COOPER COMPANIES INC
Form S-3
August 18, 2003

As filed with the Securities and Exchange Commission on August 15, 2003
Registration No. 333-

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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)

6140 Stoneridge Mall Road, Suite 590
Pleasanton, California 94588
(925) 460-3600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Carol R. Kaufman
Vice President of Legal Affairs, Secretary and Chief Administrative Officer
The Cooper Companies, Inc.
6140 Stoneridge Mall Road, Suite 590
Pleasanton, California 94588
(925) 460-3600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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New York, New York 10022
(212) 906-1200

Approximate Date Of Commencement Of Proposed Sale To The Public: From time to time after the effective date of this registration statement, as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following

box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per security	Proposed maximum aggregate offering price(1)
2.625% Convertible Senior Debentures due 2023	$115,000,000	100%	$115,000,000
Common Stock, $0.01 par value per share	2,589,812 shares(2)	--	--
Preferred Stock Purchase Rights	2,589,812 shares(4)	--	--

(1) Equals the aggregate principal amount of debentures being registered. Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) Represents the number of shares of common stock that are currently issuable upon conversion of the debentures. Pursuant to Rule 416(a) under the Securities Act, this registration statement shall be deemed to cover any additional number of shares of common stock as may be issued from time to time upon conversion of the debentures as a result of stock splits, stock dividends or similar transactions. No additional consideration will be received for the common stock and therefore no registration fee is required pursuant to Rule 457(i).

(3) No separate consideration will be received for the shares of common stock issuable upon conversion of the debentures and, therefore, no registration fee is required pursuant to Rule 457(i).

(4) Rights to acquire shares of the Registrant's Series A Junior Participating Preferred Stock are attached to and trade with the common stock of the Registrant. Value attributable to such Rights, if any, is reflected in the market price of the common stock. No registration fee is required pursuant to Rule 457 (h)(2).

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a) may determine.

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The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED AUGUST 15, 2003

PROSPECTUS

THE COOPER COMPANIES, INC.

$115,000,000

2.625% Convertible Senior Debentures due 2023 and Shares of Common Stock Issuable upon Conversion of the Debentures

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We sold $115,000,000 aggregate principal amount of our 2.625% Convertible Senior Debentures due 2023 in private transactions which closed on June 25, 2003 and July 2, 2003. Selling securityholders may use this Prospectus to resell from time to time their debentures and the common stock issuable upon conversion of the debentures. We will not receive any of the proceeds from the sale of these securities.

We will pay 2.625% interest per annum on the principal amount, payable semi-annually in arrears on January 1 and July 1 of each year beginning on January 1, 2004. The debentures will mature on July 1, 2023.

Conversion

The debentures are convertible at the holder's option into shares of our

common stock initially at an initial conversion rate of $44.40 per share, which is equal to a conversion rate of approximately 22.5201 shares per $1,000 principal amount of debentures (which represents an initial conversion price of approximately $44.40 per share), subject to adjustment, under the following circumstances only:

- during any fiscal quarter (beginning with the quarter ending October 31, 2003) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day,

- during any five consecutive trading-day period immediately following any five consecutive trading-day period (the "Debenture Measurement Period") in which the average trading price for the debentures during that Debenture Measurement Period was less than 95% of the average conversion value for the debentures during such period; provided, however, you may not convert your debentures after July 1, 2018 if, on any trading day during such Debenture Measurement Period, the closing sale price of shares of our common stock was between the then-current conversion price of the debentures and 120% of the then-current conversion price of the debentures,

- upon the occurrence of certain specified corporate transactions, or

- if we have called the debentures for redemption.

Redemption and Repurchase

- On or after July 1, 2008, we may redeem the debentures for cash at any time as a whole, or from time to time in part, at a price equal to 100% of the principal amount of the debentures to be redeemed plus any accrued and unpaid interest, including additional interest, if any, to, but not including, the redemption date.

- On July 1 of 2008, 2013 and 2018, you may require us to repurchase all or a portion of your debentures at a repurchase price equal to 100% of the principal amount of those debentures plus accrued and unpaid interest, including additional interest, if any, to, but not including, the date of repurchase. We will pay the repurchase price for any debentures repurchased on July 1, 2008 in cash. We may choose to pay the

  repurchase price of any debentures repurchased on July 1, 2013 and July 1, 2018 in cash, in shares of our common stock or a combination of cash and shares of our common stock.

- You may require us to repurchase all or a portion of your debentures if a fundamental change, as defined in the indenture for the debentures, occurs prior to July 1, 2013 at 100% of their principal amount, plus any accrued and unpaid interest, including additional interest, if any, to, but not including, the repurchase date. We may choose to pay the purchase price in cash, shares of our common stock, or if we are not the surviving corporation, shares of common stock, ordinary shares or American Depositary Shares (or similar

securities) of the surviving corporation, or a combination of the applicable securities and cash.

The debentures originally sold in private placement transactions are eligible for trading in the PORTAL'sm' Market of the National Association of Securities Dealers, Inc. The debentures sold using this prospectus, however, will no longer be eligible for trading in the PORTAL'sm' Market. We do not intend to list the debentures on any other national securities exchange or automated quotation system.

Our common stock is listed on the New York Stock Exchange under the ticker symbol "COO." On August 14, 2003, the closing price for one share of our common stock was $35.13.

Investing in the debentures involves risks. See "Risk Factors" beginning on page 6 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 15, 2003.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in this prospectus contain "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, 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.

Such statements reflect the current views of the Company and its management with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements.

Our actual results may differ materially from the results predicted or from any other forward-looking statements made by, or on behalf of, us and reported results should not be considered as an indication of future performance. The potential risks and uncertainties include, among other things, those described under "Risk factors" elsewhere in this prospectus.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance, or achievements. We do not assume responsibility for the accuracy and completeness of the forward-looking statements. We do not intend to update any of the forward-looking statements after the date of this prospectus to conform them to actual results.

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You should rely only on the information contained or incorporated by reference in this prospectus and in any prospectus supplement. No one is authorized to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The securities are not being offered in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus and in any prospectus supplement or information incorporated in such documents is accurate as of any date other than the date of such documents. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and the documents incorporated into it by reference. Because it is a summary, it does not contain all of the information that you should consider before investing in our securities. You should read the entire prospectus and the

documents incorporated by reference carefully, including the section entitled "Risk factors" and the financial statements and related notes included in the documents incorporated by reference.

As used in this prospectus, "Cooper," "company," "we," "our," and similar pronouns refer to The Cooper Companies, Inc. and its subsidiaries, except where the context otherwise requires or as otherwise indicated.

OVERVIEW

Cooper is a medical products company with two separate businesses:

- CooperVision is a leading contact lens manufacturer that develops, manufactures and markets a broad range of contact lenses, emphasizing higher margin specialty contact lenses;

- CooperSurgical is a manufacturer and supplier of medical devices, diagnostic products, surgical instruments and related accessories used primarily by obstetricians and gynecologists.

COOPERVISION

According to industry sources, the contact lens market had estimated worldwide revenue of over $3 billion in 2002 and is expected to grow approximately seven to eight percent annually for the next three years. We believe the following factors will contribute to the expected growth in our industry:

- Favorable demographics;

- Increasing incidence of myopia, or near-sightedness;

- Continuing market shift to higher value specialty lenses from commodity products; and

- Continuing market penetration outside the United States.

There are two major categories of contact lenses. The larger commodity category consists of lenses that only correct near and farsightedness, and the smaller, faster growing specialty category includes lenses that address the special needs of contact lens patients. The commodity category includes spherical lenses, the most basic type of lenses with few value added or specialty features. The specialty category includes toric lenses to correct astigmatism, cosmetic lenses that change the appearance of the color of the eye, multifocal lenses to treat presbyopia, or the blurring of near vision that occurs with age, lenses for patients with dry eyes and other premium lenses.

Our subsidiary, CooperVision, is a leading manufacturer and supplier of contact lenses focusing primarily on higher value specialty lenses. We are a leading provider of toric lenses in the United States with a market share of approximately 30% in 2001. Our toric lenses are our most extensive product line and include products for all toric replacement regimens -- disposable, planned replacement and conventional. We also offer a line of cosmetic contact lenses, as well as lenses for patients with dry eyes and presbyopia. In addition, we market commodity lenses, particularly outside the United States.

In February 2002, we completed the acquisition of Biocompatibles Eye Care, Inc., the contact lens business of Biocompatibles plc. This acquisition gave us access to the Proclear line of lenses, which are often indicated for patients with mild discomfort relating to dryness during lens wear.

CooperVision is headquartered in Rochester, New York.

