

COOPER COMPANIES INC
Form 10-K
December 16, 2011
[Table of Contents](#)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

COMMISSION FILE NO. 1-8597

THE COOPER COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Delaware
(State or other jurisdiction of incorporation)
6140 Stoneridge Mall Road, Suite 590

94-2657368
(I.R.S. Employer Identification No.)

Pleasanton, California
(Address of principal executive offices)

94588
(Zip Code)

925-460-3600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.10 par value, and associated rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On November 30, 2011, there were 47,499,924 shares of the registrant's common stock held by non-affiliates with aggregate market value of \$3.5 billion on April 30, 2011, the last day of the registrant's most recently completed fiscal second quarter.

Number of shares outstanding of the registrant's common stock, as of November 30, 2011: 47,846,592

Documents Incorporated by Reference:

Document
Portions of the Proxy Statement for the Annual Meeting
of Stockholders scheduled to be held in March 2012

**Part of
Form
10-K
Part III**

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Annual Report on Form 10-K

for the Fiscal Year Ended October 31, 2011

Table of Contents

PART I

Item 1.	<u>Business</u>	5
Item 1A.	<u>Risk Factors</u>	17
Item 1B.	<u>Unresolved Staff Comments</u>	32
Item 2.	<u>Properties</u>	33
Item 3.	<u>Legal Proceedings</u>	34
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	35

PART II

Item 5.	<u>Market for Registrant's Common Equity and Related Stockholder Matters</u>	36
Item 6.	<u>Selected Financial Data</u>	39
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
Item 7A.	<u>Quantitative and Qualitative Disclosure about Market Risk</u>	62
Item 8.	<u>Financial Statements and Supplementary Data</u>	64
Item 9.	<u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	115
Item 9A.	<u>Controls and Procedures</u>	115
Item 9B.	<u>Other Information</u>	116

PART III

Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	117
Item 11.	<u>Executive Compensation</u>	117
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	117
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	117
Item 14.	<u>Principal Accounting Fees and Services</u>	117

PART IV

Item 15.	<u>Exhibits and Financial Statement Schedules</u>	118
----------	---	-----

Table of Contents

PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1934 and Section 21E of the Securities Exchange Act of 1934. These include statements relating to plans, prospects, goals, strategies, future actions, events or performance and other statements which are other than statements of historical fact. In addition, all statements regarding anticipated growth in our revenue, anticipated effects of any product recalls, anticipated market conditions, planned product launches and expected results of operations and integration of any acquisition are forward-looking. To identify these statements look for words like believes, expects, may, will, should, could, seeks, intends, plans, estimates or anticipates and similar words or phrases. Forward-looking statements necessarily depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Among the factors that could cause our actual results and future actions to differ materially from those described in forward-looking statements are:

Adverse changes in global or regional general business, political and economic conditions due to the current global economic downturn, including the impact of continuing uncertainty and instability of U.S. and international credit markets that may adversely affect the Company's or its customers' ability to meet future liquidity needs.

Reduced sales, loss of customers, and costs and expenses related to the recall of certain lots of the Avaira® Toric and Avaira Sphere contact lenses and any additional adverse impacts if this recall is expanded in the future.

A major disruption in the operations of our manufacturing, research and development or distribution facilities, due to technological problems, natural disasters or other causes.

Disruptions in supplies of raw materials, particularly components used to manufacture our silicone hydrogel lenses and other hydrogel lenses.

Legal costs, insurance expenses, settlement costs and the risk of an adverse decision or settlement related to claims involving litigation, product liability or patent protection.

Changes in tax laws or their interpretation and changes in effective tax rates and adverse tax interpretations by taxing agencies or courts.

Limitations on sales following new product introductions due to poor market acceptance.

New competitors or product innovations or technologies from competitors.

The impact of acquisitions or divestitures on revenues, earnings or margins.

Interest rate and foreign currency exchange rate fluctuations.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

The requirement to provide for a significant liability or to write off, or accelerate depreciation on, a significant asset, including impaired goodwill as a result of declines in the price of the Company's common stock or other events.

Changes in U.S. and foreign government regulation of the retail optical industry and of the healthcare industry generally.

Failures to receive, or delays in receiving, U.S. or foreign regulatory approvals for products.

Failure to obtain adequate coverage and reimbursement from third party payors for our products.

Table of Contents

Compliance costs and potential liability in connection with U.S. and foreign healthcare regulations, including product recalls, and potential losses resulting from sales of counterfeit and other infringing products.

The success of the Company's research and development activities and other start-up projects.

Dilution to earnings per share from acquisitions or issuing stock.

Changes in accounting principles or estimates.

Environmental risks.

Other events described in our Securities and Exchange Commission filings, including the Business and Risk Factors sections in this Annual Report on Form 10-K for the fiscal year ended October 31, 2011, as such Risk Factors may be updated in quarterly filings.

We caution investors that forward-looking statements reflect our analysis only on their stated date. We disclaim any intent to update them except as required by law.

Table of Contents

Item 1. *Business.*

The Cooper Companies, Inc. (Cooper or the Company), a Delaware corporation organized in 1980, is a global medical device company publicly traded on the NYSE Euronext (NYSE: COO). Cooper is dedicated to serving the needs of the healthcare professional and improving the quality of life for its employees and customers through its two business units, CooperVision, Inc. and CooperSurgical, Inc.

CooperVision is a leading manufacturer of soft contact lenses for the worldwide vision correction market. CooperVision produces a broad range of monthly, two-week and single-use contact lenses, featuring advanced materials and optics. CooperVision brings a commitment to solving the toughest vision challenges such as astigmatism, presbyopia and ocular dryness; with a broad collection of spherical, toric and multifocal contact lenses. Through a combination of innovative products and focused practitioner support, CooperVision brings a refreshing perspective to the marketplace. CooperVision's products are primarily manufactured at its facilities located in the United Kingdom, Puerto Rico and New York. CooperVision distributes products from Rochester, New York, Fareham, United Kingdom, Liege, Belgium, and various smaller international distribution facilities.

CooperSurgical is dedicated to providing medical devices and procedure solutions that improve healthcare delivery to women in any clinical setting. CooperSurgical focuses on expansion of its core businesses and the introduction of advanced technology-based products to aid clinicians in the management and treatment of commonly seen conditions. CooperSurgical customers are healthcare professionals and institutions providing care to and for women. CooperSurgical products support the point of healthcare delivery in the hospital, clinicians office and fertility clinics. CooperSurgical's major manufacturing and distribution facilities are located in Trumbull, Connecticut, Pasadena, California, Stafford, Texas, Golden, Colorado, and Berlin, Germany.

CooperVision and CooperSurgical each operate in highly competitive environments. Competition in the medical device industry involves the search for technological and therapeutic innovations. Both of Cooper's businesses compete primarily on the basis of product quality and differentiation, technological benefit, service and reliability.

COOPERVISION

CooperVision competes in the worldwide soft contact lens market and services three primary regions: the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific. The contact lens market has two major product categories:

Spherical lenses including lenses that correct near- and farsightedness uncomplicated by more complex visual defects.

Toric and multifocal lenses including lenses that, in addition to correcting near- and farsightedness, address more complex visual defects such as astigmatism and presbyopia by adding optical properties of cylinder and axis, which correct for irregularities in the shape of the cornea.

In order to achieve comfortable and healthy contact lens wear, products are sold with recommended replacement schedules, often defined as modalities, with the primary modalities being single-use, two-week and monthly.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

CooperVision offers spherical, aspherical, toric, multifocal and toric multifocal lens products in most modalities. We believe that in order to compete successfully in the numerous niches of the contact lens

Table of Contents

market, companies must offer differentiated products that are priced competitively and manufactured efficiently. CooperVision believes that it is the only contact lens manufacturer to use three different manufacturing processes to produce its lenses: lathing, cast molding and FIPS, a cost-effective combination of lathing and molding. This manufacturing flexibility allows CooperVision to compete in its markets by:

Producing high, medium and low volumes of lenses made with a variety of materials for a broader range of market niches: single-use, two-week, monthly and quarterly disposable sphere and toric lenses and custom toric lenses for patients with a high degree of astigmatism.

Offering a wide range of lens parameters, leading to a higher successful fitting rate for practitioners and better visual acuity for patients.

In addition, CooperVision lenses compete based on providing superior comfort through the use of lens edge technology. CooperVision lenses have a round to partial round edge which we believe increases comfort. CooperVision's Proclear® line of spherical, toric and multifocal lenses are manufactured with omafilcon A, a material that incorporates Phosphorylcholine (PC) Technology that helps enhance tissue-device compatibility. Proclear lenses are the only lenses with FDA clearance for the claim may provide improved comfort for contact lens wearers who experience mild discomfort or symptoms relating to dryness during lens wear. Mild discomfort relating to dryness during lens wear is a condition that often causes patients to discontinue contact lens wear.

Sales of contact lenses utilizing silicone hydrogel materials, a major product material in the industry, have grown significantly. Silicone hydrogel materials supply a higher level of oxygen to the cornea, as measured by the transmissibility of oxygen through a given thickness of material, or dk/t , than traditional hydrogel lenses. In the past three years, CooperVision launched monthly silicone hydrogel spherical, toric and multifocal lens products under our Biofinity® brand and two-week silicone hydrogel spherical and toric lens products under our Avaira® brand. In fiscal 2011, we launched our Biofinity spherical silicone hydrogel lens in Japan and our Biofinity multifocal lens globally.

In addition to its PC Technology and silicone hydrogel product offerings, CooperVision competes in the contact lens market with its traditional hydrogel products.

Contact Lens Product Sales

Spheres: Net sales of CooperVision's spherical lenses, representing 61 percent of CooperVision's soft lens net sales, grew 12 percent in fiscal 2011, as compared to fiscal 2010. Single-use spherical lens net sales, representing 23 percent of soft lens sales, grew 18 percent.

Toric and Multifocal: Net sales of CooperVision's toric lenses, representing 31 percent of CooperVision's soft lens net sales, grew 16 percent in fiscal 2011, as compared to fiscal 2010. Multifocal lens net sales, representing 7 percent of soft lens net sales, grew 4 percent in fiscal 2011.

