licence is unconditionally and irrevocably waived by the other party thereto and each Party hereby releases and discharges the other Party absolutely from all claims and rights whatsoever that it may have had arising out of or in connection with the 1997 Licence.
- 2.2 Subject to the other terms and conditions of this Clause 2, the Patent Owners hereby grant with effect from the Effective Date to CV a worldwide, non-exclusive licence, to make, have made, use and sell Lenses under the Licensed Patents.
- 2.3 CV shall be entitled at any time without notifying the Patent Owners to sub-licence its rights hereunder to any Affiliate of CV and, subject to Clause 3.5, shall be entitled at

any time without notifying the Patent Owners to sub-license its rights hereunder to any person that is not an Affiliate of CV ("Third Party").

- 2.4 CV agrees that any sub-licences granted by it shall be personal to the sub-licensee, shall not be capable of further sub-licensing by the sub-licensee, and shall not be assignable and shall not be inconsistent with this Agreement and shall not prejudice the Patent Owners' rights set out in this Agreement. CV shall forward to the Patent Owners a copy of all fully executed sub-licences or sub-licence agreements entered into with sub-licensees from time to time within 28 days of execution thereof, but shall not be required to do so in respect of any Affiliate sub-licensee of CV save that if such sub-licensee ceases to be an Affiliate of CV, then CV shall supply to the Patent Owners a copy of the relevant sub-licence within 28 days of such sub-licensee ceasing to be an Affiliate of CV.
- 2.5 CV shall at all times during the continuance of this Agreement be responsible for the observance and performance by every sub-licensee of the terms and conditions of the sub-licence and shall use all reasonable endeavours to monitor and enforce the obligations of every sub-licensee in terms of the relevant sub-licence. Without prejudice to the generality of the foregoing, CV shall indemnify the Patent Owners in respect of any actions or omissions of the sub-licensee.
- 2.6 The Patent Owners shall not grant any further licences of the Licensed Patents to third parties without the prior written consent of CV.
- 2.7 If the Patent Owners make or acquire any Improvement relating to the Licensed Patents, they shall, to the extent that they are not prohibited by law, by any undertaking given to others or by considerations relating to security of a patent or other intellectual property right protection, promptly notify CV in writing giving details thereof and shall provide to CV free of charge such information or explanations as CV may reasonably require to be able legally and effectively to utilise the same for the Term and the Patent Owners shall grant to CV a non-exclusive, worldwide, royalty-free licence to the use of Improvements disclosed by the Patent Owners hereunder on the same terms as those in this Agreement
- 2.8 CV and the Patent Owners agree and undertake that, following the acquisition by CV (or any of its Affiliates) of Biocompatibles, they shall procure (CV procuring in respect of the rights of Biocompatibles and the Patent Owners acting in respect of their own rights) that the Hydron Licence is terminated with effect from the Effective Date and that all the rights and obligations of the parties thereunder and (to the extent that any remain following its earlier termination) under the Biocompatibles Licence

shall cease and be of no further force and effect to the intent that any breach by either party to the Hydron Licence or the Biocompatibles Licence (as the case may be) will be unconditionally and irrevocably waived and that each party thereto will be released and discharged absolutely from all claims and rights whatsoever that any such party may have had arising out of or in connection with the Hydron Licence and/or the Biocompatibles Licence.

3. LICENCE FEE

3.1 In consideration of the rights granted to CV under Clause 2, CV shall, subject to the provisions of Clause 3.2, pay to the Patent Owners the sum of '\$21,485,494, such sum to be paid in instalments in accordance with Clause 4 (the "Standard Licence Fee").

3.2 If, at any time during the Term, [ \* ] the provisions of Clause 3.3 shall apply.

3.3 With effect from the first day of the Quarter ("Relevant Quarter") immediately following [ \* ], the licence fee payable by CV in accordance with Clause 4 shall in respect of each Quarter thereafter be reduced by an amount equal to [ \* ]% (the "Reduced Licence Fee").

3.4 CV acknowledges that the amount of the Licence Fee payable pursuant to this Agreement has been agreed between the Parties by way of full and final settlement of all matters and disputes arising out of, or in connection with, the 1997 Licence and that, accordingly, the Licence Fee shall continue to be payable even if CV ceases directly or indirectly to make use of and/or sell Lenses under the Licensed Patents.