COOPERSURGICAL

According to industry sources, over 90 million women between the ages of 15 and 64 years old visited an obstetrician and/or gynecologist in the United States at least once in 1999. Industry sources estimate that approximately two-thirds of these patient visits are for annual check-ups, cancer screening, menstrual disorders, vaginitis, or inflammation of vaginal tissue, and the management of menopause. Consistent with an aging population, the incidence of menstrual disorders, menopause, osteoporosis and incontinence are growing. The early identification and treatment of these conditions can both improve the health of these women and increase demand for our women's healthcare products.

Our subsidiary, CooperSurgical, manufactures and supplies medical devices, diagnostic products, surgical instruments and related accessories used primarily by obstetricians and gynecologists. We focus primarily on the following areas of women's healthcare: cervical disease, bone assessment, cancer screening, infertility treatment, incontinence, osteoporosis, menstrual disorders and menopause, as well as providing general examination and surgical equipment. Since 1990, we have built CooperSurgical through a series of small acquisitions and are now one of the largest medical device companies supplying women's healthcare products for the practitioner's office. The women's healthcare market is quite fragmented, characterized by numerous small companies that generally offer limited product lines. CooperSurgical is headquartered in Trumbull, Connecticut.

Cooper was incorporated in Delaware in 1980. Our principal executive offices are located at 6140 Stoneridge Mall Road, Pleasanton, California 94588, and our telephone number is 925-460-3600. Our web site is www.coopercos.com. The information on Cooper's web site is not part of this document.

The Offering

Issuer.....	The Cooper Companies, Inc., a Delaware corporation.
Debentures.....	$115,000,000 aggregate principal amount of 2.625% convertible senior debentures due 2023.
Maturity.....	July 1, 2023, unless earlier redeemed, repurchased or converted.
Ranking.....	The debentures are our senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The debentures are effectively subordinated to all our existing and future secured indebtedness. As of April 30, 2003,

	after giving effect to the offering of the debentures, the application of the net proceeds and the acquisition of Prism Enterprises, LP, we had total secured indebtedness of approximately $104 million. As of April 30, 2003, on the same basis, we had $124 million of availability under our secured revolving credit facility. The debentures are not guaranteed by any of our subsidiaries and, accordingly, the debentures are effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including trade creditors. As of April 30, 2003, our subsidiaries had total indebtedness of approximately $60 million, including trade payables but excluding intercompany debt.
Interest.....	2.625% per year on the principal amount, payable semi-annually in arrears on January 1 and July 1 of each year, beginning January 1, 2004.

Conversion rights.....	Holders may convert their debentures into shares of our common stock prior to stated maturity under the following circumstances: o during any fiscal quarter (beginning with the quarter ending October 31, 2003) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day; o during any five consecutive trading-day period immediately following any five consecutive trading-day period (the "Debenture Measurement Period") in which the average trading price for the debentures during that Debenture Measurement Period was less than 95% of the average conversion value for

	the debentures during such period; provided, however, you may not convert your debentures (in reliance on this subsection) after July 1, 2018 if, on any trading day during such Debenture Measurement Period, the closing sale price of shares of our common stock was between the then-current conversion price of the debentures and 120% of the then-current conversion price of the debentures; o upon the occurrence of certain specified corporate transactions; or o if we have called the debentures for redemption. The debentures are convertible at an initial conversion rate of 22.5201 shares per $1,000 principal amount of debentures (which represents an initial conversion price of approximately $44.40 per share) under the conditions and subject to such adjustments as are described under "Description of the debentures -- Conversion Rights" and "-- Conversion Rate Adjustments." Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and common stock. If we elect to pay holders cash for their debentures, the payment will be based on the average of the closing sale prices of our common stock over the five trading-day period starting on the third trading day following the conversion date (as defined below) of the debentures. See "Description of the debentures -- Conversion Procedures." If we have not given notice of redemption specifying that we intend to deliver cash upon conversion thereafter, we must give notice of our election to deliver cash not more than two business days after the conversion date.
Optional redemption.....	On or after July 1, 2008, we may redeem the debentures for cash at any time as a whole, or from time to time in part, at a price equal to 100% of the principal amount of the debentures to be redeemed plus any accrued and unpaid interest, including additional interest, if any, to, but not including, the redemption date. Our notice of redemption will inform you whether we have decided to deliver shares of our common stock or to

	pay cash or a combination of cash and common stock in the event that you elect to convert debentures in connection with the redemption. For more information about redemption of the debentures

	at our option, see "Description of the debentures -- Optional Redemption by Us."
Repurchase of debentures at the option of holders.....	Each holder of the debentures may require us to repurchase all or a portion of that holder's debentures on July 1 of 2008, 2013 and 2018, at a repurchase price equal to 100% of the principal amount of those debentures plus accrued and unpaid interest, including additional interest, if any, to, but not including, the date of repurchase. We will pay the repurchase price for any debentures repurchased on July 1, 2008 in cash. We may choose to pay the repurchase price of any debentures repurchased on July 1, 2013 and July 1, 2018 in cash, in shares of our common stock or a combination of cash and shares of our common stock. For more information about the purchase of the debentures by us at the option of the holder, see "Description of the debentures -- Repurchase of debentures at Option of Holders -- Optional put."
Fundamental change.....	Upon a "fundamental change" (as defined under "Description of the debentures-- Repurchase of debentures at the Option of Holders -- Fundamental change put") prior to July 1, 2013, a holder may require us to repurchase all or a portion of that holder's debentures. We are required to notify all holders about fundamental changes within 30 days of their occurrence, and the repurchase date will be within 30 days following the date of such notice. We will pay a repurchase price equal to 100% of the principal amount of such debentures, plus accrued and unpaid interest, including additional interest, if any, to, but not including, the repurchase date. We may choose to pay the

	repurchase price in cash, in shares of our common stock, or if we are not the surviving corporation, common stock, ordinary shares or American Depositary Shares (or similar securities) of the surviving corporation, or a combination of the applicable securities and cash. For more information about the repurchase of the debentures at the option of the holder following a fundamental change, see "Description of the debentures -- Repurchase of debentures at the Option of Holders -- Fundamental change put."
Use of proceeds.....	The net proceeds from the sale of the securities covered by this prospectus will be received by the selling securityholders. We will not receive any of the proceeds from any sale by any selling securityholder of the securities covered by this prospectus.
DTC eligibility.....	The debentures were issued in book-entry form and are represented by one or more permanent global certificates deposited with a custodian for, and registered in the name of, a nominee of the Depository Trust Company, or DTC, in New York, New York. Beneficial interests in any such securities are shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants. Except in limited circumstances, no such interest may be exchanged for certificated securities. See "Description of the debentures-- Book-Entry Delivery and Settlement."
Listing and trading.....	The debentures originally sold in private placement transactions are eligible for trading in the PORTAL'sm' Market of the National Association of Securities Dealers, Inc. The debentures sold using this prospectus, however, will no longer be eligible for trading in the

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PORTAL'sm' Market. We do not intend to list the debentures on any other national securities exchange or

	automated quotation system. Our common stock is listed on the New York Stock Exchange under the symbol "COO."
Risk factors.....	In analyzing an investment in the debentures and the common stock offered by this prospectus, prospective investors should carefully consider, along with other matters referred to and incorporated by reference in this prospectus, the information set forth under "Risk factors."

RISK FACTORS

You should carefully consider and evaluate all the information included or incorporated by reference in this prospectus, including the risks described below, before making an investment decision. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. The trading price of the debentures and our common stock could decline, and you may lose all or part of your investment. The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

This prospectus and the incorporated documents also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result o f certain factors, including the risks faced by us described below and elsewhere in this prospectus.

Risks Related To Us And Our Business

We operate in the highly competitive healthcare industry and there can be no assurance that we will be able to compete successfully.

Each of our businesses operates within a highly competitive environment. Numerous companies develop, manufacture and market contact lenses. Many competitors in the contact lens business have substantially 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. To a lesser extent, CooperVision also competes with manufacturers of eyeglasses and other forms of vision correction. There can be no assurance that we will not encounter increased competition in the future, or that a successful entry into CooperVision's higher-margin specialty lens segments by a larger competitor would not have a material adverse effect on our business, financial condition or results of operations.

In the women's healthcare segment, competitive factors include technological and scientific advances, product quality, price and effective communication of

product information to physicians and hospitals. CooperSurgical competes with a number of manufacturers in each of its niche markets, some of which have substantially greater financial and personnel resources and sell a much broader range of products.

Our substantial and expanding international operations are subject to uncertainties which could affect our operating results.