Proclear: Net sales of CooperVision's PC Technology products which consist of spherical, toric and multifocal products, including Biomedics XC and Proclear® 1 Day increased 10 percent in fiscal 2011 as compared to fiscal 2010 and represented 28 percent of CooperVision's soft lens net sales.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Silicone Hydrogel: CooperVision's silicone hydrogel spherical, toric and multifocal lens products grew 49 percent in fiscal 2011 as compared to fiscal 2010 and represented 31 percent of CooperVision's soft lens net sales as compared to 24 percent in fiscal 2010.

Table of Contents

Contact Lens Product Sales by Geographic Region

Based on our knowledge of the contact lens market and our review of available independent market data for calendar year 2010, we estimate the worldwide market for contact lenses by modality is 34 percent single-use, 36 percent two-week and 30 percent monthly. We estimate that the Americas market, representing about 38 percent of the worldwide soft contact lens market, by modality is 13 percent single-use, 58 percent two-week and 29 percent monthly; EMEA, representing about 29 percent of the worldwide market, is 38 percent single-use, 12 percent two-week and 50 percent monthly; and Asia Pacific, representing about 33 percent of the worldwide market, is 55 percent single-use, 33 percent two-week and 12 percent monthly.

CooperVision Competition

The contact lens market is highly competitive. CooperVision's three largest competitors in the worldwide market and its primary competitors in the spherical, toric and multifocal lens categories of that market are Johnson & Johnson Vision Care, Inc., CIBA Vision (owned by Novartis AG) and Bausch & Lomb Incorporated.

Recent trends in marketing spherical lenses include a global shift toward silicone hydrogel lenses and toward single-use lenses. CooperVision's primary competitors currently control the majority of the silicone hydrogel segment of the market. CooperVision was late in entering the silicone hydrogel segment of the market but has increased sales of its monthly and two-week toric and spherical lens offerings as well as the recently introduced monthly multifocal lens. In Japan, CooperVision recently launched Biofinity sphere, our monthly spherical silicone hydrogel lens.

In the toric lens market, we believe that lens manufacturers compete to provide the highest possible level of visual acuity and patient satisfaction by offering a wide range of lens parameters, superior wearing comfort and a high level of customer service, both for patients and contact lens practitioners. CooperVision competes based on its three manufacturing processes yielding wider ranges of toric lens parameters, providing wide choices for patient and practitioner and superior visual acuity, as well as by offering excellent customer service, including high standards of on-time product delivery.

CooperVision's major competitors have greater financial resources and larger research and development budgets and sales forces. CooperVision seeks to offer a high level of customer service through its direct sales organizations around the world and through telephone sales and technical service representatives who consult with eye care professionals about the use of the Company's lens products.

CooperVision also competes with manufacturers of eyeglasses and with refractive surgical procedures that correct visual defects. CooperVision believes that its contact lenses will continue to compete favorably against eyeglasses, particularly in markets where the penetration of contact lenses in the vision correction market is low, offering lens manufacturers an opportunity to gain market share. CooperVision also believes that laser vision correction is not a significant threat to its sales of contact lenses.

CooperVision Developments with the U.S. Food and Drug Administration

Edgar Filing: COOPER COMPANIES INC - Form 10-K

In August 2011, CooperVision initiated a recall on limited lots of Avaira® Toric contact lenses. In November 2011, this recall was expanded to cover limited lots of Avaira Sphere contact lenses. The

Table of Contents

recall was initiated because of the level of a residue (silicone oil) on certain lenses. The residue may cause hazy vision, severe eye pain or an eye injury. The manufacturing issue has been identified and process changes have been implemented. These process changes are subject to review by the United States Food and Drug Administration (FDA). Avaira Toric and Avaira Sphere lenses that are subject to the recall represent less than 2% of the Company's fiscal 2011 net sales. Avaira Sphere lenses remain on the market, while Avaira Toric lenses are awaiting FDA authorization to return to the market. This recall is limited solely to specific lots of Avaira Toric and Avaira Sphere contact lenses and no other CooperVision products are involved in this recall.

Separately, CooperVision's distribution center in West Henrietta, New York, was recently inspected by the FDA and on December 7, 2011, we received a Warning Letter, dated December 5, 2011, stating that certain labeling and packaging operations conducted at the facility deviate from applicable current Good Manufacturing Practices (cGMP) requirements. We are working with the FDA to address the observations cited in the Warning Letter. The Warning Letter does not restrict or prohibit the sale or marketing of our products, nor does it require us to recall any products distributed from the center. However, if we fail to correct the observations to FDA's satisfaction, we could be subject to an enforcement action, such as a seizure, FDA-mandated recall, or other operating restrictions on the CooperVision facility.

COOPERSURGICAL

CooperSurgical offers a broad array of products used in the care and treatment of women's health. The Company participates in the women's healthcare market through offering quality products, innovative technologies and superior service to clinicians worldwide. CooperSurgical collaborates with clinicians to identify products and new technologies from disposable products to sophisticated instruments and equipment. The result is a broad portfolio of proven products that aid in the delivery of improved clinical outcomes that healthcare professionals use routinely in the diagnosis and treatment of a wide spectrum of women's health issues.

Since its inception in 1990, CooperSurgical has steadily grown its market presence and distribution system by developing products and acquiring products and companies that complement its business model.

Market for Women's Healthcare

CooperSurgical participates in the market for women's healthcare with its diversified product lines of over 600 products. CooperSurgical products are in three major categories based on the point of healthcare delivery: hospitals, obstetricians and gynecologists (ob/gyns) medical offices and fertility clinics.

Based on United States Census estimates, CooperSurgical expects patient visits to United States ob/gyns to increase over the next decade. Driving this growth is an increasing base of reproductive age women, a large and stable middle-aged population and a rapidly growing population of women over the age of 65. CooperSurgical believes that the resurgence of population growth in the reproductive age group will result in increased office visits related to birth control and childbearing. CooperSurgical expects growth in fertility treatments as more women choose to delay childbearing to the mid-thirties and beyond. Office visit activity related to menopausal problems, including abnormal bleeding, incontinence and osteoporosis, are also expected to increase slightly over the next decade.

Table of Contents

CooperSurgical believes that in the past clinicians primarily saw women only during their reproductive years. Now, with new treatment options available and a more educated population, CooperSurgical expects the relationship between the patient and clinician will continue into the middle years and later.

Another trend in the market for women's healthcare includes the migration of ob/gyn clinicians away from private practice ownership and towards aligning with group practices or employment with hospitals and health systems. CooperSurgical believes that the market factors that are driving this trend will continue in the near-term.

While general medical practitioners play an important role in women's primary care, the ob/gyn specialist is the primary market for associated medical devices.

Some significant features of this market are:

Patient visits are for annual checkups, cancer screening, menstrual disorders, vaginitis (inflammation of vaginal tissue), treatment of abnormal Pap smears, osteoporosis (reduction in bone mass) and the management of menopause, pregnancy and reproductive management.

Ob/gyns traditionally provide the initial evaluation for women and their partners who seek infertility assistance. Ovulatory drugs and intrauterine insemination (IUI) are common treatments of these cases along with embryo transfer procedures.

Osteoporosis and incontinence have become frequent diagnoses as the female population ages. Early identification and treatment of these conditions will both improve women's health and help reduce overall costs of treatment.

Sterilization is a frequently performed surgical procedure.

Hysterectomy, one of the most commonly performed surgical procedures, is increasingly performed using a laparoscopic approach.

The trend to move hospital-based procedures to an office or clinical setting is continuing as seen with the global endometrial ablation procedure.

CooperSurgical's Fiscal 2011 Net Sales Growth

During fiscal 2011, CooperSurgical's net sales grew 12 percent to \$209.7 million from \$188.0 million in fiscal 2010, representing 16 percent of Cooper's net sales in both periods. Net sales growth excluding acquisitions was 8 percent. Sales of products used in surgical procedures grew 23 percent and represented 37 percent of CooperSurgical's total net sales as compared to 33 percent in fiscal 2010.

CooperSurgical Competition

Edgar Filing: COOPER COMPANIES INC - Form 10-K

CooperSurgical focuses on selected segments of the women's healthcare market, supplying diagnostic products and surgical instruments and accessories. In some instances, CooperSurgical offers all of the items needed for a complete procedure. CooperSurgical believes that opportunities exist for continued market consolidation of smaller technology-driven firms that generally offer only one or two product lines. Most are privately owned or divisions of public companies including some owned by companies with greater financial resources than Cooper.

Competitive factors in these segments include technological and scientific advances, product quality, price, customer service and effective communication of product information to physicians and

Table of Contents

hospitals. CooperSurgical competes based on its sales and marketing expertise and the technological advantages of its products. CooperSurgical's strategy includes developing and acquiring new products, including those used in new medical procedures. As CooperSurgical expands its product line, it also offers training for medical professionals in the appropriate use of its products.

CooperSurgical is seeking to expand its presence in the significantly larger hospital and outpatient surgical procedure segment of the market that is at present dominated by bigger competitors such as Johnson & Johnson's Ethicon Endo-Surgery and Ethicon Women's Health and Urology companies, Boston Scientific, Gyrus ACMI and Covidien. These competitors have well established positions within the operating room environment. CooperSurgical intends to leverage its relationship with gynecologic surgeons and focus on devices specific to gynecologic surgery to facilitate its expansion within the surgical segment of the market.

RESEARCH AND DEVELOPMENT

Cooper employs 194 people in its research and development and manufacturing engineering departments. Most of these employees are in CooperVision. CooperVision product development and clinical research is supported by internal and external specialists in lens design, formulation science, polymer chemistry, clinical trials, microbiology and biochemistry. CooperVision's research and development activities include programs to develop disposable silicone hydrogel products and product lines utilizing PC Technology.

CooperSurgical conducts research and development in-house and also has consulting agreements with external surgical specialists. CooperSurgical's research and development activities include the design of the next generation product line of uterine manipulators, the upgrade and expansion of CooperSurgical's portfolio of assisted reproductive technology products as well as products within the general obstetrics and gynecology offerings.

Cooper-sponsored research and development expenditures during fiscal 2011, 2010 and 2009 were \$43.6 million, \$35.3 million and \$30.3 million, respectively, net of acquired in-process research and development of \$3.0 million in 2009. Net research and development expenditures represented 3 percent of net sales each fiscal year. During fiscal 2011, CooperVision represented 85 percent and CooperSurgical represented 15 percent of the total research and development expenses. We did not participate in any customer-sponsored research and development programs during fiscal 2009-2011.