3.5 If CV grants a sub-licence to a Third Party under Clause 2.3, then CV shall pay to the Patent Owners [ \* ]% of all royalties and lump sums paid to CV and any other benefits whether in cash or in kind receivable by CV from any Third Party in consideration of the grant or subsistence of such sub-licence. For the avoidance of doubt, CV shall not be obliged to account to the Patent Owners in respect of any payments received by CV pursuant to any sub-licence granted to an Affiliate of CV, even if such Affiliate is subsequently acquired by a third party.

3.6 The Patent Owners hereby agree that, in the event that they become entitled to any royalty payments under the Hydron Licence which become due at any time after the Effective Date, they shall, at CV's option, either assign their right to receive such royalty payments to CV or pay such royalty payments over to CV. For the avoidance of doubt, this Clause 3.6 shall apply whether or not CV (or any Affiliate of CV)

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\* Confidential treatment has been requested from the Securities and Exchange Commission. Omitted portions have been filed separately with the Commission.

acquires Biocompatibles and/or Hydron. The Patent Owners shall, within 7 days of the date of this Agreement, instruct Biocompatibles and Hydron to pay any royalty payments under the Hydron Licence which become due at any time after the Effective Date directly to CV.

#### 4. PAYMENT

- 4.1 Subject to Clauses 3.2 and 3.3, CV shall, in respect of each Quarter, pay the Patent Owners in pounds sterling in arrears the amount set out in the column headed "QUARTERLY FEE ('L')" in Schedule 2 which is referable to the relevant Year, such payments to be made no later than 30 days after the last day of that Quarter. Time shall become of the essence in relation to payments due to the Patent Owners under this Agreement after a period of 30 days following notification by the Patent Owners to CV that CV has failed to make a payment.
- 4.2 Payment shall be made to each Patent Owner directly into the bank account of the relevant Patent Owner as specified to CV by the relevant Patent Owner.
- 4.3 Without prejudice to any other rights the Patent Owners may have, interest shall be payable at 2.5% per annum over the base rate of National Westminster Bank Plc or its successor on late payment calculated on a daily basis from the date on which payments are due until receipt of payment in cleared funds by the Patent Owners.
- 4.4 CV acknowledges and agrees that, if CV is late in making any due and payable Licence Fee payment by more than 30 days and if CV fails to make such payment together with all interest thereon within 30 days of any one of the Patent Owners notifying CV in writing requiring them to pay the same, the Licence Fee to the extent not yet received by the Patent Owners at such time shall immediately become due and payable in full.
- #### 5. TAXES
- 5.1 Subject to Clause 5.2, all payments to be made by CV to the Patent Owners under this Agreement shall be made free and clear of, and without deduction or on account of, any Relevant Tax.
- 5.2 In the event that any relief from deduction or withholding of any Relevant Tax may be available, the Patent Owners and CV agree and undertake that the Patent Owners will use all reasonable endeavours to complete the appropriate form for US tax purposes and lodge the form with CV so that an exemption from withholding tax be obtained under the applicable double-tax treaty.

- 5.3 Subject to Clauses 5.1 and 5.2, if CV is required by law to make any payment under this Agreement subject to the deduction or withholding of any Relevant Tax the full amount required to be deducted or withheld to the relevant taxation or other authority shall be so deducted or withheld by CV under the applicable law and CV shall deliver to the Patent Owners within 30 days of actual receipt (or such shorter time after actual receipt as the applicable authority requires) a receipt or certified copy thereof or other appropriate evidence issued by such authority evidencing the payment to such authority of all amounts so required to be deducted or withheld in respect of such payment.
- 5.4 Subject always to Clause 5.5, in circumstances in which CV is required by law to make a payment under this Agreement subject to deduction or withholding in accordance with Clause 5.3 CV shall, on the relevant payment dates, pay to the Patent Owners, in addition to the payments due under this Agreement, 50% of the Relevant Sum. For the purposes of this clause, the Relevant Sum shall be the amount which is equal to the sum which would be required to be paid to the Patent Owners by CV to ensure that, after the making of such deduction or withholding as is required by Clause 5.3, the Patent Owners would receive and retain (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which they would have received and so retained had no such deduction or withholding of any Relevant Tax been made or been required to be made.
- 5.5 There shall be no obligation on CV to make a payment to the Patent Owners under Clause 5.4 if the Patent Owners in their reasonable opinion determine that, by virtue of the withholding or deduction referred to in Clause 5.3, they have received, or will within a reasonable period receive, a credit against, or any relief for, any tax paid or payable by the Patent Owners in respect of the payments due to them under this Agreement.