Our growth strategy involves expanding our operations to numerous foreign jurisdictions and a significant portion of our current operations is conducted and located outside the United States. We have manufacturing and distribution sites in two major regions: North America and Europe. Approximately 37% of our net sales for the fiscal year ended October 31, 2002 and approximately 39% of our net sales for the six months ended April 30, 2003 were derived from the sale of products outside the United States. Further, we believe that sales outside the U.S. will continue to account for a material portion of our total net sales for the foreseeable future. International operations and business expansion plans are subject to numerous additional risks, including:

- foreign customers may have longer payment cycles than customers in the U.S.;
- compliance with U.S. Department of Commerce export controls;
- tax rates in some foreign countries may exceed those of the U.S. and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- compliance with a variety of foreign regulatory regimes;

- general economic and political conditions in the countries where we operate may have an adverse effect on our operations in those countries or not be favorable to our growth strategy;
- the difficulties associated with managing a large organization spread throughout various countries;
- the risk that foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities;
- the difficulty of enforcing agreements and collecting receivables through some foreign legal systems; fluctuations in currency exchange rates;
- the potential difficulty in enforcing intellectual property rights in some foreign countries; and
- the difficulties associated with gaining market share in Japan.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could adversely affect our international operations and, consequently, our operating results.

Acquisitions we may make may involve numerous risks.

We have a history of making acquisitions which have significantly contributed to our growth in recent years. As part of our growth strategy, particularly at CooperSurgical, we intend to continue to consider acquiring complementary technologies, products and businesses. Although we regularly engage in discussions with respect to possible acquisitions and joint ventures, we do not currently have any understandings, commitments or agreements relating to any material acquisitions. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities and an increase in amortization and/or write-offs of goodwill and other intangible assets, which could have a material adverse effect upon our business, financial condition and results of operations. Risks we could face with respect to acquisitions include:

- difficulties in the integration of the operations, technologies, products and personnel of the acquired company;
- risks of entering markets in which we have no or limited prior experience;
- potential loss of employees;
- an inability to identify and consummate future acquisitions on favorable terms or at all;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential liabilities of the acquired company; and
- expense, including restructuring expenses, to shut-down our own locations and/or terminate our employees.

The risks associated with acquisitions could have a material adverse effect upon our business, financial condition and results of operations. We cannot assure you that we will be successful in consummating future acquisitions on favorable terms or at all.

If our products are not accepted by the market, we will not be able to sustain or expand our business.

Certain of our proposed products have not yet been clinically tested or commercially introduced and we cannot assure you that any of them will achieve market acceptance or generate operating profits. We have not commercially marketed many of our planned new products, such as Proclear aspheric and multifocal, and, therefore,

the market acceptance and customer demand for these products are uncertain. The development of a market for our products may be impacted by many factors, some of which are out of our control, including:

- acceptance of our products by eyecare practitioners;
- the cost competitiveness of our products;

- consumer reluctance to try a new product;
- regulatory requirements;
- consumer perception of our new products; and
- the emergence of newer and more competitive products.

Product innovations are important in the industry in which we operate, and we face the risk of product obsolescence.

Product innovations are important in the niche areas of the healthcare industry in which CooperVision and CooperSurgical compete. Although our focus is on products that will be marketable immediately or in the short term rather than on funding longer-term, higher risk research and development projects, time commitments, the cost of obtaining necessary regulatory approval and other costs related to product innovations can be meaningful. There can be no assurance that our new products will be successful in the marketplace and, as a result, justify the expense involved in their development and approval. In addition, there can be no assurance that new products or technologies will not be developed that could lead to the obsolescence of one or more of our products, which could have a material adverse effect on our business, financial condition, or results of operations.

We manufacture a significant portion of the products we sell and we face risks associated with manufacturing operations.

CooperVision and CooperSurgical manufacture a significant portion of the products we sell. As a result, any prolonged disruption in the operations of our manufacturing facilities, whether due to technical or labor difficulties, destruction of or damage to any facility or other reasons, could have a material adverse effect on our business, financial condition and results of operations.

We are vulnerable to interest rate risk with respect to our debt.

We are subject to interest rate risk in connection with the issuance of variable and fixed-rate debt. In order to maintain our desired mix of fixed-rate and variable-rate debt, we may use interest rate swap agreements and exchange fixed and variable-rate interest payment obligations over the life of the arrangements, without exchange of the underlying principal amounts. We cannot assure you that we will be successful in structuring such swap agreements to effectively manage our risks. If we are unable to do so, we may be adversely affected in our business, earnings and financial condition.

Exchange rate fluctuations could adversely affect our financial results.

As a result of our international operations, we expect to generate an increasing portion of our revenue and incur a significant portion of our expenses in currencies other than U.S. dollars. Although we may enter into foreign exchange agreements with financial institutions to reduce our exposure to fluctuations in foreign currency values relative to our debt or receivables obligations, these hedging transactions, if entered into, will not eliminate that risk entirely. In addition, to the extent we are unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on our financial condition and results of operations. Additionally, because our consolidated financial results are reported in dollars, if we generate sales or earnings in other currencies the translation of those results into dollars can result in a significant increase or decrease

in the amount of those sales or earnings. As a result of our worldwide operations, currency exchange rate fluctuations tend to affect our results of operations and financial position.

If we do not retain our key personnel and attract and retain other highly skilled employees our business could suffer.

If we fail to recruit and retain the necessary personnel, our business and our ability to obtain new customers, develop new products and provide acceptable levels of customer service could suffer. The success of our business is heavily dependent on the leadership of our key management personnel. Our success also depends on our ability to recruit, retain and motivate highly skilled sales, marketing and engineering personnel. Competition for these persons in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel.

Our intellectual property may be misappropriated or subject to claims of infringement.

We consider our intellectual property rights, including patents, trademarks and licensing agreements, to be an integral component of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

We have applied for patent protection in the U.S. relating to certain existing and proposed processes and products. We cannot assure you that any of our patent applications will be approved. The patents we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Patent applications in the U.S. are maintained in secrecy for a period of time, which may last until patents are issued, and since publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months, we cannot be certain that we will be the first creator of inventions covered by any patent application we make or the first to file patent applications on such inventions. Further, we cannot assure you that we will have adequate resources to enforce our patents.

Our competitors in both the U.S. and foreign countries, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for or obtained, or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make and sell our products. We have not conducted an independent review of patents issued to third parties. Claims that our products infringe the proprietary rights of others are more likely to be asserted after commencement of commercial sales incorporating our technology. We cannot assure you that we will not infringe on any of our competitors' patents.

Significant litigation regarding intellectual property rights exists in our industry. It is possible that third parties will make claims of infringement against us or manufacturers in connection with their use of our technology. Any claims, even those without merit, could:

- be expensive and time consuming to defend;

- cause us to cease making, licensing or using products that incorporate the challenged intellectual property;
- require us to redesign or reengineer our products, if feasible;
- divert management's attention and resources; or
- require us to enter into royalty or licensing agreements in order to obtain the right to use a necessary product, component or process.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement against us or our contract manufacturers in connection with the use of our technology could adversely affect our business.

We also rely on unpatented proprietary technology. It is possible that others will not independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, we could be materially adversely affected.

Moreover, with respect to both existing and proposed foreign and domestic operations, we cannot assure you that changes in current or future laws or regulations or future judicial intervention would not have a material adverse effect on us. We are unable to predict the effect that any future foreign or domestic legislation or regulation may have on our existing or future business.

We rely on independent suppliers for raw materials and we could experience inventory shortages if we were required to use an alternative supplier on short notice.

We rely on independent suppliers for key raw materials, which primarily consist of various chemicals and packaging materials. Raw materials used by us are generally available from more than one source. However, because some products require specialized manufacturing procedures, we could experience inventory shortages if we were required to use an alternative manufacturer on short notice.

We face an inherent risk of exposure to product liability claims.

We face an inherent risk of exposure to product liability claims in the event that the use of our products results in personal injury. We also face the risk that defects in the design or manufacture of our products might necessitate a product recall. We handle some risk with a combination of self-insurance and third-party carrier policies, which policies are subject to deductibles and limitations. One of our products is the subject of product liability claims which arose prior to our acquisition of the manufacturer. Although we are entitled to indemnification from the seller and the product is covered by third party carrier insurance, there can be no assurance that such indemnification and

insurance will be adequate. There can be no assurance that we will not experience material losses due to product liability claims or recalls in the future.

We face risks related to environmental matters.