GOVERNMENT REGULATION

Medical Device Regulation

Our products are medical devices subject to extensive regulation by the United States Food and Drug Administration (FDA) in the United States and other regulatory bodies abroad. FDA regulations govern, among other things, medical device design and development, testing, manufacturing, labeling, storage, recordkeeping, premarket clearance or approval, advertising and promotion, and sales and distribution. Unless an exemption applies, each medical device we wish to distribute commercially in the United States will require either prior 510(k) clearance or prior premarket approval (PMA) from the FDA. A majority of the medical devices we currently market have received FDA clearance through the 510(k) process or approval through the PMA process. Because we cannot be assured that any new products we develop, or any product enhancements, will be subject to the shorter 510(k) clearance process, significant delays in the introduction of any new products or product enhancements may occur.

Table of Contents

Device Classification

The FDA classifies medical devices into one of three classes – Class I, II or III – depending on the degree of risk associated with each medical device and the extent of control needed to ensure its safety and effectiveness. Both CooperVision and CooperSurgical develop and market medical devices under different levels of FDA regulation depending on the classification of the device. Class III devices, such as flexible and extended wear contact lenses, require extensive premarket testing and approval, while Class I and II devices require lower levels of regulation. The majority of CooperSurgical’s products are Class II devices.

Class I devices are those for which safety and effectiveness can be assured by adherence to the 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 (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 the 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 Medical Device User Fee and Modernization Act of 2002 (MDUFMA), 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.

Class III devices are those devices which have a new intended use, or use 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 and must be approved through the premarket approval process described below. Premarket approval applications (and supplemental premarket approval applications) are subject to significantly higher user fees under MDUFMA than are 510(k) premarket notifications.

510(k) Clearance Pathway

When we are required to obtain a 510(k) clearance for a device that we wish to market, we must submit a premarket notification to the FDA demonstrating that the device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976, for which the FDA has not yet called for the submission of premarket approval applications. By regulation, the FDA is required to respond to a 510(k) premarket notification within 90 days of submission of the notification. As a practical matter, clearance can take significantly longer. If the FDA determines that the device, or its intended use, is not substantially equivalent to a previously-cleared device or use, the FDA will place the device, or the particular use of the device, into Class III.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that changes its intended use, will require a new 510(k) clearance or could require premarket approval. The FDA requires each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with a manufacturer’s determination. If the FDA disagrees with a manufacturer’s determination that a new clearance or approval is not required for a particular modification, the FDA can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or premarket approval is obtained. In these circumstances, a

Table of Contents

manufacturer also may be subject to significant regulatory fines or penalties. We have made and plan to continue to make additional product enhancements and modifications to our devices that we believe do not require new 510(k) clearances.

Premarket Approval Pathway

A PMA application must be submitted if the device cannot be cleared through the 510(k) premarket notification procedures. The PMA process is much more demanding than the 510(k) premarket notification process. A PMA application must be supported by extensive data including, but not limited to, technical, preclinical, clinical trials, manufacturing and labeling to demonstrate to the FDA's satisfaction the safety and effectiveness of the device for its intended use.

After a PMA application is complete, the FDA begins an in-depth review of the submitted information. The FDA, by statute and regulation, has 180 days to review an accepted PMA application, although the review generally occurs over a significantly longer period of time, and can take up to several years. During this review period, the FDA may request additional information, including clinical data, or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a preapproval inspection of the manufacturing facility to ensure compliance with the Quality System Regulation (QSR). New PMA applications or PMA application supplements are required for significant modifications to the manufacturing process, labeling and design of a device that is approved through the premarket approval process. Premarket approval supplements often require submission of the same type of information as a premarket approval application, except that the supplement is limited to information needed to support any changes from the device covered by the original premarket approval application, and may not require as extensive clinical data or the convening of an advisory panel.

Clinical Trials

A clinical trial is almost always required to support a PMA application and is sometimes required for a 510(k) premarket notification. These trials generally require submission of an application for an investigational device exemption (IDE) to the FDA. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that the potential benefits of testing the device in humans outweighs the risks and that the testing protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a non-significant risk device and eligible for more abbreviated investigational device exemption requirements. Clinical trials for a significant risk device may begin once the IDE application is approved by both the FDA and the appropriate institutional review boards at the clinical trial sites. All of Cooper's currently marketed products have been cleared by all appropriate regulatory agencies, and Cooper has no product currently being marketed under an IDE.

Continuing FDA Regulation

After a device is placed on the market, numerous regulatory requirements apply. These include: the QSR, which requires manufacturers to follow design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations, which prohibit the promotion of products for unapproved or off-label uses and impose other restrictions on labeling; and medical device reporting regulations, which require that manufacturers report to the FDA if their

Table of Contents

device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur. The FDA has broad post-market and regulatory enforcement powers. We are subject to unannounced inspections by the FDA to determine our compliance with the QSR and other regulations.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions: fines, injunctions and civil penalties; recall, seizure or import holds of our products; operating restrictions, suspension of production; refusing our request for 510(k) clearance or premarket approval of new products; withdrawing 510(k) clearance or premarket approvals that are already granted and criminal prosecution.

Even if regulatory approval or clearance of a medical device is granted, the FDA may impose limitations or restrictions on the uses and indications for which the device may be labeled and promoted. Medical devices may be marketed only for the uses and indications for which they are cleared or approved. FDA regulations prohibit a manufacturer from promoting a device for an unapproved or off-label use. Failure to comply with this prohibition on off-label promotion can result in enforcement action by the FDA, including, among other things, warning letters, fines, injunctions, consent decrees and civil or criminal penalties.

Foreign Regulation

Health authorities in foreign countries regulate Cooper's clinical trials and medical device sales. The regulations vary widely from country to country. Even if the FDA has approved a product, the regulatory agencies in each country must approve new products before they may be marketed there. The worldwide Medical Device regulations are increasing, with many countries becoming regulated for the first time. For example Hong Kong, Singapore and Malaysia are becoming regulated and follow the Global Harmonization Task Force model for regulating medical devices. These emerging regulated countries require the same rigorous safety data compiled in pre-clinical and clinical studies for the rest of the world. Japan has one of the most rigorous regulatory systems in the world and requires in-country clinical trials. The Japanese quality and regulatory standards remain stringent even with the more recent harmonization efforts and updated Japanese regulations.

These regulatory procedures require a considerable investment in time and resources and usually result in a substantial delay between new product development and marketing. If the Company does not maintain compliance with regulatory standards or if problems occur after marketing, product approval may be withdrawn.

In addition to FDA regulatory requirements, the Company also maintains ISO 13485 certification and CE mark approvals for its products. A CE mark is an international symbol of adherence to certain standards and compliance with applicable European medical device requirements. These quality programs and approvals are required by the European Medical Device Directive and must be maintained for all products intended to be sold in the European market. The ISO 13485 Quality Measurement System registration is now also required for registration of products in Asia Pacific and Latin American countries. In order to maintain these quality benchmarks, the Company is subjected to rigorous biannual reassessment audits of its quality systems and procedures.

Other Health Care Regulation

We may be subject to various federal, state and foreign laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws, and laws pertaining to healthcare privacy

Table of Contents

and security. 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. Similarly if the physicians or other providers or entities with whom we do business are found to be noncompliant with applicable laws, they may be subject to sanctions, which could indirectly have a negative impact on our business, financial conditions and results of operations. While we believe that our operations are in material compliance with such laws, as applicable to us, 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 our practices to be in compliance with these laws.

RAW MATERIALS

CooperVision's raw materials primarily consist of various chemicals and packaging materials and are generally available from more than one source. However, CooperVision relies on sole suppliers for certain raw materials used to make our silicone hydrogel contact lens products. In fiscal 2011, CooperVision purchased certain assets of Asahikasei Aime Co., Ltd. (Aime), our current sole supplier of the primary material used to make our silicone hydrogel contact lens products, from Asahi Kasei Pharma Corporation. While this acquisition has increased CooperVision's control over the sourcing of certain raw materials, if current raw material suppliers fail to supply sufficient materials on a timely basis or at all for any reason, we may suffer a disruption in the supply of our silicone hydrogel contact lens products.

Raw materials used by CooperSurgical 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 supplier on short notice.

MARKETING AND DISTRIBUTION

CooperVision markets its products in the United States through its field sales representatives, who call on optometrists, ophthalmologists, opticians, optical chains and distributors. CooperVision augments its United States sales and marketing efforts with e-commerce, telemarketing, social media and advertising in professional journals. In the EMEA and Asia Pacific regions, CooperVision primarily markets its products through its field sales representatives. In other countries, CooperVision uses distributors and has given some of them the exclusive right to market its products within specific geographic areas.

CooperSurgical's products are marketed by a network of dedicated field sales representatives, independent agents and distributors. In the United States, CooperSurgical augments its sales and marketing activities by participating in national and regional industry tradeshows, professional educational programs and internet promotions including e-commerce, social media and collaborative efforts with professional organizations, telemarketing, direct mail and advertising in professional journals.

PATENTS, TRADEMARKS AND LICENSING AGREEMENTS

Cooper owns or licenses a variety of domestic and foreign patents, which, in total, are material to its overall business. The names of certain of Cooper's products are protected by trademark registrations in the United States Patent and Trademark Office and, in some cases, also in foreign trademark offices. Applications are pending for additional trademark and patent registrations. Cooper intends to protect its intellectual property rights aggressively.

Table of Contents

No individual patent or license is material to the Company or either of its principal business units other than our License Agreement effective as of November 19, 2007, between CooperVision and CIBA Vision AG and CIBA Vision Corporation. This license relates to patents covering CooperVision's silicone hydrogel contact lens products, Biofinity® and Avaira®. This license extends until the patents expire in 2014 in the United States and in 2016 outside of the United States.

In addition to trademarks and patent licenses, the Company owns certain trade secrets, copyrights, know-how and other intellectual property.

DEPENDENCE ON CUSTOMERS

Neither of our business units depends to any material extent on any one customer or any one affiliated group of customers.

GOVERNMENT CONTRACTS

Neither of our business units is materially subject to profit renegotiation or termination of contracts or subcontracts at the election of the United States government.

BACKLOG

Backlog is not a material factor in either of Cooper's business units.

SEASONALITY

CooperVision's contact lens sales in its fiscal first quarter, which runs from November 1 through January 31, are typically lower than subsequent quarters, as patient traffic to practitioners' offices is relatively light during the holiday season.

COMPLIANCE WITH ENVIRONMENTAL LAWS

Federal, state and local provisions that regulate the discharge of materials into the environment, or relate to the protection of the environment, do not currently materially affect Cooper's capital expenditures, earnings or competitive position.