6. INTELLECTUAL PROPERTY

Except as provided for in this Agreement, CV recognises the Patent Owners' title to the Licensed Patents and shall not claim any right, title or interest in the Licensed Patents (save as provided for in this Agreement) or at any future time seek to register or use any of the Licensed Patents in its own name as proprietor.

7. ENFORCEMENT OF PATENTS AND PROSECUTION OF PATENTS

7.1 If any Party learns of any infringement or suspected infringement of a Licensed Patent or Know-How it shall promptly notify the other Parties, CV shall have the option and is hereby irrevocably authorised by the Patent Owners, at its own expense, and in the name of the Patent Owners, to take action against any such infringer or alleged infringer, and shall be entitled to any damages received related to such matter. If CV so takes action against any such infringer or alleged infringer, CV shall, in its absolute discretion, determine what action if any shall be taken, and shall have sole control over and shall conduct any such action as it shall deem necessary, and the Patent Owners shall take such actions as CV reasonably requests (including, but not limited to, the use of its name in or being joined as a party to proceedings) to facilitate CV's actions, provided, however, that CV shall reimburse the Patent Owners for their reasonable expenses in assisting CV in such matter.

7.2 In the event that action taken by CV against an infringer pursuant to Clause 7.1 results in a court ruling in CV's favour and that the reasonable expenses incurred by CV in taking such action exceed the amount of damages payable to CV in relation to such matter, the Parties shall bear the remainder of such excess expenses [ \* ]. Subject to the Patent Owners' agreement to the calculation of the amount due from them to CV, such amount shall be treated as a prepayment of Licence Fee due to the Patent Owners under this Agreement. In any other circumstances, CV shall bear its own expenses incurred under Clause 7.1,

7.3 If CV grants a sub-licence to a Third Party following settlement of an infringement action brought by it against such Third Party, CV shall be entitled to deduct its reasonable costs (if any) in pursuing such action from the amounts required to be paid by CV pursuant to Clause 3.5.

7.4 The Patent Owners shall, subject as hereinafter provided, during the Term pay all renewal fees and do all such acts and things as may be necessary to maintain in force

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\* Confidential treatment has been requested from the Securities and Exchange Commission. Omitted portions have been filed separately with the Commission.

the Patents and shall produce to CV the receipt for such renewal fees not less than seven (7) days before the last day for renewing any of such Patents (excluding periods allowed in extension of the time limit for renewing), and in default shall recognise the right of CV to pay the same and to be credited with the cost thereof. The Patent Owners shall reimburse CV for any fees paid by CV pursuant to this Clause 7.4 within fourteen (14) days of receiving from CV notification that CV has paid such fees.

7.5 The Patent Owners undertake, during the Term, not to abandon or allow to lapse any of the Patents or to amend the specification of any of them during the Term without the prior written consent of CV.

## 8. INDEMNIFICATION

8.1 Subject to Clause 8.2, the Patent Owners will indemnify and hold harmless CV (together with its officers, servants and agents) against any and all liability, loss, damages, costs (whether special, indirect, consequential, direct or otherwise) including attorneys' fees

(i) that may be incurred in defending any claim or

(ii) awarded or agreed to be paid in respect of any claim, to any third party in respect of any claim or action that the possession or use of the Licensed Patents and Know-How infringes the patents of the said third party. The Patent Owners shall have full conduct of such claims save that they shall not settle or otherwise compromise such claims without the prior written consent of CV, such consent not to be unreasonably withheld or delayed. If either Party learns of any infringement or suspected infringement of the patents of a third party as referred to above, it shall promptly notify the other Party.

8.2 In the event of the Patent Owners becoming liable to CV under the provisions of Clause 8.1, the amount payable to CV under that Clause shall not exceed an amount equal to the Licence Fee payable to the Patent Owners under this Agreement from the date of a third party bringing an action against CV. Under no circumstances shall the Patent Owners be required to repay any Licence Fee paid to them prior to the date of such action being brought. CV shall be entitled to suspend payment of the Licence Fee to the Patent Owners from the date of such action being brought provided that

8.2.1 in the event the third party action is struck out for want of prosecution or otherwise or in any case when an action is lost by the third party, CV shall forthwith pay to the Patent Owners the amount of the Licence Fee falling due during the period of the suspension, and

8.2.2 in the event of a third party successfully bringing an action against CV for infringement of that third party's patent or patents ("Third Party Patent") by the possession or use by CV of one or more of the Licensed Patents and CV paying royalties to that third party in respect of the Third Party Patent, CV shall, in addition to suspending payments of the Licence Fee in respect of the appropriate Licensed Patent, be entitled to deduct from the Licence Fee due to the Patent Owners under this Agreement the amount of any royalties it pays to such third party in respect of the Third Party Patent.