Our facilities are subject to a broad range of federal, state, local and foreign environmental laws and requirements, including those governing discharges to the air and water, the handling or disposal of solid and hazardous substances and wastes and remediation of contamination associated with the release of hazardous substances at our facilities and offsite disposal locations. We have made, and will continue to make, expenditures to comply with such laws and requirements. Future events, such as changes in existing laws and regulations or the discovery of contamination at our facilities, may give rise to additional compliance or remediation costs that could have a material adverse effect on our business, results of operations or financial condition. Moreover, as a manufacturer of various products, we are exposed to some risk of claims with respect to environmental matters, and there can be no assurance that material costs or liabilities will not be incurred in connection with any such claims.

We are involved in a voluntary clean-up at one of our sites in the state of New York, and although the workplan submitted to the state was accepted and the clean-up is proceeding in accordance with the workplan and our expectations, there can be no assurance that the clean-up will be completed within the timeframe and cost projected, that the expected results will be achieved, or that we will not identify alternate sources of contamination in connection with their remediation. As such, there can be no assurance that material costs or liabilities will not be incurred in connection with any such remediation.

We may be required to recognize impairment charges.

Pursuant to generally accepted accounting principles, we are required to perform impairment tests on our goodwill balance annually or at any time when events occur, which could impact the value of our business segments. Our

determination of whether an impairment has occurred is based on a comparison of each of our reporting units' fair market value with its carrying value. Significant and unanticipated changes could require a provision for impairment in a future period that could substantially affect our reported earnings in a period of such change. In addition, such charges would reduce our consolidated net worth and our shareholders' equity, increasing our debt to total capitalization ratio, which may result in a default under our credit facilities.

We are in the process of upgrading certain of our management information systems and there can be no assurance that there will not be excessive costs associated with such upgrade.

We are in the process of upgrading certain of our management information systems. There can be no assurance that such upgrades will not result in a disruption of our business, extensive commitment of time and other costs related to upgrading such management information systems.

Our earnings will be adversely affected if we are required to change our accounting policies with respect to the expensing of stock options.

We do not currently deduct the expense of stock option grants from our income based on the fair value method. Regulatory authorities, including the Financial Accounting Standards Board and the International Accounting Standards Board, are considering requiring companies to change their accounting policies to record the fair value of stock options issued to employees and directors as an expense. Many companies have or are in the process of voluntarily changing their accounting policies to expense the fair value of stock options. Stock options are an important component of our employee compensation package. If we change our accounting policy with respect to the treatment of stock option grants, our earnings would be adversely affected which in turn could have negative impact on the price of our common stock and the debentures.

New medical and technological changes may reduce the need for our optical products.

Technological developments in the eyecare industry, such as new surgical procedures or medical devices, may adversely affect the demands for our products. Corneal refractive surgical procedures such as Lasik surgery and the development of new pharmaceutical products may decrease the demand for our optical products. If these new advances were to provide a practical alternative to traditional vision correction, the demand for contact lenses and eyeglasses may materially decrease. We cannot assure that medical advances and technological developments will not have a material adverse effect on our optical business.

Risks relating to government regulation.

FDA regulations

Our products and operations are subject to extensive and rigorous regulation by the U.S. Food and Drug Administration (the "FDA") under the Federal Food, Drug, and Cosmetic Act, and its implementing regulations, guidances, and standards. The FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, promotion, distribution, and production of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. The FDA also regulates the export of medical devices manufactured in the United States to international markets. Any violations of these laws and regulations could result in a material adverse effect on our business, financial condition and results of operations. In addition, if there is a change in law, regulation or judicial interpretation, we may have to change our business practices, which could have a material adverse effect on our business, financial condition and results of operations.

Under the Federal Food, Drug, and Cosmetic Act, medical devices are classified into one of three classes -- Class I, Class II or Class III--depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. We have products in each class.

Class I devices are those for which safety and effectiveness can be assured by adherence to FDA's general regulatory controls for medical devices, which include compliance with the applicable portions of the FDA's

Quality System Regulation, facility registration and product listing, reporting of adverse medical events, and appropriate, truthful and non-misleading

labeling, advertising, and promotional materials (the "General Controls"). Some Class I devices also require premarket clearance by the FDA through the 510(k) premarket notification process described below.

Class II devices are subject to the FDA's general controls, and any other special controls as deemed necessary by FDA to ensure the safety and effectiveness of the device. Premarket review and clearance by the FDA for Class II devices is accomplished through the 510(k) premarket notification procedure. Pursuant to the recently enacted Medical Device User Fee and Modernization Act of 2002, as of October, 2002 unless a specific exemption applies, 510(k) premarket notification submissions are subject to user fees. Certain Class II devices are exempt from this premarket review process. When a 510(k) is required, the manufacturer must submit to the FDA a premarket notification submission demonstrating that the device is "substantially equivalent" to either: a device that was legally marketed prior to May 28, 1976, the date upon which the Medical Device Amendments of 1976 were enacted, or to another commercially available, similar device which was subsequently cleared through the 510(k) process.

If the FDA agrees that the device is substantially equivalent, it will grant clearance to commercially market the device. By regulation, the FDA is required to clear a 510(k) within 90-days of submission of the application. As a practical matter, clearance often takes longer. The FDA may require further information, including clinical data, to make a determination regarding substantial equivalence. If the FDA determines that the device, or its intended use, is not "substantially equivalent" to a preamendment or other commercially available device, the FDA will place the device, or the particular use of the device, into Class III, and the device sponsor must then fulfill much more rigorous premarketing requirements.

A Class III product is a product which has a new intended use, or uses advanced technology that is not substantially equivalent to that of a legally marketed device. The safety and effectiveness of Class III devices cannot be assured solely by the General Controls and the other requirements described above. These devices almost always require formal clinical studies to demonstrate safety and effectiveness.

Submission and FDA approval of a premarket approval application is required before marketing of a Class III product can proceed. As with 510(k) submissions, unless subject to an exemption, premarket approval application submissions are subject to user fees. The premarket approval application process is much more demanding than the 510(k) premarket notification process. A premarket approval application, which is intended to demonstrate that the device is safe and effective, must be supported by extensive data, including data from preclinical studies and human clinical trials. The premarket approval application must also contain a full description of the device and its components, a full description of the methods, facilities, and controls used for manufacturing, and proposed labeling. Following receipt of a premarket approval application, once the FDA determines that the application is sufficiently complete to permit a substantive review, the FDA will accept the application for review. The FDA, by statute and by regulation, has 180-days to review an "accepted" premarket approval application, although the review of an application more often occurs over a significantly longer period of time, and can take up to several years. In approving a premarket approval application or clearing a 510(k) application, the FDA may also require some form of post-market surveillance when necessary to protect the public health or to provide additional safety and effectiveness data for the device. In such cases, the manufacturer might be required to follow certain patient groups for a number of years and makes periodic reports to the FDA on the clinical status of those patients.

The soft contact lenses that we currently market have received FDA clearance through the 510(k) process or approval through the premarket approval

application process. In addition, we have made modifications to our products that we do not believe require the submission of new 510(k) modifications or premarket approval application supplements. We cannot confirm, however, that the FDA will agree with any of our determinations not to submit new 510(k) notifications or premarket approval application supplements for these changes, that the FDA will not require us to cease sales and distribution while seeking clearances of 510(k) notifications and approvals of premarket approval application supplements for the changes, or that we will obtain such clearances and approvals, if required, in a timely manner or at all.

When FDA approval of a Class I, Class II or Class III device requires human clinical trials, and if the device presents a "significant risk" (as defined by the FDA) to human health, the device sponsor is required to file an investigational device exemption application with the FDA and obtain investigational device exemption approval prior to commencing human clinical trials. If the device is considered a "non-significant" risk, investigational device exemption submission to FDA is not required. Instead, only approval from the Institutional Review Board overseeing the clinical trial is required. Human clinical trials are generally required in connection with approval of Class III devices and may be required for Class I and II devices. The FDA, and the Institutional Review Board at each institution at which a clinical trial is being performed, may suspend a clinical trial at any time for various reasons, including a belief that the subjects are being exposed to an unacceptable health risk. There can be no assurances that we will be able to secure 510(k) and premarket approval application clearances and approvals for our new medical devices, or that FDA will not suspend, modify, or revoke existing clearances and approvals for products currently being marketed by the Company. If this were to occur, it could have a material adverse effect on our business, financial condition, and results of operations.

After FDA permits a device to enter commercial distribution, numerous regulatory requirements apply. These include: the Quality System Regulation, which requires manufacturers to follow elaborate design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations; the FDA's general prohibition against promoting products for unapproved or "off-label" uses; and the Medical Device Reporting regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to reoccur. The FDA has broad post-market, regulatory and enforcement powers. Failure to comply with the applicable U.S. medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, consent decrees, civil penalties, repairs, replacements, refunds, recalls or seizures of products (which would result in the cessation or reduction of our production volume), total or partial suspension of production, the FDA's refusal to grant future premarket clearances or approvals, withdrawals or suspensions of current product applications, and criminal prosecution. If any of these events were to occur, they could have a material adverse effect on our business, financial condition and results of operations.