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

The information required by this item is included in Note 13. Business Segment Information of our Financial Statements and Supplementary Data and Item 1A. Risk Factors – Risks Relating to Our Business, included in this report.

EMPLOYEES

On October 31, 2011, the Company had about 7,400 employees. The Company believes that its relations with its employees are good.

NEW YORK STOCK EXCHANGE CERTIFICATION

We submitted our 2011 annual Section 12(a) CEO certification with the New York Stock Exchange. The certification was not qualified in any respect. Additionally, we filed with the Securities and Exchange Commission as exhibits to this Annual Report on Form 10-K for the year ended October 31, 2011, the CEO and CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

Table of Contents

AVAILABLE INFORMATION

The Cooper Companies, Inc. Internet address is <http://www.coopercos.com>. The information on the Company's Web site is not part of this or any other report we file with, or furnish to, the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with all other reports and amendments filed with or furnished to the Securities and Exchange Commission (SEC), are publicly available free of charge on our Web site as soon as reasonably practicable. The public may read and copy these materials at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a Web site that contains such reports, proxy and information statements and other information whose Internet address is <http://www.sec.gov>. The Company's Corporate Governance Principles, Ethics and Business Conduct Policy and charters of each standing committee of the Board of Directors are also posted on the Company's Web site.

Table of Contents

Item 1A. Risk Factors.

Our business faces significant risks. These risks include those described below and may include additional risks and uncertainties not presently known to us or that we currently deem immaterial. Our business, financial condition and results of operations could be materially adversely affected by any of these risks, and the trading prices of our common stock could decline by virtue of these risks. These risks should be read in conjunction with the other information in this report.

Risks Relating to 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. In our soft contact lens business, CooperVision faces intense competition from competitors' products, in particular silicone hydrogel contact lenses, and may face increasing competition as other new products enter the market. Our major competitors in the contact lens business, Johnson & Johnson Vision Care, Inc., CIBA Vision (owned by Novartis AG) and Bausch & Lomb, Inc., have substantially greater financial resources, larger research and development budgets, larger sales forces, greater market penetration and larger manufacturing volumes than CooperVision. They also offer competitive products and differentiated materials, plus a variety of other eye care products including lens care products and ophthalmic pharmaceuticals, which may give them a competitive advantage in marketing their lenses. The market for contact lenses is intensely competitive and is characterized by declining sales volumes for older product lines and growing demand for silicone hydrogel based products. Our ability to respond to these competitive pressures will depend on our ability to decrease our costs and maintain gross margins and operating results and to introduce new products successfully, on a timely basis in the Americas, EMEA and Asia Pacific, and to achieve manufacturing efficiencies and sufficient manufacturing capacity and capabilities for such products. Any significant decrease in our costs per lens will depend, in part, on our ability to increase sales volume and production capabilities. Our failure to respond to competitive pressures in a timely manner could have a material adverse effect on our business, financial condition and results of operations.

To a lesser extent, CooperVision also competes with manufacturers of eyeglasses and providers of other forms of vision correction including ophthalmic surgery.

There can be no assurance that we will not encounter increased competition in the future, or that our competitors' newer contact lens products will not successfully erode CooperVision's contact lens business, which could have a material adverse effect on our business, financial condition and results of operations.

In the women's healthcare market, 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 areas, some of which have substantially greater financial and personnel resources and sell a much broader range of products, which may give them an advantage in marketing competitive products.

Acquisitions that we have made and may make in the future involve numerous risks.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

We have a history of acquiring businesses and products that have significantly contributed to our growth in recent years. As part of our growth strategy, particularly at CooperSurgical, we intend to

Table of Contents

continue to consider acquiring complementary technologies, products and businesses. 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 and establishment of appropriate accounting controls and reporting procedures and other regulatory compliance procedures;

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;

expenses, including restructuring expenses, to shut-down our own locations or terminate our employees;

a dilution of earnings per share; and

risks inherent in accounting allocations.

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 contact lens market in which CooperVision competes and in the niche areas of the healthcare industry in which CooperSurgical competes. Historically, we did not allocate substantial resources to new product development, but rather purchased, leveraged or licensed the technology developments of others. However, since 2005, we have been investing more in new product development, including the development of silicone hydrogel-based contact lenses. Although our focus is on products that will be marketable immediately or in the short to medium 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 substantial. There can be no assurance that we will successfully obtain necessary regulatory approvals or clearances for our new products or that our new products will successfully compete in the marketplace and, as a result, justify the expense involved in their development and regulatory approval. In addition, our competitors may have developed or may in the future develop new products or technologies, such as contact lenses with anti-microbial or anti-allergenic features, that could lead to the obsolescence of one or more of our products. Competitors may also introduce new uses for contact lenses, such as for drug delivery or the control of myopia. Failure to develop new product offerings and technological changes and to offer products that provide performance that is at least comparable to competing products could have a material adverse effect on our business, financial condition, or results of operations.

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 that any of them, assuming they receive necessary regulatory approvals, will achieve

Table of Contents

market acceptance or generate operating profits. In addition, we have been slower to introduce new silicone hydrogel contact lens products than our competitors which put these products at a competitive disadvantage. Market acceptance and customer demand for these products are uncertain. The development of a market for our products may be influenced by many factors, some of which are out of our control, including:

acceptance of our products by eye care and women's healthcare practitioners;

the cost competitiveness of our products;

consumer reluctance to try and use a new product;

regulatory requirements;

adequate coverage and reimbursement by third party payors;

the earlier release of competitive products, such as silicone hydrogel products, into the market by our competitors; and

the emergence of newer and more competitive products.

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

Technological developments in the eye care and women's healthcare industries, such as new surgical procedures or medical devices, may limit demand 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 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 businesses.

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

A significant portion of our current operations for CooperVision are conducted and located outside the United States, and our growth strategy involves expanding our existing foreign operations and entering into new foreign jurisdictions. We have significant manufacturing and distribution sites in North America and Europe. Approximately two-thirds of our net sales for CooperVision for the fiscal years ended October 31, 2011 and 2010, respectively, were derived from the sale of products outside the United States. We believe that sales outside the United States 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:

we may have difficulty enforcing intellectual property rights in some foreign countries;

Edgar Filing: COOPER COMPANIES INC - Form 10-K

we may have difficulty gaining market share in countries such as Japan because of regulatory restrictions and customer preferences;

we may find it difficult to grow in emerging markets such as China, India and other developing nations due to, among other things, customer acceptance, undeveloped distribution channels, regulatory restrictions and business knowledge of these new markets;

tax rates in some foreign countries may exceed those of the United States, and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;

Table of Contents

we may find it difficult to comply with a variety of United States and foreign compliance and regulatory requirements such as the Foreign Corrupt Practices Act, the Dodd-Frank Act and the U.K. Bribery Act;

we may find it difficult to manage a large organization spread throughout various countries;

fluctuations in currency exchange rates could adversely affect our results;

foreign customers may have longer payment cycles than customers in the United States;

failure to comply with United States Department of Commerce export controls may result in fines and/or penalties;

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;

foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities; and

we may have difficulty enforcing agreements and collecting receivables through some foreign legal systems.

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.

Current market conditions and recessionary pressures in one or more of our markets could impact our ability to grow our business.

In the United States and globally, market and economic conditions have been unprecedented over the past few years and challenging with tighter credit conditions and slower economic growth. The U.S. economy has experienced a recession and faces continued concerns about the systemic impacts of adverse economic conditions such as high energy costs, geopolitical issues, the availability and cost of credit, and an unstable real estate market. Foreign countries, in particular the Euro zone, are affected by similar systemic impacts. As a result, we continue to have lower than historical expectations for market growth in fiscal 2012.

Continued turbulence in the United States and international market and economic conditions may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers. If these market conditions continue, they may limit our ability, and the ability of our customers, to replace maturing liabilities and to access the capital markets to meet liquidity needs, which could have a material adverse effect on our financial condition and results of operations.

We face risks associated with disruption of manufacturing and distribution operations and failure to develop new manufacturing processes that could adversely affect our profitability or competitive position.

We manufacture a significant portion of the medical device products we sell. Any prolonged disruption in the operations of our existing manufacturing facilities, whether due to technical or labor difficulties, destruction of or damage to any facility (as a result of natural disaster, use and storage of hazardous materials or other events), enforcement action by the FDA or other regulatory body if we are found to

Table of Contents

be in non-compliance with current Good Manufacturing Practices (cGMP) or other reasons, could have a material adverse effect on our business, financial condition and results of operations. In addition, materials such as silicone hydrogel require improvements to our manufacturing processes to make them cost effective. While we have improved our manufacturing capabilities for our silicone hydrogel products, our failure to continue to develop improvements to our manufacturing processes and reduce our cost of goods could significantly impact our ability to compete.

CooperVision manufactures molded contact lenses, which represent the majority of our contact lens revenues, primarily at our facilities in the United Kingdom and Puerto Rico. CooperSurgical manufactures the majority of its products in Trumbull, Connecticut, Stafford, Texas, and Pasadena, California. We manufacture certain products at only one manufacturing site for certain markets, and certain of our products are approved for manufacturing only at one site. Before we can use a second manufacturing site, we must obtain the approval of regulatory authorities, and because this process is expensive, we have generally not sought approvals needed to manufacture at an additional site. If there were any prolonged disruption in the operations of the approved facility, it could take a significant amount of time to validate a second site and replace lost product, which could result in lost customers and thereby reduce sales, profitability and market share.

CooperVision distributes products out of West Henrietta, New York, the United Kingdom, Belgium and various smaller international distribution facilities. Our distribution center in West Henrietta, New York, was recently inspected by FDA and, on December 7, 2011, we received a Warning Letter dated December 5, 2011, stating that certain labeling and packaging operations conducted at the facility deviate from applicable cGMP requirements. We are working with the FDA to address the observations cited in the Warning Letter. The Warning Letter does not restrict or prohibit the sale or marketing of our products, nor does it require us to recall any products distributed from the center. However, if we fail to correct the observations to the FDA's satisfaction, we could be subject to an enforcement action, such as a seizure, FDA-mandated recall, or other operating restrictions on the facility, that could have a material adverse effect on our business. CooperSurgical's products are primarily distributed out of its facility in Trumbull, Connecticut. Any prolonged disruption in the operations of our existing distribution facilities, whether due to technical or labor difficulties, destruction of or damage to any facility (as a result of natural disaster, use and storage of hazardous materials or other events) or other reasons, could have a material adverse effect on our business, financial condition and results of operations.