9. TERM

This Agreement shall remain in effect from the Effective Date for a period of eight Years or until the last of the Licensed Patents expires, is abandoned or is finally adjudicated invalid, whichever is the earlier (the "Term"), and, save as provided in Clause 10, this Agreement may not be terminated earlier by either Party.

10. TERMINATION

10.1 This Agreement may be terminated forthwith by written notice from the Patent Owners in the event that CV is late in making any due and payable Licence Fee payment by more than 30 days, and if CV fails to make such payment together with all interest thereon within 30 days of any one of the Patent Owners notifying CV in writing requiring them to pay the same.

10.2 CV shall be entitled to terminate this Agreement forthwith by written notice with immediate effect if all the Licensed Patents are revoked or declared invalid.

10.3 Termination of this Agreement shall not affect the accrued rights of the Parties arising in any way out of this Agreement as at the date of termination and in particular but without limitation the right to recover damages from the other.

10.4 Upon the termination of this Agreement or upon its expiry, CV shall forthwith return to the Patent Owners or permit the Patent Owners to enter onto its premises for the purpose of repossessing all drawings, data, material and other documents including, without limitation, software supplied to CV by the Patent Owners and any copies of any of the same in its possession or under its control (whether or not containing Know-How) and shall procure the return of any of the same (and any copies) in the possession of, or under the control of, any third party.

10.5 Expiry of this Agreement or its termination for whatever cause shall not release CV from any of its obligations which expressly or by implication become effective or continue to be effective on or after the termination of this Agreement

- 10.6 Termination of this Agreement for whatever cause or its expiry shall be without prejudice to the rights of the Parties in respect of any antecedent breaches or any other rights which may have arisen under this Agreement and shall not relieve any Party from any existing obligation or liability which has arisen under this Agreement.
- 10.7 Upon termination of this Agreement, all related sub-licences granted by CV shall immediately (unless the sub-licensee is then in default thereunder entitling CV to terminate such sub-licence) be deemed to be licences in the terms they were granted by CV, and shall continue as if originally granted by the Patent Owners, and the Patent Owners and CV shall enter into such further documents as may be needed to give effect to this SAVE THAT the Patent Owners shall not be bound to enter into any such arrangement unless they are satisfied that the terms of any such arrangement impose no obligations on the Patent Owners other than those incumbent on the Patent Owners pursuant to this Agreement.
11. REPRESENTATIONS AND WARRANTIES BY THE PATENT OWNERS
- The Patent Owners hereby represent and warrant to CV as follows:
- 11.1 Ownership of Licensed Patents: The Patent Owners are the registered proprietors of the Patents and own all right, title and interest to the Licensed Patents, free and clear of any liens, charges or other encumbrances. The Patent owners have not done or omitted nor will hereafter do or omit any act or thing whatsoever whereby the Licensed Patents may be invalidated, encumbered or otherwise prejudicially affected or the due performance of this Agreement hindered or prevented.
- 11.2 No Other Applicable Patents: The Patent Owners do not own or have any other interest in any other patents or patent applications applicable to the cast moulding of Lenses.
- 11.3 Legal Proceedings: No Default: No action, suit, proceeding or investigation so far as the Patent Owners are aware is pending or threatened by any person or entity which seeks to challenge the validity of the Licensed Patents and the Patent Owners are not aware of any basis therefor. The execution of this Agreement and the carrying out of its provisions will not result in a violation of any contract, agreement or obligation of the Patent Owners.
- 11.4 Authority: The Patent Owners have all requisite power and authority to enter into this Agreement and to carry out its terms. All actions on the part of the Patent Owners necessary for the authorisation, execution, delivery and performance of their obligations hereunder has been taken, and this Agreement, when executed and

delivered by the Patent Owners shall constitute their valid and legally binding obligation, enforceable in accordance with its terms