From time to time we voluntarily recall a product. For example, we are currently involved in two recalls. On August 1, 2002 we initiated a voluntary recall of a uterine manipulator-injector device. There can be no assurance that the product will not cause serious injury in the future as a result of products remaining in use despite the recall. We are currently working to replace these products and

do not expect the cost of this recall to be material. We also intend to issue a recall of specific batches of one of our contact lens products due to mislabeling resulting from a software error in the labeling process. We do not believe these mislabeled products pose a serious health or safety risk and believe that the cost of the recall will be approximately $400,000.

In addition, we acquired Ackrad Laboratories, Inc. on May 21, 2002. Prior to the acquisition on December 6, 1995, Ackrad had entered into a FDA Consent Decree of Permanent Injunction due to violations of FDA Good Manufacturing Practice regulations, including failure to have adequate validation of device manufacturing and sterilization processes. Both Ackrad and we have instituted corrective actions to address the Good Manufacturing Practice deficiencies and we believe we are in substantial compliance with FDA's Good Manufacturing Practice regulations.

Healthcare reform

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that could 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 coverage and 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. We cannot predict the effect such reforms or the prospect of their enactment may have on our business.

Retail optics industry

Our success depends to a significant extent upon the success of our customers in the retail optical industry. These customers are subject to a variety of federal, state and local laws, regulations and ordinances. The state and local legal requirements vary widely among jurisdictions and are subject to frequent change. Furthermore, numerous healthcare-related legislative proposals have been made in recent years in the Congress and in various state legislatures. The potential impact of these proposals with respect to the business of our customers is uncertain, and we cannot assure you that that the proposals, if adopted, would not have a material adverse impact on our revenues, business, financial condition and results of operations.

There is substantial United States federal and state governmental regulation related to the prescribing of contact lenses. These regulations relate to who is permitted to prescribe and fit contact lenses, the prescriber's obligation to provide prescriptions to its patients, the length of time a prescription is valid, the ability or obligation of prescribers to prescribe lenses by brand rather than by generic equivalent or specification, and other matters. In addition, adverse regulatory or other decisions affecting eyecare practitioners, or material changes in the selling and prescribing practices for contact lenses, could have a material adverse affect on our business, operating results and

financial condition. Finally, although cost controls or other requirements imposed by third party healthcare payors such as insurers and health maintenance organizations have not historically had a significant effect on contact lens prices or distribution practices, this could change in the future, and could adversely affect our business, financial condition and results of operations.

International product regulations

In many of the foreign countries in which we market our products, we are subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. Many of the regulations applicable to our devices and products in such countries are similar to those of the FDA. In many countries, the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. To date, we have not experienced difficulty in complying with these regulations. Due to the movement towards harmonization of standards in the European Union, we expect a changing regulatory environment in Europe characterized by a shift from a country by-country regulatory system to a European Union-wide single regulatory system. We cannot currently predict the timing of this harmonization. Our failure to receive, or delays in the receipt of, relevant foreign qualifications could have a material adverse effect on our business, financial condition and results of operations.

We have also implemented policies and procedures allowing us to position ourselves for the changing international regulatory environment. The ISO 9000 series of standards has been developed as an internationally recognized set of guidelines that are aimed at ensuring the design and manufacture of quality products. A company that passes an ISO audit and obtains ISO registration becomes internationally recognized as well run and functioning under a competent quality system. In certain foreign markets, it may be necessary or advantageous to obtain ISO 9000 series certification, which is in some ways analogous to compliance with the FDA's Quality System Regulation requirements. The European Community promulgated rules requiring medical products to receive a CE mark by mid-1998. A CE mark is an international symbol of adherence to certain standards and compliance with applicable European medical device requirements.

Federal privacy and transaction law and regulations

Other federal legislation will affect the manner in which we use and disclose health information. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") mandates, among other things, the adoption of standards for the electronic exchange of health information that may require significant and costly changes to current practices. The U.S. Department of Health and Human Services ("HHS") has released three rules to date mandating the use of new standards with respect to certain healthcare transactions and health information. The first rule requires the use of uniform standards for common healthcare transactions, including healthcare claims information, plan eligibility, referral certification and authorization, claims status, plan enrollment and disenrollment, payment and remittance advice, plan premium payments, and coordination of benefits. The second

rule released by HHS imposes new standards relating to the privacy of individually identifiable health information. These standards not only require compliance with rules governing the use and disclosure of protected health

information, but they also require an entity subject to HIPAA to obtain satisfactory assurances that any of its business associates to whom such information is disclosed will safeguard the information. The third rule released by HHS establishes minimum standards for the security of electronic health information. While we do not believe we are directly regulated as a covered entity under HIPAA, many of our customers are covered entities subject to HIPAA. Such customers may require us to enter into business associates agreements, which obligate us to safeguard certain health information we obtain in the course of servicing the customers, restrict the manner in which we use and disclose such information and impose liability on us for failure to meet our contractual obligations. The costs of complying with these contractual obligations and potential liability associated with failure to do so could have a material adverse effect on our business and financial condition and results of operation.

Fraud and abuse

We may be subject to various federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, exclusion from participation in federal and state healthcare programs, including Medicare, Medicaid, Veterans Administration health programs and TRICARE. While we believe that our operations are in material compliance with such laws, because of the complex and far-reaching nature of these laws, there can be no assurance that we would not be required to alter one or more of its practices to be in compliance with these laws. Any violations of these laws or regulations could result in a material adverse effect on our business, financial condition and results of operations. Moreover, if there is a change in law, regulation, administrative or judicial interpretation, we may have to change our business practices or our existing business practices could be challenged as unlawful, which could have a material adverse effect on our business, financial condition and results of operations.

Anti-kickback and fraud laws. Our operations may be subject to federal and state anti-kickback laws. Certain provisions of the Social Security Act, which are commonly known collectively as the Medicare Fraud and Abuse Statute, prohibit persons from knowingly and willfully soliciting, receiving, offering or providing remuneration directly or indirectly to induce either the referral of an individual, or the furnishing, recommending, or arranging for a good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid. The definition of "remuneration" under this statute has been broadly interpreted to include anything of value, including such items as gifts, discounts, waiver of payments, and providing anything at less than its fair market value. Many states have adopted prohibitions similar to the Medicare Fraud and Abuse Statute, some of which apply to the referral of patients for healthcare services reimbursed by any source, not only by the Medicare and Medicaid programs.

HIPAA created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing or attempting to execute a scheme or artifice to defraud any healthcare benefit program, including private payers. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation in connection with the delivery of or payment for healthcare benefits, items or services. This statute applies to any health benefit plan, not just Medicare and Medicaid. Additionally, HIPAA granted expanded enforcement authority to HHS and the U.S. Department of Justice and provided enhanced resources to support the activities and responsibilities of the OIG and Department of Justice by authorizing large increases in funding for investigating fraud and abuse violations relating to healthcare delivery and payment. In addition, HIPAA mandates the adoption of standards for the

electronic exchange of health information.

Physician self-referral laws. We may also be subject to federal and state physician self-referral laws. Federal physician self-referral legislation (commonly known as the Stark Law) prohibits, subject to certain exceptions, physician referrals of Medicare and Medicaid patients to an entity providing certain "designated health services" if the physician or an immediate family member has any financial relationship with the entity. The Stark Law also prohibits the entity receiving the referral from billing any good or service furnished pursuant to an unlawful referral, and any person collecting any amounts in connection with an unlawful referral is obligated to refund such amounts. Various states have corollary laws to the Stark Law, including laws that require physicians to disclose any financial

interest they may have with a healthcare provider to their patients when referring patients to that provider. Both the scope and exceptions for such laws vary from state to state.

False claims laws. Under separate statutes, submission of claims for payment or causing such claims to be submitted that are "not provided as claimed" may lead to civil money penalties, criminal fines and imprisonment, and/or exclusion from participation in Medicare, Medicaid and other federally funded state health programs. These false claims statutes include the federal False Claims Act, which prohibits the knowing filing of a false claim or the knowing use of false statements to obtain payment from the federal government. When an entity is determined to have violated the False Claims Act, it must pay three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each separate false claim. Suits filed under the False Claims Act, known as "qui tam" actions, can be brought by any individual on behalf of the government and such individuals (known as "relators" or, more commonly, as "whistleblowers") may share in any amounts paid by the entity to the government in fines or settlement. In addition, certain states have enacted laws modeled after the federal False Claims Act. Qui tam actions have increased significantly in recent years causing greater numbers of healthcare companies to have to defend a false claim action, pay fines or be excluded from the Medicare, Medicaid or other federal or state healthcare programs as a result of an investigation arising out of such action.