If our manufacturing operations fail to comply with applicable regulations, our manufacturing could be delayed or disrupted, and our product sales and profitability could suffer.

Our manufacturing operations and processes are required to comply with numerous federal, state and foreign regulatory requirements, including the FDA's cGMP for medical devices, known as the QSR regulations, which govern the procedures related to the design, testing, production processes, controls, quality assurance, labeling, packaging, storage, importing, exporting and shipping of our products. We also are subject to state requirements and licenses applicable to manufacturers of medical devices. In addition, we must engage in extensive recordkeeping and reporting and must make available our manufacturing facilities and records for periodic unscheduled inspections by governmental agencies, including the FDA, state authorities and comparable agencies in other countries. Failure to pass a cGMP, QSR or similar foreign inspection or to comply with these and other applicable regulatory requirements could result in disruption of our operations and manufacturing delays in addition to, among other things, significant fines, suspension of approvals, seizures, recalls or import holds of

Table of Contents

products, operating restrictions and criminal prosecutions. As a result, any failure to comply with applicable requirements could adversely affect our product sales and profitability. We are currently working with the FDA to address a Warning Letter dated December 5, 2011, which was issued by the FDA following an inspection of the labeling and packaging operations performed at our distribution center in West Henrietta, New York. If we fail to resolve the observations cited in the Warning Letter to the FDA's satisfaction, we would be subject to the foregoing regulatory enforcement actions, any of which could have a material adverse effect on our 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, consisting primarily of various chemicals and packaging materials. Raw materials used in our operations 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 have purchased Asahikasei Aime Co. Ltd. to achieve greater control over certain of the raw materials used in our silicone hydrogel contact lenses. However, Asahikasei Finechem (Asahi) remains our sole supplier of the primary material used to make our silicone hydrogel contact lens products, Biofinity and Avaira. We may suffer a disruption in the supply of our silicone hydrogel contact lens products if Asahi or other suppliers fail to supply sufficient material on a timely basis or at all for any reason and/or we need to switch to an alternative supplier. A disruption in the supply of raw materials could disrupt production of our silicone hydrogel contact lens products thereby adversely impacting our ability to market and sell such products and our ability to compete in this important segment of the contact lens market.

If we fail to protect our intellectual property adequately, our business could suffer.

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, financial condition and results of operations.

We may also seek to enforce our intellectual property rights on others through litigation. Our claims, even if meritorious, may be found invalid or inapplicable to a party we believe infringes or has misappropriated our intellectual property rights. In addition, litigation can:

be expensive and time consuming to prosecute or defend;

result in a finding that we do not have certain intellectual property rights or that such rights lack sufficient scope or strength;

divert management's attention and resources; or

require us to license our intellectual property.

We have applied for patent protection in the United States and other foreign jurisdictions relating to certain existing and proposed processes and products. We cannot assure that any of our patent applications will be approved. Patent applications in the United States and other foreign

jurisdictions are maintained in secrecy for a period of time, which may last until patents are issued, and since

Table of Contents

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. 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. We also cannot assure that we will have adequate resources to enforce our patents.

We also rely on unpatented proprietary technology. It is possible that others will 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 and assignment agreements, which generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, we cannot assure that these confidentiality 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. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable. Certain patents protecting our Proclear line of products expired in fiscal year 2011, which allows competitors to market and sell products with similar attributes.

We rely on trademarks to establish a market identity for our products. To maintain the value of our trademarks, we might have to file lawsuits against third parties to prevent them from using trademarks confusingly similar to or dilutive of our registered or unregistered trademarks. We also might not obtain registrations for our pending or future trademark applications, and might have to defend our registered trademark and pending applications from challenge by third parties. Enforcing or defending our registered and unregistered trademarks might result in significant litigation costs and damages, including the inability to continue using certain trademarks.

The laws of foreign countries in which we do business or contemplate doing business in the future do not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. Adverse determinations in a judicial or administrative proceeding could prevent us from manufacturing and selling our products or prevent us from stopping others from manufacturing and selling competing products, and thereby have a material adverse affect on our business, financial condition and results of operations.

Our products or processes could be subject to claims of infringement of the intellectual property of others.

Our competitors in both the United States 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 existing and planned products. Claims that our products, business methods or processes infringe upon the proprietary rights of others often are not asserted until after commencement of commercial sales of products incorporating our technology.

Significant litigation regarding intellectual property rights exists in our industry. Third parties have made, and may make in the future, claims of infringement against us or our contract manufacturers in connection with the use of our technology. Any claims, even those without merit, could:

be expensive and time consuming to defend;

Table of Contents

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.

We cannot be certain of the outcome of any litigation. Any royalty or licensing agreement, if required, may not be available to us on acceptable terms or at all. Our failure to obtain the necessary licenses or other rights could prevent the sale, manufacture, or distribution of some of our products and, therefore, could have a material adverse effect on our business.

A successful claim of infringement against us or our contract manufacturers in connection with the use of our technology, in particular if we are unable to manufacture or sell any of our planned products in any major market, could adversely affect our business.

We could experience losses from product liability claims, including such claims and other losses resulting from sales of counterfeit and other infringing products.

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 or sales of counterfeit or other infringing products might necessitate a product recall and other actions by manufacturers, distributors or retailers in order to safeguard the health of consumers and protect the integrity of the subject brand. Consumers may halt or delay purchases of a product that is the subject of a claim or recall, or has been counterfeited. We handle some risk with third-party carrier policies that are subject to deductibles and limitations. There can be no assurance that we will not experience material losses due to product liability claims or recalls, or a decline in sales resulting from sales of counterfeit or other infringing products, in the future.

We face risks related to environmental matters.

Our facilities are subject to a broad range of United States 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, remediation of contamination associated with the release of hazardous substances at our facilities and offsite disposal locations and occupational safety and health. 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 enforcement thereof, 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, financial condition and results of operations. Such laws and requirements are constantly changing, are different in every jurisdiction and can impose substantial fines and sanctions for violations. 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.

Our indebtedness could adversely affect our financial health and prevent us from fulfilling our debt obligations.

We have now and expect to continue to have a significant amount of indebtedness.

Table of Contents

Our indebtedness could:

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, acquisitions, 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;

limit our ability to borrow additional funds; and

make it more difficult for us to satisfy our obligations with respect to our debt, including our obligation to repay our credit facility under certain circumstances.

Our credit facility contains financial and other restrictive covenants that could 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 debt, which could adversely affect our business, earnings and financial condition.

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 currently use, and may continue to 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 may not be successful in structuring such swap agreements to manage our risks effectively, which could adversely affect our business, earnings and financial condition.

Exchange rate fluctuations and our foreign currency hedges could adversely affect our financial results.

As a result of our international operations, currency exchange rate fluctuations may affect our results of operations and financial position. Our most significant currency exposures are the British pound sterling, euro, Japanese yen and Canadian dollar. 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 from time to time we 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 do not eliminate that risk entirely. These hedges may also serve to reduce any gain that we may have made based on favorable foreign currency fluctuations. 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. 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 and can make it more difficult

Edgar Filing: COOPER COMPANIES INC - Form 10-K

for our shareholders to understand the relative strengths or weaknesses of the underlying business on a period-over-period comparative basis.

Table of Contents

Increases in our effective tax rates or adverse outcomes resulting from examination of income tax returns could adversely affect our results.

Our future effective tax rates could be adversely affected by earnings being higher than anticipated in countries where the Company has higher statutory rates or lower than anticipated in countries where it has lower statutory rates, by changes in valuation of our deferred tax assets and liabilities, or by changes in tax laws or interpretations of those laws. In addition, the Internal Revenue Service (IRS) issued a Notice of Deficiency in connection with its audit of the Company's income tax returns for the years 2005 and 2006. The Notice asserts that the Company is subject to additional taxes due to a proposed adjustment under the anti-deferral provisions of Subpart F of the Internal Revenue Code. If sustained, such taxes should be offset by the Company's existing federal net operating loss carryforwards leaving a \$1.2 million balance of proposed taxes owed. The Company intends to defend its positions taken in its income tax returns vigorously. However, if the IRS's contentions were sustained, the Company's existing federal net operating loss carryforwards could be materially reduced, which could result in a material adverse effect on the Company's future net income. We are also subject to the examination of our income tax returns by other tax authorities and the outcome of these examinations could have a material adverse effect on our operating results and financial condition.

We operate globally and changes in tax laws could adversely affect our results.

We operate globally and changes in tax laws could adversely affect our results. We have overseas manufacturing, administrative and sales offices and generate substantial revenues and profits in foreign jurisdictions. Recently, a number of countries, including the United States, have proposed changes to their tax laws, some of which affect taxation of earnings recognized in foreign jurisdictions. Such changes in tax laws or their interpretation, if adopted, could adversely affect our effective tax rates and our results. For example, the recently enacted Health Care and Education Reconciliation Act of 2010 imposes a new excise tax of 2-3 percent of the price for which certain medical devices are sold. CooperVision is not affected by this new tax. Almost all of CooperSurgical's sales will be subject to this new tax that takes effect January 1, 2013. We cannot at this time anticipate the magnitude of this new tax that would be imposed on us as there are significant uncertainties concerning key definitions and terms within the law.

Volatility in the securities markets, interest rates, and other factors could substantially increase our defined benefit pension costs.

We sponsor a defined benefit pension plan for employees in the United States. This defined benefit pension plan is funded with trust assets invested in a diversified portfolio of securities and other investments. Changes in interest rates, mortality rates, early retirement rates, investment returns, discount rates and the market value of plan assets can affect the funded status of our defined benefit pension plan and cause volatility in the net periodic benefit cost and future funding requirements of the plan. A significant increase in our obligations or future funding requirements could have a negative impact on our results of operations and cash flows from operations.

We manage our businesses utilizing complex computer systems that are regularly maintained and upgraded, an interruption to these systems could disrupt our business or force us to expend excessive costs.

We utilize complex computer systems, including enterprise resource planning and warehouse management systems, to support our business units and we have a continuous improvement strategy in

Table of Contents

place that keep our systems and overarching technology stable and in line with business needs and growth. Regular upgrades of our computer hardware and software revisions are typical and expected. We employ controlled change management methodologies to plan, test and execute all such system upgrades and improvements, and we believe that we assign adequate staffing and other resources to projects to ensure successful implementation. However, we cannot assure that our systems will meet our future business needs or that upgrades will operate as designed. We cannot assure that there will not be associated excessive costs or disruptions in portions of our business in the course of our maintenance, support and/or upgrade of these systems.