- 11.5 Patent Infringement: The Patent Owners are not aware of any other person or entity infringing any of the Licensed Patents, and are not aware of any reason why the Licensed Patents, or any claims thereof, could be challenged or invalidated.
- 11.6 No Other Licences: Other than the agreements listed in Clause 2.5 of the 1997 Licence, the Patent Owners will not grant or purport to grant any other licences, rights, assignments over or relating to the Know-How or the Licensed Patents or over or relating to any other industrial or intellectual property relating, or which may relate to, Lenses.
- 11.7 Know-How: Other than under the agreements listed in Clause 2.5 of the 1997 Licence, the Patent Owners have not disclosed any of the Know-How to any third party save under an obligation of confidence.
- 11.8 Infringement of Third Party Rights: To the best of the knowledge, information and belief of the Patent Owners, the use of the Licensed Patents by CV, its servants, agents or customers will not infringe the rights of any third party.
- 11.9 Placing Right to Apply for Patent in Jeopardy: The Patent Owners have not, nor to the knowledge of the Patent Owners has any other person, done or omitted to do any act whereby the right to apply for letters patent in respect of the Lenses and the conditions, requirements or circumstances affecting the validity of the grant of any such letters patent may be jeopardised.

12. GENERAL

12.1 Entire Agreement

This Agreement constitutes the entire understanding between the Parties relating to the subject matter hereof and no modification or addition to this Agreement shall have any effect whatsoever unless it is set forth in writing and is referred to as a modification or addition to this Agreement and signed by CV and by Geoffrey H Galley or Anthony D Galley (or the duly authorised representative of either) or their respective heirs or assigns for and on behalf of the Patent Owners.

12.2 Severability

Every provision of this Agreement shall be severable and should any provision of this Agreement be void, or be liable to render this Agreement void, then this Agreement shall be read as if that provision were excluded.

12.3 Waiver

The failure of either Party to enforce at any time any term of this Agreement or to exercise any right under this Agreement shall in no way affect the validity of this Agreement or the right of the Party thereafter to enforce any term of this Agreement or to exercise any right under this Agreement unless such Party has provided to the other Party in writing a specific waiver of such right. Notwithstanding the above, either Party shall be entitled to an estoppel in relation to any material breach of this Agreement which was known to one of the Parties and of which such Party failed to inform the other Party in writing for a period of six months from the date at which it had such knowledge.

12.4 Governing Law

This Agreement shall be governed by the law of England and Wales, and the Parties hereby submit to the jurisdiction of the English Courts.

12.5 Service Agent

CV hereby irrevocably authorises and appoints CooperVision Limited of Aspect House, Hamble Lane, Hamble, Hampshire SO31 4NH as its agent for service of proceedings in relation to any matter arising out of or in connection with this Agreement and service on such service agent shall be deemed to be service on CV.

12.6 No Use of Name

Except as may be required by law or by virtue of contractual obligations with third parties which are in existence at the date of signing of this Agreement, and save in

respect of disclosure, under conditions of confidence, to professional advisers and/or to potential sub-licensees, neither Party shall make any disclosure of this Agreement or its terms without the prior written consent of the other Party which shall not be unreasonably withheld.

12.7 Assignment

This Agreement will bind and inure to the benefit of each Party's successors and assigns.

12.8 No Right of Offset

Other than as provided for under Clause 8.2, the Parties hereby waive any and all claims of set-off against any payments (including interest) due hereunder and each Party agrees to pay all amounts payable hereunder to the other regardless of any rights in equity, set-off or cross-claim it may have against the other and without any deduction.

12.9 Publicity

Neither Party shall make any public announcements regarding these agreements without the prior consent of the other Party. However, once any statement has been agreed, it may be repeated by either Party in a substantially similar form at any future date unless one Party notifies the other in writing that they no longer agree to such information being disclosed.

12.10 Assistance

During the Term, the Patent Owners shall, as and when reasonably requested by CV, provide such technical assistance and advice as CV shall reasonably require and the Patent Owners shall be in a position to provide in connection with the development, manufacture or marketing of the Lenses, and CV shall reimburse the Patent Owners all out-of-pocket and other expenses reasonably incurred by them in providing such advice and assistance provided that such assistance shall be limited to a maximum of [ \* ] man days per Year.

12.11 Counterparts

This Agreement may be executed in two or more counterparts and execution by each of the Parties of any one of such counterparts will constitute due execution of this Agreement.