Risks Relating To Investment In The Debentures And Our Common Stock

Our stock price has been volatile historically and may continue to be volatile. The price of our common stock, and therefore the price of the debentures, may fluctuate significantly, which may make it difficult for holders to resell the debentures or the shares of our common stock issuable upon conversion of the debentures when desired or at attractive prices.

The market price for our common stock has been and may continue to be volatile. For example, during the 52-week period ended July 31, 2003, the last reported prices of our common stock on the New York Stock Exchange ranged from a high of $36.30 to a low of $20.32. We expect our stock price to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. These factors include:

- actual or anticipated variations in our quarterly operating results;

- announcements of technological innovations or new products or services by us or our competitors;
- announcements relating to strategic relationships, acquisitions or investments;
- changes in financial estimates or other statements by securities analysts;
- if the debentures received a lower rating than anticipated by investors or a subsequent downgrade in ratings;
- changes in general economic conditions;
- terrorist attacks, and the effects of war; and
- changes in the economic performance and/or market valuations of other companies in our industry.

Because of this volatility, we may fail to meet the expectations of our stockholders or of securities analysts at some time in the future, and the trading prices of our securities could decline as a result. In addition, the stock market has experienced significant price and volume fluctuations that have affected the trading prices of equity securities. These fluctuations have often been unrelated or disproportionate to the operating performance of issuing companies. In addition, any negative change in the public's perception of vision care or women's healthcare related companies or medical device companies could depress our stock price regardless of our operating results. Because the debentures are convertible into shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the debentures. Holders who receive common stock upon conversion also will be subject to the risk of volatility and depressed prices of our common stock.

We expect that the trading value of the debentures will be significantly affected by the price of our common stock.

The market price of the debentures is expected to be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value of the debentures than would be expected for nonconvertible debt securities.

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under these debentures.

We have now and expect to continue to have a significant amount of indebtedness. As of April 30, 2003, after giving pro forma effect to the offering of the debentures, the application of the net proceeds and the acquisition of Prism Enterprises, LP, we had total indebtedness of $204 million.

As of April 30, 2003, after giving effect to the offering of the debentures, the application of the net proceeds and the acquisition of Prism Enterprises, LP, we had $124 million of availability under our secured revolving credit facility for further borrowings.

Our substantial indebtedness could have important consequences to you. For

example, it could:

- make it more difficult for us to satisfy our obligations with respect to these debentures;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

In addition, our credit facility contains financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts.

The debentures do not restrict our ability to incur additional debt or to take other actions that could negatively impact holders of the debentures.

We are not restricted under the terms of the debentures from incurring additional indebtedness, including secured debt. In addition, the limited covenants applicable to the debentures do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the debentures could have the effect of diminishing our ability to make payments on the debentures when due. In addition, we are not restricted from repurchasing subordinated indebtedness or common stock by the terms of the debentures. If the initial purchasers exercise their option to purchase additional debentures, or if we issue other debt securities in the future, our debt service obligations will increase.

Your right to receive payments on these debentures is effectively subordinated to the rights of our existing and future secured creditors and the creditors of our subsidiaries.

Holders of our secured indebtedness have claims that are prior to your claims as holders of the debentures to the extent of the value of the assets securing that other indebtedness. Our credit facility is secured by liens on a

substantial portion of our assets. The debentures are effectively subordinated to all that secured indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation,

reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our assets that constitute their collateral. Holders of the debentures will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the debentures, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the debentures. As a result, holders of debentures may receive less, ratably, than holders of secured indebtedness.

As of April 30, 2003, after giving effect to the offering of the debentures, the application of the net proceeds and the acquisition of Prism Enterprises, LP, we had total secured indebtedness of approximately $104 million. We can incur an unlimited amount of secured or unsecured indebtedness in the future under the terms of the indenture. As of April 30, 2003, our subsidiaries had total indebtedness of approximately $60 million, including trade payables but excluding intercompany debt.

In addition, we conduct substantially all of our operations through our subsidiaries and our subsidiaries do not guarantee the debentures. As a result, holders of the debentures are effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including trade creditors. Therefore, in the event of the insolvency or liquidation of a subsidiary, following payment by such subsidiary of its liabilities, such subsidiary may not have sufficient remaining assets to make payments to us a shareholder or otherwise. In the event of a default by a subsidiary under any credit arrangement or other indebtedness, its creditors could accelerate such debt, prior to such subsidiary distributing amounts to us that we could have used to make payments on the debentures.

If you are able to resell your debentures, many other factors may affect the price you receive, which may be lower than you believe to be appropriate.

If you are able to resell your debentures, the price you receive will depend on many other factors that may vary over time, including:

- the number of potential buyers;
- the level of liquidity of the debentures;
- ratings, if any, published by major credit rating agencies;
- our financial performance;
- the amount of indebtedness we have outstanding;
- the level, direction and volatility of market interest rates generally;
- the market for similar securities;
- the performance of our common stock;
- the redemption and repayment features of the debentures to be sold; and
- the time remaining to the maturity of the debentures.

As a result of these factors, you may only be able to sell your debentures at prices below those you believe to be appropriate, including prices below the price you paid for them.

Securities we issue to fund our operations could dilute your ownership.

We may decide to raise additional funds through public or private debt or equity financing to fund our operations. If we raise funds by issuing equity securities, the percentage ownership of our current stockholders will be reduced and the new equity securities may have rights prior to those of the common stock issuable upon conversion of the debentures. We may not obtain sufficient financing on terms that are favorable to you or us. We may delay, limit or eliminate some or all of our proposed operations if adequate funds are not available.

The conditional conversion feature of the debentures could result in you receiving less than the value of the common stock into which a note would otherwise be convertible.

The debentures are convertible into shares of our common stock only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your debentures, and you may not be able to receive the value of the common stock into which the debentures would otherwise be convertible.

We may not be able to repurchase the debentures.

You may require us to repurchase all or a portion of your debentures on certain dates or in the event of a fundamental change. We may not have enough funds to pay the repurchase price on a purchase date (in which case, we could be required to issue common stock to pay the repurchase price in the case of purchase dates in 2013 and 2018) or pay the fundamental change purchase price in the event of a fundamental change. Our existing and any future credit agreements or other debt agreements (including other senior indebtedness) to which we become a party may provide that our obligation to purchase or redeem the debentures would be an event of default under such agreement. As a result, we may be restricted or prohibited from repurchasing or redeeming the debentures. If we are prohibited from repurchasing or redeeming the debentures, we could seek the consent of then-existing lenders to repurchase or redeem the debentures or we could attempt to refinance the borrowings that contain such prohibition. If we are unable to obtain a consent or refinance the debt, we could not repurchase or redeem the debentures. Our failure to redeem tendered debentures would constitute a default under the indenture and might constitute a default under the terms of other indebtedness that we incur. The term "fundamental change" is limited to certain specified transactions and may not include other events that might adversely affect our financial condition. Our obligation to repurchase the debentures upon a fundamental change would not necessarily afford holders of debentures protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

We cannot assure you that a trading market will develop or be maintained for the debentures.

We have been advised that there is only a limited trading market for the debentures. The debentures are not listed and we do not intend to list them on any exchange. We have been informed that one or more broker dealers makes a market in the debentures, but no one is obligated to do so and those activities may be ceased at any time. In addition, the liquidity of the trading market in the debentures, and the market price quoted for the debentures, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. In addition, such market-making activities

will be subject to limits imposed by the Securities Act and the Exchange Act. As a result, we cannot assure you that even if there is a trading market for the debentures that it will provide enough liquidity for you to sell your debentures.

The debentures may not be rated or may receive a lower rating than anticipated.

We believe it is unlikely that the debentures will be rated. However, if one or more rating agencies rates the debentures and assigns the debentures a rating lower than the rating expected by investors, or reduces their rating in the future, the market price of the debentures and our common stock would be harmed.

Certain anti-takeover effects.

Certain provisions of the our Restated Certificate of Incorporation, or the restated certificate, and Amended and Restated By-laws, or the by-laws, may inhibit changes in control of the Company not approved by our board of

directors. These provisions include: (i) advance notice requirements for stockholder proposals and nominations and (ii) the authority of our board to issue without stockholder approval preferred stock with such terms as our board may determine. We will also be afforded the protections of Section 203 of the Delaware General Corporation Law, which could have similar effects. Our board of directors adopted a preferred stock purchase rights plan, commonly known as a "poison pill," pursuant to a rights agreement dated as of October 29, 1997. The rights agreement is intended to prevent abusive hostile takeover attempts by requiring a potential acquiror to negotiate the terms of an acquisition with our board of directors. However, it could have the effect of deterring or preventing an acquisition of our company, even if a majority of the our stockholders would be in favor of such acquisition, and could also have the effect of making it more difficult for a person or group to gain control of our company or to change existing management.