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, engineering and scientific personnel. Competition for these persons in our industry is intense, and we may not be able to successfully recruit, train or retain qualified personnel.

Provisions of our governing documents and Delaware law, and our rights plan, may have anti-takeover effects.

Certain provisions of our Second Restated Certificate of Incorporation and Amended and Restated 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 also have the protections of Section 203 of the Delaware General Corporation Law, which could have similar effects. Our board of directors extended our preferred stock purchase rights plan, commonly known as a poison pill, pursuant to an amended rights agreement dated as of October 29, 2007 that expires on October 29, 2017. The rights agreement is intended to prevent abusive hostile takeover attempts by requiring a potential acquirer 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 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 the Company or to change existing management.

Risks Relating to Government Regulation of Manufacture and Sale of Our Products

Our failure to comply with regulatory requirements or to receive regulatory clearance or approval for our products or operations could adversely affect our business.

Our products and operations are subject to rigorous regulation by the FDA, and numerous other federal, state and foreign governmental authorities. In the United States, the FDA regulates virtually all aspects of a medical device's design, development, testing, manufacture, safety, labeling, storage, recordkeeping, reporting, marketing, promotion and distribution, as well as the export of medical devices manufactured in the United States to foreign markets. Our failure to comply with FDA regulations could lead to the imposition of administrative or judicial sanctions, including injunctions, suspensions or the loss of regulatory approvals, product recalls, termination of distribution or product seizures. In the most egregious cases, criminal sanctions or closure of our manufacturing facilities are possible.

Table of Contents

Our medical devices require clearance or approval by the FDA before they can be commercially distributed in the United States and may require similar approvals by foreign regulatory agencies before distribution in foreign jurisdictions. Medical devices may only be marketed for the indications for which they are approved or cleared. The process of obtaining regulatory clearances and approvals to market a medical device, particularly from the FDA, can be costly and time consuming. There can be no assurance that such clearances and approvals will be granted on a timely basis, if at all, or that significant delays in the introduction of any new products or product enhancements will not occur, which could adversely affect our competitive position and results of operations. In addition, the FDA may change its policies, adopt additional regulations or revise existing regulations, each of which could prevent or delay premarket approval or clearance of our products or could impact our ability to market our currently approved or cleared products. For example, the FDA has recently been reviewing the premarket clearance process in response to internal and external concerns regarding the 510(k) program. In January 2011, the FDA announced a plan of action that included twenty-five action items designed to make the process more rigorous and transparent. Since then the FDA has implemented some changes intended to improve its premarket programs. Some of these changes and proposals under consideration could impose additional regulatory requirements on us that could delay our ability to obtain new 510(k) clearances for our products, increase the cost of compliance, or restrict our ability to maintain our current clearances.

Modifications and enhancements to a medical device also require a new FDA clearance or approval if they could significantly affect its safety or effectiveness or would constitute a major change in its intended use, design or manufacture. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. We have made modifications and enhancements to our medical devices that we do not believe require a new clearance or application, but we cannot confirm that the FDA will agree with our decisions. If the FDA requires us to seek clearance or approval for modification of a previously cleared product for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties, which could have a material adverse effect on our financial results and competitive position. We also cannot assure that we will be successful in obtaining clearances or approvals for our modifications, if required.

Even if regulatory approval or clearance of a medical device is granted, the FDA may impose limitations or restrictions on the uses and indications for which the device may be labeled and promoted, and failure to comply with FDA regulations prohibiting a manufacturer from promoting a device for an unapproved, or off-label use could result in enforcement action by the FDA, including, among other things, warning letters, fines, injunctions, consent decrees, and civil or criminal penalties.

Development and marketing of our products are subject to strict governmental regulation by foreign regulatory agencies, and failure to receive, or delay in receiving, foreign qualifications could have a material adverse effect on our business.

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 the European Economic Area, a medical device can only be placed on the market if it is in conformity with the essential requirements set out in the European Directives and implementing

Table of Contents

regulations that govern medical devices. These Directives prescribe quality programs and standards which must be maintained in order to achieve required ISO certification and to approve the use of CE marking. In order to maintain ISO certification and CE marking quality benchmarks, firms' quality systems and procedures are subjected to rigorous periodic inspections and reassessment audits.

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. However, 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.

Our products are subject to reporting requirements and recalls, even after receiving regulatory clearance or approval, which could harm our reputation, business and financial results.

After a device is placed on the market, numerous regulatory requirements apply, including the FDA's QSR regulations, which require manufacturers to follow design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations, which prohibit the promotion of products for unapproved or off-label uses and impose other restrictions on labeling; and medical device reporting regulations that require us to report to FDA or similar governmental bodies in other countries if our products malfunction in a way that would be reasonably likely to contribute to death or serious injury if the malfunction were to recur. The FDA and similar governmental bodies in other countries have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. Medical device manufacturers, such as CooperVision and CooperSurgical, may under their own initiative recall a product if a reasonable possibility of serious injury or any material deficiency in a device is found. For example, in August of 2011, CooperVision in collaboration with the FDA initiated a recall of limited lots of Avaira Toric contact lenses which in November of 2011 was expanded to include limited lots of Avaira Sphere contact lenses. This recall is ongoing and requires authorization of the FDA to return the Avaira Toric product to market. Recalls of any of our products, including any expansion of the ongoing Avaira recall, may divert managerial and financial resources and have an adverse effect on our financial condition and results of operations. A recall, including the ongoing Avaira recall, could harm our reputation with customers and consumers which could reduce the sales of our products. In addition, the FDA or other foreign governmental agencies may implement enforcement actions in connection with a recall which could impair our product offerings and be harmful to our business and financial results.

Changes in legislation and government regulation of the healthcare industry as well as third-party payors' efforts to control the costs of healthcare could materially adversely affect our business.

In recent years, an increasing number of healthcare reform proposals have been formulated by the legislative and executive branches of the United States federal and state governments. In March 2010, the President signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, which we refer to collectively as the Health Care Reform Law. The Health Care Reform Law makes extensive changes to the delivery of health care in the United States. Among the provisions of the Health Care Reform Law of greatest importance to the medical device industry are the following:

A deductible 2.3 percent excise tax on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions, effective January 1, 2013;

Table of Contents

A new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;

New reporting and disclosure requirements on medical device manufacturers for any transfer of value made or distributed to prescribers and other healthcare providers, effective March 30, 2013;

Payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models, beginning on or before January 1, 2013;

Creation of the Independent Payment Advisory Board which, beginning in 2014, will have authority to recommend certain changes to reduce Medicare spending and those recommendations could have the effect of law even if Congress doesn't act on the recommendations; and

Establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services to test innovative payment and service delivery models to lower Medicare and Medicaid spending, beginning by January 1, 2011.

These measures could result in decreased net revenues from our medical device products and decrease potential returns from our development efforts. Many of the details regarding the implementation of the Health Care Reform Law are yet to be determined, and at this time, it remains unclear the full effect that the Health Care Reform Law would have on our business.

Also, any adoption of healthcare reform proposals on a state-by-state basis could require us to develop state-specific marketing and sales approaches. In addition, we may experience pricing pressures in connection with the sale of our products due to additional legislative proposals or healthcare reform initiatives, including those initiatives affecting coverage and reimbursement for our products. Future legislation and regulations may adversely affect the growth of the market for our products or demand for our products. We cannot predict the effect such reforms or the prospect of their enactment may have on our business.

In addition, third-party payors, whether governmental or commercial, whether inside the United States or abroad, increasingly attempt to contain or reduce the costs of healthcare. These cost-control methods include prospective payment systems, capitated rates, group purchasing, redesign of benefits, requiring pre-authorizations or second opinions prior to certain medical procedures, encouragement of healthier lifestyles and exploration of more cost-effective methods of delivering healthcare. Although cost controls or other requirements imposed by third-party payors 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.

The costs of complying with the requirements of federal laws pertaining to the privacy and security of health information and the potential liability associated with failure to do so could materially adversely affect our business and results of operations.

Other federal legislation affects the manner in which we use and disclose health information. The Health Insurance Portability and Accountability Act of 1996, or 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 United States Department of Health and Human Services (HHS) has released several rules mandating the use of specified standards with respect to certain healthcare transactions and health information. The electronic transactions rule

Table of Contents

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 privacy rule imposes standards governing the use and disclosure of individually identifiable health information. The security rule released by HHS establishes minimum standards for the security of electronic health information, and requires the adoption of administrative, physical and technical safeguards.

Additionally, the Health Information Technology for Economic and Clinical Health (HITECH) Act of 2009 was signed into law as part of the America's Recovery and Reinvestment Act in February 2009. Previously, HIPAA directly regulated only certain covered entities, such as health care providers and health plans. Under the HITECH Act, certain of HIPAA's privacy and security standards are now also directly applicable to covered entities' business associates. As a result, business associates are now subject to civil and criminal penalties for failure to comply with applicable privacy and security rule requirements. Moreover, the HITECH Act set forth new notification requirements for health data security breaches, increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorney's fees and costs associated with pursuing federal actions.

While we do not believe that we are a covered entity or a business associate under HIPAA, many of our customers may be covered entities or business associates subject to HIPAA. Some customers as an expectation of transacting business with us may require us to enter into business associate agreements, which would obligate us to safeguard and restrict the manner in which we use certain protected health information (as defined by HIPAA) we obtain in the course of our commercial relationship with them, triggering potential liability on us for failure to meet our contractual obligations. Alternatively, some customers may limit the scope of our commercial relationship with them with regard to our access to certain protected health information. Pursuant to the HITECH Act, if the government determines that we are a business associate, we could be additionally subject to direct governmental enforcement for failure to comply with certain privacy and security requirements. The costs of complying with these contractual obligations and new legal and regulatory requirements, and the potential liability associated with failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Laws pertaining to healthcare fraud and abuse could materially adversely affect our business, financial condition and results of operations.