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\* Confidential treatment has been requested from the Securities and Exchange Commission. Omitted portions have been filed separately with the Commission

13. ARBITRATION

13.1. Subject to Clause 13.3, in the event that any dispute arises over the terms of this Agreement or any of its provisions, the parties hereto agree that such dispute shall, following one party notifying the other of its wish to refer that dispute to an Arbitrator, be settled by process of arbitration and not by process of law. The costs of any such arbitration shall be awarded by the Arbitrator and the results of such arbitration shall be final and binding on both parties.

13.2 The procedure to be followed for such arbitration shall be agreed between the Parties or in default of agreement determined by the Arbitrator.

13.3 Nothing in this Clause 13 shall prevent either Party from applying to the Court in order to enforce the obligation of the other Party to continue to perform its obligations hereunder pending resolution of any dispute including, without limitation, the obligation of CV to continue to pay royalties or any other sums due in accordance with this Agreement.

13.4 Without prejudice to Clause 13.3, if the Patent Owners are in material breach of any of their obligations hereunder and fail to remedy such breach within 30 days' notice in writing requiring such remedy, then CV may, as its exclusive remedy, refer the matter to an Arbitrator for his determination. If the Arbitrator determines that such material breach has occurred, he shall determine the amount of damages (if any) suffered by CV and the Licence Fee, to the extent not yet received by the Patent Owners at such time, shall be reduced by an amount equal to such damages.

14. NOTICES

14.1 Any notice, report or statement to either party required or permitted under this Agreement shall be in writing and shall be forwarded by recorded delivery courier such as Federal Express or similar and shall be deemed to be given when received by the Party to which it is addressed. Such notification shall be sent to the address set forth below or to such other address which may be notified from one Party to another from time to time during the Term.

To CV:  
The Managing Director  
CooperVision Limited  
Aspect House  
Hamble Lane  
Hamble  
Hampshire SO31 4NH

To the Patent Owners:  
c/o G H Galley  
Red Lodge  
The Close  
Totteridge  
London N20 8PJ

Copy to:  
The President  
Cooper Vision, Inc.  
21062 Bake Parkway  
Suite 200  
Lake Forest  
CA 92630  
USA

14.2 Any notice to be given by or on behalf of the Patent Owners under this Agreement shall be validly given if signed by either Geoffrey H Galley or Anthony D Galley (or the duly authorised representative of either) or their respective heirs or assigns.

15. VALUE ADDED TAX

All consideration payable to the Patent Owners under the terms of this Agreement is exclusive of value added tax.

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

COOPER VISION, INC.  
21062 BAKE PKWY.,  
SUITE 200  
LAKE FOREST  
CA 92630  
USA

G H GALLEY  
RED LODGE  
THE CLOSE  
TOTTERIDGE  
LONDON N20 8PJ

/s/ Robert Weiss

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Vice President

/s/ G H Galley

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G H GALLEY  
PATENT OWNER

B BEVIS  
THE MAPLES  
CHILWORTH ROAD  
CHILWORTH  
SOUTHAMPTON SO16 7JR

ALBERT MORLAND  
3 LIME TREE COURT  
FRESHWATER  
ISLE OF WIGHT  
PO40 9ET

/s/ B Bevis

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B BEVIS  
PATENT OWNER

/s/ A Morland

-----  
A MORLAND  
PATENT OWNER

A D GALLEY  
SUMMER LODGE  
COACH ROAD  
WEST TYTHERLEY  
SP5 1LB

I B ATKINSON  
90 QUEENS DRIVE  
SURBITON  
SURREY  
KT5 8PP

/s/ A D Galley

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A D GALLEY  
PATENT OWNER

/s/ I B Atkinson

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I B ATKINSON  
PATENT OWNER

Schedule 1

COUNTRY	APPLICATION NO.	PATENT NO.	STATUS
Australia		629280	Granted Patent
Great Britain		2,226,977 A	Lapsed, replaced by European (UK) 383425
Singapore		1137/93	Registered European (UK) Patent
Europe		383,425	Granted Patent Austria, Belgium, Switzerland, Liechtenstein, Germany, Denmark, Spain, France, Greece, Italy, Luxembourg, Netherlands, Sweden and Great Britain
Taiwan		39682	Granted Patent
USA		5,087,015	Granted Patent
Canada		2,007,536	Granted Patent
Japan		2270517	Granted Patent
S. Korea		140212	Granted Patent