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows the ratio of earnings to fixed charges for us and our consolidated subsidiaries for the periods indicated.

Years ended October 31,					Six months ended
2002	2001	2000	1999	1998	April 30, 2003
7.3	9.6	6.9	4.8	4.0	5.9

These ratios have been calculated by dividing (i) income before income taxes plus fixed charges (adjusted for capitalized interest) by (ii) fixed charges. Fixed charges consist of interest incurred (expensed or capitalized) and the portion of rent expense (one-third) which is deemed representative of interest.

USE OF PROCEEDS

The net proceeds from the sale of the securities covered by this prospectus will be received by the selling securityholders. We will not receive any of the proceeds from any sale by any selling securityholder of the securities covered by this prospectus.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is listed and traded on the New York Stock Exchange under the symbol "COO." The following table sets forth, for the fiscal periods indicated, the range of high and low sale prices for our common stock. On August 14, 2003 the last reported sale price for our common stock was $35.13 per share.

	Price Range	
	Low	High
Fiscal 2001		
First Quarter	$ 15.25	$ 20.75
Second Quarter	17.45	25.20
Third Quarter	20.45	25.70
Fourth Quarter	20.35	27.86
Fiscal 2002		
First Quarter	21.02	25.37
Second Quarter	21.19	26.79
Third Quarter	19.17	27.55
Fourth Quarter	20.32	28.95
Fiscal 2003		
First Quarter	23.10	31.47
Second Quarter	25.12	31.01
Third Quarter	27.75	36.30
Fourth Quarter (through August 14, 2003)	32.03	35.35

As of July 31, 2003, we had approximately 835 stockholders of record.

In November 2002 our Board of Directors declared a two-for-one stock split effected in the form of a stock dividend that was paid November 22, 2002. On a split adjusted basis, we paid quarterly dividends of $0.01 per share beginning July 5, 1999 through January 5, 2001. We increased our dividend in the first quarter of 2001 to $0.05 per share annually, and paid semiannual dividends of $0.025 per share beginning July 5, 2001. In November 2002 we increased our annual dividend rate to $0.06 cents annually and paid a semiannual dividend of $0.03 cents

per share on each of January 6, 2003 and July 3, 2003. The continued payment of dividends by us is subject to the discretion of our board of directors and will depend on earnings, financial condition, capital requirements and other factors deemed relevant by our board of directors.

DESCRIPTION OF THE DEBENTURES

The debentures were issued by us under an indenture, dated as of June 25, 2003 between us and Wells Fargo Bank, National Association, as trustee. The debentures mature on July 1, 2023. Initially, the trustee will also act as paying agent, conversion agent, transfer agent, and bid solicitation agent for the debentures.

The following description is only a summary of the material provisions of the debentures, the indenture and the registration rights agreement. We urge you to read these documents in their entirety because they, and not this description, define the rights of holders of the debentures. You may obtain copies of these documents by visiting the SEC's website at www.sec.gov as set forth under caption "Where you can find more information" or you may request copies of these documents at our address set forth under the caption "Prospectus summary."

When we refer to "Cooper," "we," "our," or "us" in this section, we refer only to The Cooper Companies, Inc., a Delaware corporation, and not to its subsidiaries.

GENERAL

The debentures to be offered by the selling securityholders pursuant to this prospectus:

- are limited to $115,000,000 in aggregate principal amount;
- bear interest at a per annum rate of 2.625%, payable semi-annually, on each January 1 and July 1, beginning January 1, 2004;
- bear additional interest, which we refer to as "additional interest," if we fail to comply with certain obligations set forth below under "-- Registration Rights;"
- are issued only in denominations of $1,000 principal amount and multiples thereof;
- are senior unsecured obligations of Cooper and rank equally in right of payment with all of our other unsecured and unsubordinated indebtedness and senior to any of our subordinated indebtedness; as indebtedness of Cooper, the debentures are effectively subordinated to all indebtedness and other liabilities of our subsidiaries;
- are convertible into our shares of common stock at an initial conversion rate of 22.5201 shares per $1,000 principal amount of the debentures (which represents a conversion price of approximately $44.40 per share) under the conditions and subject to such adjustments as are described under "-- Conversion Rights;" and "-- Conversion Rate Adjustment;"
- are redeemable by us for cash, at our option in whole or in part, beginning on July 1, 2008 at a redemption price equal to 100% of the principal amount of the debentures to be redeemed plus any accrued and unpaid interest, including additional interest, to, but not including, the redemption date as described under "-- Optional Redemption by Us;"
- are subject to repurchase by us at the option of the holders on July 1, 2008, July 1, 2013 and July 1, 2018 or upon a fundamental change (as

defined below) of Cooper occurring prior to July 1, 2013, as described under "-- Repurchase of debentures at the Option of Holders -- Optional put" and "-- Repurchase of debentures at the Option of Holders -- Fundamental change put;"

- are due on July 1, 2023, unless earlier converted, redeemed by us at our option or repurchased by us at the option of the holders.

The indenture does not contain any financial covenants and does not restrict us or our subsidiaries from paying dividends, incurring additional indebtedness or issuing or repurchasing our other securities. The indenture also does not protect the holders in the event of a highly leveraged transaction or a change of control of Cooper, except to the

limited extent described under "-- Repurchase of debentures at the Option of Holders -- Fundamental change put" below.

The debentures will be our senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The debentures will effectively be subordinated to all of our existing and future secured indebtedness. As of April 30, 2003, after giving effect to the offering, the application of the net proceeds and the acquisition of Prism Enterprises, LP, we had total secured indebtedness of approximately $104 million. As of April 30, 2003, on the same basis, we had $124 million of availability under our secured revolving credit facility. The debentures will not be guaranteed by any of our subsidiaries and, accordingly, the debentures are effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including trade creditors. As of April 30, our subsidiaries had total indebtedness of approximately $60 million, including trade payables but excluding intercompany debt.

No sinking fund is provided for the debentures, and the debentures are not subject to defeasance. The debentures are issued only in registered form, without coupons, in denominations of $1,000 principal amount and multiples thereof.

Holders may present definitive debentures for conversion, registration of transfer and exchange at our office or agency in New York City, which shall initially be the office of the trustee. For information regarding registration of transfer and exchange of global debentures, see "Book-Entry Delivery and Settlement." No service charge is required for any registration of transfer or exchange of debentures, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with such registration of transfer or exchange.

Holders may not sell or otherwise transfer the debentures or the common stock, if any, issuable upon conversion of the debentures except in compliance with the provision set forth below under "Transfer Restrictions" and "-- Registration Rights."

INTEREST

The debentures bear interest at a rate of 2.625% per annum from June 25, 2003. We also will pay additional interest if we fail to comply with certain obligations set forth below under "- Registration Rights." We will pay interest

semi-annually on January 1 and July 1 of each year beginning January 1, 2004, to the holders of record at the close of business on the preceding December 15 and June 15, respectively. There are two exceptions to the preceding sentence:

- In general, we will not pay accrued interest on any debentures that are converted into shares of our common stock. See "-- Conversion Procedures." If a holder of debentures converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder on the record date will receive on that interest payment date accrued interest on those debentures, notwithstanding the conversion of those debentures prior to that interest payment date, because that holder will have been the holder of record on the corresponding record date. However, in that case at the time that the holder surrenders debentures for conversion, the holder must pay to us an amount equal to the interest that has accrued and that will be paid on the related interest payment date. The preceding sentence does not apply, however, if (1) we have specified a redemption date that is after a record date for an interest payment but on or prior to the corresponding interest payment date, (2) we have specified a repurchase date following a fundamental change that is after a record date for an interest payment but on or prior to the corresponding interest payment date, or (3) any overdue interest exists at the time of conversion with respect to the debentures converted, but only to the extent of the amount of such overdue interest. Accordingly, under those circumstances, a holder of debentures who chooses to convert those debentures on a date that is after a record date but prior to the corresponding interest payment date, will not be required to pay us, at the time that holder surrenders those debentures for conversion, the amount of interest it will receive on the interest payment date.

- We will pay interest to a person other than the holder of record on the record date if we elect to redeem the debentures on a date that is after a record date but on or prior to the corresponding interest payment date. In this instance, we will pay accrued interest on the debentures being redeemed to, but not including, the redemption date to the same person to whom we will pay the principal of those debentures.