We may be subject to various federal, state and foreign laws pertaining to healthcare fraud and abuse, including anti-kickback laws, physician self-referral laws and false claims 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. Similarly, if the physicians or other providers or entities with whom we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could indirectly have a negative impact on our business, financial condition and results of operations. 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 our practices to be in compliance with these laws. Indeed, recent changes in state laws and model codes of ethics have already required us to alter certain of our

Table of Contents

compliance efforts. For example, in April of 2009, Massachusetts issued regulations governing the conduct of pharmaceutical and medical device manufacturers with respect to healthcare practitioners. This regulation became effective on July 1, 2009 and sets forth what medical device manufacturers may and may not permissibly do with respect to providing meals, sponsoring continuing medical education and otherwise providing payments or items of economic benefit to healthcare practitioners located within the state. Additionally, the regulation requires medical device manufacturers to have in place robust fraud and abuse compliance programs. Other states (e.g., California, Vermont and Nevada) have adopted similar laws. The Advanced Medical Technology Association (AdvaMed), a trade association representing the interests of medical device manufacturers, has also recently released a revised code of ethics outlining permissible interactions with health care professionals. This code became effective July 1, 2009. These laws, regulations and guidance documents act to limit our marketing practices, require the dedication of resources to ensure compliance, and expose us to additional liabilities.

In addition, the recent Health Care Reform Law, among other things, amends the intent requirement of the federal Anti-Kickback Statute and certain criminal healthcare fraud statutes so that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The Health Care Reform Law also provides that the government may assert that a claim including items or services resulting from a violation of these statutes constitutes a false or fraudulent claim for purposes of the civil False Claims Act or the civil monetary penalties statute.

Any violations of these laws or regulations could result in a material adverse effect on our business, financial condition and results of operations. In addition, changes in these laws, regulations, or administrative or judicial interpretations, may require us to further change our business practices or subject our existing business practices to legal challenges, which could have a material adverse effect on our business, financial condition and results of operations.

Item 1B. *Unresolved Staff Comments.*

None.

Table of Contents**Item 2. Properties.**

The following is a summary of Cooper's principal facilities as of October 31, 2011. Cooper generally leases its office and operations facilities but owns several manufacturing and research and development facilities, including 205,850 square feet in Hamble, United Kingdom, 49,500 square feet in Scottsville, New York, and 33,630 square feet in Stafford, Texas. Our lease agreements expire at various dates through the year 2030. The Company believes its properties are suitable and adequate for its businesses.

Location	Approximate Square Feet	Operations
AMERICAS		
United States		
California	94,804	Executive offices; CooperVision research & development and CooperVision administrative offices; CooperSurgical manufacturing and distribution
New York	390,277	CooperVision manufacturing, marketing, distribution and administrative offices
Connecticut	210,837	CooperSurgical manufacturing, marketing, distribution, research & development and administrative offices
Texas	33,630	CooperSurgical manufacturing
Puerto Rico		
Juana Diaz	333,124	CooperVision manufacturing and distribution
Canada		
Ontario	10,962	CooperVision marketing
Brazil		
Sao Paulo	16,576	CooperVision marketing and distribution
EMEA		
United Kingdom		
Hampshire	460,027	CooperVision manufacturing, marketing, distribution, research & development and administrative offices
Belgium		
Liege	119,146	CooperVision distribution
Germany		
Berlin	12,916	CooperSurgical manufacturing and distribution
Frankfurt	9,964	CooperVision marketing and distribution
Italy		
Milan	29,150	CooperVision marketing and distribution
Spain		
Madrid	28,837	CooperVision marketing and distribution
South Africa		
Johannesburg	12,378	CooperVision marketing and distribution
France		
Nice	12,184	CooperVision marketing and distribution
ASIA PACIFIC		
Japan	72,971	CooperVision manufacturing, marketing, distribution and administrative offices
Australia	29,863	CooperVision manufacturing, marketing, distribution and administrative offices
Other Pacific Rim	30,201	CooperVision marketing and distribution

Table of Contents

Item 3. Legal Proceedings.

Tax Matter

On April 1, 2011, the Internal Revenue Service (IRS) issued a Notice of Deficiency to the Company in connection with its audit of the Company's income tax returns for the years 2005 and 2006. The Notice asserts that the Company is subject to additional taxes due to a proposed adjustment under the anti-deferral provisions of Subpart F of the Internal Revenue Code. If sustained, such taxes should be offset by the Company's existing federal net operating loss carryforwards leaving a \$1.2 million balance of proposed taxes owed. The Company intends to defend its positions taken in its income tax returns vigorously. However, if the IRS's contentions were sustained, the Company's existing federal net operating loss carryforwards could be materially reduced, which could result in a material adverse effect on the Company's future net income.

Patent Litigation

On April 28, 2011, Rembrandt Vision Technologies, L.P. filed a lawsuit against CooperVision, Inc. in the United States District Court for the Eastern District of Texas alleging that CooperVision infringes U.S. Patent No. 5,712,327 entitled "Soft Gas Permeable Contact Lens Having Improved Clinical Performance," which was issued on January 28, 1998, to Sing-Hsiung Chang and Mei-Zyh Chang. The complaint alleged that CooperVision's infringing conduct includes, but is not limited to, making, using, selling or offering to sell silicone hydrogel contact lenses. The complaint sought an unspecified amount of damages, including treble damages, attorneys' fees and costs and an injunction preventing any alleged infringement. On October 27, 2011, Rembrandt dismissed its complaint in Texas and filed a complaint with the same allegations in the Middle District of Florida. On December 2, 2011, CooperVision and Rembrandt entered into a settlement of the litigation. Pursuant to the settlement agreement, CooperVision agreed to make a single lump-sum payment of \$10.0 million to Rembrandt, and Rembrandt granted a covenant not to sue under the 327 patent (and related domestic and foreign patents) to CooperVision and its suppliers, resellers, marketing partners and certain related individuals and entities. The parties also exchanged releases relating to the claims asserted in the litigation. The case will be dismissed with prejudice as part of the settlement.

Securities Litigation

On November 28, 2011, Harold Greenberg filed a lawsuit in the United States District Court for the Northern District of California, Case No. C11-05697 PJH, against the following defendants: the Company; Robert S. Weiss, its President, Chief Executive Officer and a director; Eugene J. Midlock, its Senior Vice President and Chief Financial Officer; and Albert G. White, III, its Vice President of Investor Relations, Treasurer and Chief Strategic Officer. Mr. Greenberg seeks to represent a class of persons who purchased the Company's common stock between March 4, 2011 and November 15, 2011.

The lawsuit alleges that the defendants violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 by, among other things, failing to disclose alleged problems at the Company's manufacturing plants in Puerto Rico and the United Kingdom, allegedly making material misstatements with an intent to deceive investors concerning the recall of the Company's Avaira Toric and Avaira Sphere contact lenses and the expected financial impact of the recalls, and allegedly making false projections of future financial results. The lawsuit seeks unspecified damages.

Table of Contents

The lawsuit has only recently been filed and there has been no discovery or other proceedings in the case. Accordingly, the Company is not in a position to assess whether any loss or adverse effect on the Company's financial condition is probable or remote or to estimate the range of potential loss, if any.

Item 4. *Submission of Matters to a Vote of Security Holders.*

During the fiscal fourth quarter of 2011, the Company did not submit any matters to a vote of the Company's security holders.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.**

Cooper's common stock, par value \$0.10 per share, is traded on the New York Stock Exchange under the symbol COO. In the table that follows, we indicate the high and low selling prices of our common stock for each three-month period of 2011 and 2010:

Quarterly Common Stock Price Range Years Ended October 31, Fiscal Quarter Ended	2011		2010	
	High	Low	High	Low
January 31	\$ 59.11	\$ 48.90	\$ 38.99	\$ 28.12
April 30	\$ 75.39	\$ 57.15	\$ 41.55	\$ 34.85
July 31	\$ 82.24	\$ 71.42	\$ 41.83	\$ 34.28
October 31	\$ 84.20	\$ 62.77	\$ 51.32	\$ 39.00

At November 30, 2011, there were 726 common stockholders of record.

Dividend Policy

Our current policy is to pay annual cash dividends on our common stock of \$0.06 per share, in two semiannual payments of \$0.03 per share each. In dollar terms, we paid cash for dividends of about \$2.8 million in fiscal 2011 and \$2.7 million in fiscal 2010. Dividends are paid when, as and if declared at the discretion of our board of directors from funds legally available for that purpose. Our board of directors periodically reviews our dividend policy and considers the Company's earnings, financial condition, liquidity needs, business plans and opportunities and other factors in making and setting dividend policy.

Performance Graph

The following graph compares the cumulative total return on the Company's common stock with the cumulative total return of the Standard & Poor's Smallcap 600 Stock Index (which includes the Company) and the Standard & Poor's Health Care Equipment Index for the five-year period ended October 31, 2011. The graph assumes that the value of the investment in the Company and in each index was \$100 on October 31, 2006, and assumes that all dividends were reinvested.

Table of Contents

* \$100 invested on 10/31/06 in stock or index, including reinvestment of dividends. Fiscal year ending October 31.

Copyright© 2011 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

	10/06	10/07	10/08	10/09	10/10	10/11
The Cooper Companies, Inc.	\$ 100.00	\$ 72.97	\$ 28.68	\$ 48.87	\$ 86.22	\$ 121.20
S&P Smallcap 600	\$ 100.00	\$ 111.55	\$ 75.36	\$ 79.55	\$ 100.45	\$ 111.03
S&P Health Care Equipment	\$ 100.00	\$ 110.26	\$ 95.10	\$ 90.85	\$ 94.49	\$ 100.72

Table of Contents**Equity Compensation Plan Information**

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights ⁽¹⁾ (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by shareholders ⁽²⁾	3,523,842	\$ 47.10	2,655,851
Equity compensation plans not approved by shareholders		\$	
Total	3,523,842	\$ 47.10	2,655,851

⁽¹⁾ The amount of total securities to be issued under Company equity plans shown in Column A includes 575,145 restricted stock units granted pursuant to the Company's equity plans. These awards allow for the distribution of shares to the grant recipient upon the completion of time-based holding periods and do not have an associated exercise price. Accordingly, these awards are not reflected in the weighted-average exercise price disclosed in Column B. Amounts in Column A do not reflect performance share awards without a final payout.

⁽²⁾ Includes information with respect to the Second Amended and Restated 2007 Long-Term Incentive Plan for Employees of The Cooper Companies, Inc. (the 2007 Plan), which was approved by stockholders on March 16, 2011, and provides for the issuance of up to 5,320,000 shares of common stock; and the Second Amended and Restated 2006 Long Term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc. (the 2006 Directors' Plan), which was approved by stockholders on March 16, 2011 and provides for the issuance of up to 950,000 shares of common stock.