Except as provided below, we will pay interest on:

- the global debenture to DTC in immediately available funds;

- any definitive debentures having an aggregate principal amount of $5,000,000 or less by check mailed to the holders of those debentures; and

- any definitive debentures having an aggregate principal amount of more than $5,000,000 by wire transfer in immediately available funds if requested by the holders of those debentures.

At maturity, interest on the definitive debentures will be payable at the office of the trustee as set forth above. We will make payments of interest at maturity on global debentures to DTC, in immediately available funds.

Interest generally will be computed on the basis of a 360-day year comprised of twelve 30-day months.

CONVERSION RIGHTS

General

Holders may convert any outstanding debentures into shares of our common stock, subject to the conditions described below, at an initial conversion rate of 22.5201 shares per $1,000 principal amount (which represents a conversion price of approximately $44.40 per share). The conversion rate is subject to adjustment as described below. We will not issue fractional shares of common stock upon conversion of the debentures. Instead, we will pay the cash value of such fractional shares based upon the sale price of our common stock on the business day immediately preceding the conversion date. Upon a conversion, we will have the right to deliver cash or a combination of cash and shares of our common stock, as described below. Holders may convert debentures only in denominations of $1,000 principal amount and multiples thereof.

Holders may surrender debentures for conversion into shares of our common stock prior to the stated maturity in the following circumstances:

- during any fiscal quarter (beginning with the quarter ending October 31, 2003) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day;

- during any five consecutive trading-day period immediately following any five consecutive trading-day period (the "Debenture Measurement Period") in which the average trading price for the debentures during that Debenture Measurement Period was less than 95% of the average conversion value for the debentures during such period; provided, however, you may not convert your debentures (in reliance on this subsection) after July 1, 2018 if on any trading day during such Debenture Measurement Period the closing sale price of shares of our common stock was between the then-current conversion price of the debentures and 120% of the then-current conversion price of the debentures;

- upon the occurrence of specified corporate transactions; or

- if we have called the debentures for redemption.

The "sale price" of our common stock on any date means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if there is more than one bid or ask price, the average of the average bid and the average ask prices) as reported in composite transactions for the principal U.S. securities exchange on which the common stock is traded or, if the common stock is not listed on a U.S. national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation system or by the National Quotation Bureau Incorporated. In the absence of such a quotation, the board of directors of Cooper will make a good faith determination of the sale price, which shall be conclusive. If a holder exercises its right to require us to repurchase its debentures as described under "-- Repurchase of debentures at the Option of Holders,"

such holder may convert its debentures into shares of our common stock only if it withdraws its repurchase notice and converts its debentures prior to the close of business on the business day immediately preceding the repurchase date.

The "market price" of a debenture on any date of determination means the average of the secondary market bid quotations per $1,000 principal amount of debentures obtained by the bid solicitation agent for $1,000,000 principal amount of debentures at approximately 4:00 p.m., New York City time, on such determination date from three securities dealers unaffiliated with us that we select, provided that, if at least three such bids cannot be reasonably obtained by the bid solicitation agent, but two bids are obtained, then the average of the two bids will be used, and if only one such bid can be reasonably obtained by the bid solicitation agent, this one bid will be used. If:

- the bid solicitation agent, through the exercise of reasonable efforts, is unable to obtain at least one bid from a securities dealer, or

- in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the debentures,

then the market price of the debentures will equal (1) the then-applicable conversion rate of the debentures multiplied by (2) the average sale price of our common stock on the five trading days ending on such determination date. The bid solicitation agent shall not be required to determine the market price of the debentures unless requested in writing by us.

The bid solicitation agent will be appointed by us, but the bid solicitation agent will not be our affiliate. The bid solicitation agent will solicit bids from securities dealers, which may include the initial purchaser, that are believed by us to be willing to bid for the debentures.

Conversion upon satisfaction of common stock market price conditions

You may surrender any of your debentures for conversion into shares of our common stock during any fiscal quarter (beginning with the quarter ending October 31, 2003) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day.

Conversion upon satisfaction of debenture market price conditions

You may surrender any of your debentures for conversion into shares of our common stock during any five consecutive trading-day period immediately following any five consecutive trading-day period (the "Debenture Measurement Period") in which the average trading price for the debentures during that Debenture Measurement Period was less than 95% of the average conversion value for the debentures during such period; provided, however, you may not convert your debentures (in reliance on this subsection) after July 1, 2018 if on any trading day during such Debenture Measurement Period the closing sale price of shares of our common stock was between the then current conversion price of the debentures and 120% of the then-current conversion price of the debentures.

"Conversion value" is equal to the product of the sale price for our common stock on a given day multiplied by the then-current conversion rate.

Upon surrendering your debentures you will receive an amount of common stock at the then-applicable conversion rate.

Conversion upon specified corporate transactions

Even if the market price contingencies described above under "-- Conversion upon satisfaction of common stock market price conditions" and "-- Conversion rights -- Conversion upon satisfaction of debenture market price conditions" have not occurred, if we elect to

- distribute to all holders of common stock certain rights or warrants entitling them to purchase shares of common stock at less than the closing price at the time of the distribution of the rights other than pursuant to a stockholder rights plan, or

- distribute to all holders of our common stock our assets, cash, debt securities or certain rights to purchase our securities, which distribution has a per share value exceeding 10% of the closing price of the common stock on the day preceding the declaration date for such distribution,

we must notify the holders of debentures at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their debentures for conversion at any time until the earlier of the close of business on the business day prior to the ex-dividend date or our announcement that such distribution will not take place.

In addition, if we are party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into cash, securities or other property, a holder may surrender debentures for conversion at any time from and after the date that is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual date of such transaction. If we are a party to a consolidation, merger or binding share exchange pursuant to which our common stock are converted into cash, securities or other property, then at the effective time of the transaction, the right to convert a debenture into common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its debenture immediately prior to the transaction. If the transaction occurs prior to July 1, 2013 and also constitutes a "fundamental change," as defined below, the holder can require us to purchase all or a portion of its debentures as described under "-- Repurchase of debentures at the Option of Holders -- Fundamental change put" instead of converting such debentures pursuant to this provision.

Conversion upon notice of redemption

You may surrender for conversion any debentures we call for redemption at any time prior to the close of business on the business day prior to the redemption date, even if the debentures are not otherwise convertible at that time. If a holder already has delivered a repurchase notice with respect to a debenture, however, the holder may not surrender that debenture for conversion until the holder has withdrawn the notice in accordance with the indenture.

CONVERSION PROCEDURES

By delivering to the holder the number of shares issuable upon conversion together with a cash payment in lieu of any fractional shares, or cash or a combination of cash and shares of our common stock in lieu thereof, we will satisfy our obligation with respect to the conversion of the debentures. That is, accrued interest will be deemed to be paid in full rather than canceled, extinguished or forfeited. We will not adjust the conversion rate to account for any accrued interest, including additional interest, if any.

If the holder converts after a record date for an interest payment but prior to

the corresponding interest payment date, such holder will receive on the interest payment date interest accrued on those debentures, notwithstanding the conversion of debentures prior to the interest payment date, assuming the holder was the holder of record on the corresponding record date. However, each holder agrees, by accepting a debenture, that if the holder surrenders any debentures for conversion during such period, such holder must pay us at the time such holder surrenders its debenture for conversion an amount equal to the interest that has accrued and that will be paid on the debentures being converted on the interest payment date. The preceding sentence does not apply, however, if (1) we have specified a redemption date that is after a record date for an interest payment but on or prior to the corresponding interest payment date, (2) we have specified a repurchase date following a fundamental change or (3) any overdue interest exists at the time of conversion with respect to the debentures converted but only to the extent of the amount of such overdue interest. Accordingly, under those circumstances, a holder of debentures who chooses to convert those debentures on a date that is after a record date but prior to the corresponding interest payment date, will not be required to pay us, at the time that holder surrenders those debentures for conversion, the amount of interest it will receive on the interest payment date.

In lieu of delivery of shares of our common stock upon conversion of any debentures, for all or any portion of the debentures, we may elect to pay holders surrendering debentures an amount in cash per debenture (or a portion of a debenture) equal to the applicable stock price multiplied by the conversion rate in effect on the conversion date. We will inform the holders through the trustee no later than two business days following the conversion date of our election to deliver shares of our common stock or to pay cash in lieu of delivery of the shares, unless we have already informed holders of our election in connection with our optional redemption of the debentures as described under "-- Optional Redemption by Us." Shares of our common stock and cash deliverable upon conversion will be delivered through the conversion agent no later than the third business day following the determination of the applicable stock price. If we elect to pay all of such payment in cas