As of October 31, 2011, up to 2,300,285 shares of common stock may be issued pursuant to the 2007 Plan and 355,566 shares of common stock may be issued pursuant to the 2006 Directors' Plan. The 1996 Long Term Incentive Plan for Non-Employee Directors and the Second Amended and Restated 2001 Long Term Incentive Plan of The Cooper Companies, Inc., were originally approved by stockholders on March 21, 1996 and March 28, 2001, respectively. Both plans have expired by their terms, but up to 1,626,612 shares of common stock may be issued pursuant to awards that remain outstanding under these plans.

Table of Contents**Item 6. Selected Financial Data.****Five Year Financial Highlights**

Years Ended October 31,				2008 ⁽¹⁾ (As Adjusted)	2007 ⁽¹⁾ (As Adjusted)
(In thousands, except per share amounts)	2011	2010	2009		
Consolidated Operations					
Net sales	\$ 1,330,835	\$ 1,158,517	\$ 1,080,421	\$ 1,047,375	\$ 945,240
Gross profit	\$ 804,804	\$ 676,723	\$ 596,494	\$ 610,030	\$ 519,531
Income (loss) before income taxes	\$ 192,764	\$ 124,426	\$ 114,828	\$ 73,962	\$ (2,543)
Provision for income taxes	17,334	11,623	14,280	10,006	10,826
Net income (loss)	\$ 175,430	\$ 112,803	\$ 100,548	\$ 63,956	\$ (13,369)
Diluted earnings (loss) per share	\$ 3.63	\$ 2.43	\$ 2.21	\$ 1.42	\$ (0.30)
Number of shares used to compute diluted earnings per share	48,309	46,505	45,478	45,117	44,707
Dividends paid per share	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06
Consolidated Financial Position					
Current assets	\$ 540,347	\$ 491,340	\$ 503,878	\$ 526,032	\$ 519,767
Property, plant and equipment, net	609,205	593,887	602,568	602,654	604,530
Goodwill	1,276,567	1,261,976	1,257,029	1,251,699	1,289,584
Other intangible assets, net	128,341	114,177	114,700	130,587	145,833
Other assets	70,058	63,638	73,732	76,644	38,700
	\$ 2,624,518	\$ 2,525,018	\$ 2,551,907	\$ 2,587,616	\$ 2,598,414
Short-term debt	\$ 52,979	\$ 19,159	\$ 9,844	\$ 43,013	\$ 46,514
Other current liabilities	214,227	180,361	165,570	212,394	240,691
Long-term debt	327,453	591,977	771,630	861,781	830,116
Other liabilities	92,371	66,745	64,521	53,352	20,086
Total liabilities	687,030	858,242	1,011,565	1,170,540	1,137,407
Stockholders' equity	1,937,488	1,666,776	1,540,342	1,417,076	1,461,007
	\$ 2,624,518	\$ 2,525,018	\$ 2,551,907	\$ 2,587,616	\$ 2,598,414

⁽¹⁾ On November 1, 2009, the Company adopted and retrospectively applied Financial Accounting Standards Board Accounting Standards Codification 470-20, *Debt With Conversion and Other Options* (ASC 470-20), in connection with the Company's \$115.0 million 2.625% Convertible Senior Debentures that were repurchased on July 1, 2008. The retrospective application of ASC 470-20 resulted in a \$1.5 million decrease in net income for the year ended October 31, 2008 and a \$2.2 million increase in the net loss for the year ended October 31, 2007. With the adoption of ASC 470-20, there was no adjustment to the Company's financial position at October 31, 2008; at October 31, 2007 the Company's financial position was adjusted to increase total assets by \$2.2 million, total liabilities by \$0.7 million and

stockholders' equity by \$1.5 million.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Note numbers refer to the Notes to Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

RESULTS OF OPERATIONS

We discuss below the results of our operations for fiscal 2011 compared with fiscal 2010 and the results of our operations for fiscal 2010 compared with fiscal 2009. Certain prior period amounts have been reclassified to conform to the current period's presentation. We discuss our cash flows and current financial condition under Capital Resources and Liquidity.

Outlook

Overall, we remain optimistic about the long-term prospects for the worldwide contact lens and women's healthcare markets. However, events affecting the economy as a whole, including the uncertainty and instability of global markets driven by employment, housing and credit concerns, the European debt crisis and the recent downgrade of long-term U.S. sovereign debt continue to represent a risk to our forecasted performance for fiscal year 2012 and beyond.

We compete in the worldwide contact lens market with our spherical, toric and multifocal contact lenses offered in a variety of materials including using phosphorylcholine (PC) Technology and silicone hydrogel Aquaform® technology. We believe that there will be lower contact lens wearer dropout rates as technology improves and enhances the wearing experience through a combination of improved designs and materials and the growth of preferred modalities such as single-use and monthly wearing options. CooperVision is focused on greater worldwide market penetration as we roll out new products and continue to expand our presence in existing and emerging markets.

Sales of contact lenses utilizing silicone hydrogel materials, a major product material in the industry, have grown significantly. In the past three years, CooperVision launched monthly silicone hydrogel spherical, toric and multifocal lens products under our Biofinity® brand and two-week silicone hydrogel spherical and toric lens products under our Avaira brand. In fiscal 2011, we launched our Biofinity spherical silicone hydrogel lens in Japan and our Biofinity multifocal lens globally. While we believe that we have high quality silicone hydrogel contact lens products, our future growth may be limited by our late entry into the silicone hydrogel segment of the market. For example, competitive silicone hydrogel single-use and multifocal lens products are gaining market share and represent a risk to our business. We have not yet marketed a silicone hydrogel single-use product. Our ability to compete successfully with a full range of silicone hydrogel products is an important factor to achieving our projected future levels of sales growth and profitability.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

In August 2011, CooperVision initiated a recall on limited lots of Avaira Toric contact lenses. In November 2011, this recall was expanded to cover limited lots of Avaira Sphere contact lenses. The recall was initiated because of the level of a residue (silicone oil) on certain lenses. The residue may cause hazy vision, severe eye pain or an eye injury. The manufacturing issue has been identified and process changes have been implemented. These process changes are subject to review by the United States Food and Drug Administration. Avaira Toric and Avaira Sphere lenses that are subject to the

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

recall represent less than 2% of the Company's fiscal 2011 net sales. Avaira Sphere lenses remain on the market, while Avaira Toric lenses are awaiting FDA authorization to return to the market. This recall is limited solely to specific lots of Avaira Toric and Avaira Sphere contact lenses and no other CooperVision products are involved in this recall.

We are also in the process of developing a number of new contact lens products to enhance CooperVision's worldwide product lines. New products planned for introduction over the next two years include additional lenses utilizing silicone hydrogel and PC Technology materials and new lens designs, including multifocal and single-use silicone hydrogel lenses.

The medical device segment of the women's healthcare market is highly fragmented. CooperSurgical has steadily grown its market presence and distribution system by developing products and acquiring products and companies that complement its business model. In fiscal 2011, CooperSurgical acquired Apple Medical, gaining its products including the OB/Mobius® Elastic Retractor used in cesarean sections, the Fischer Cone Biopsy Excisor used for cervical biopsies and the Apple-Hunt Secondary Trocar used in laparoscopic surgical procedures. CooperSurgical also acquired Summit Doppler Systems, Inc., gaining its hand-held obstetrical and vascular ultrasound doppler systems used for peripheral vascular testing and fetal monitoring applications. We intend to continue to invest in CooperSurgical's business through acquisitions of companies and product lines.

In the fiscal first quarter of 2011, we refinanced our syndicated Senior Unsecured Revolving Line of Credit due to mature on January 31, 2012, with a new Credit Agreement that provides for a multicurrency revolving credit facility in an aggregate principal amount of \$750.0 million and an amortizing term loan facility in an aggregate principal amount of \$250.0 million, each of which, mature on January 12, 2016. On February 15, 2011, we redeemed all \$339.0 million aggregate principal amount outstanding of our Senior Notes, in accordance with the terms of the Indenture, from borrowings under the new Credit Agreement, including \$250.0 million from the term loan facility. At October 31, 2011, we had \$650.7 million available under the Credit Agreement. We believe that our cash and cash equivalents, cash flow from operating activities and borrowing capacity under existing credit facilities will fund operations both in the next 12 months and in the longer term as well as current and long-term cash requirements for capital expenditures, acquisitions and cash dividends.

2011 Compared with 2010

Highlights: 2011 vs. 2010

Net sales up 15% to \$1.3 billion from \$1.2 billion in fiscal year 2010.

Gross margin 60% of net sales up from 58%.

Operating income up 20% to \$227.6 million from \$189.9 million.

Interest expense down 53% to \$17.3 million from \$36.7 million.

Diluted earnings per share up 49% to \$3.63 from \$2.43.

Operating cash flow \$336.3 million up 26% from \$267.7 million.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)**

Pre-tax results include in the current year a reserve of \$20.4 million related to the limited recall of Avaira contact lenses, costs of \$16.5 million related to the redemption of our Senior Notes, a \$10.0 million charge related to the settlement of all claims in a patent infringement lawsuit and restructuring costs of \$1.9 million related to the CooperVision manufacturing restructuring plan that was completed in fiscal 2011. In the prior year, pre-tax results included settlement charges of \$27.8 million related to the securities class action litigation and the derivative litigation and \$16.1 million related to the CooperVision manufacturing restructuring plan.

Selected Statistical Information Percentage of Net Sales and Growth

Years Ended October 31,	2011	% Change	2010	% Change	2009
Net sales	100%	15%	100%	7%	100%
Cost of sales	40%	9%	42%		45%
Gross profit	60%	19%	58%	13%	55%
Selling, general and administrative expense	38%	18%	37%	11%	36%
Research and development expense	3%	24%	3%	6%	3%
Amortization of intangibles	2%	14%	2%	1%	2%
Operating income	17%	20%	16%	27%	14%

Net Sales

Cooper's two business units, CooperVision and CooperSurgical, generate all of its sales.

CooperVision produces a broad range of monthly, two-week and single-use contact lenses, featuring advanced materials and optics. CooperVision brings a commitment to solving the toughest vision challenges such as astigmatism, presbyopia and ocular dryness; with a broad collection of spherical, toric and multifocal contact lenses.

CooperSurgical develops, manufactures and markets medical devices and procedure solutions to improve healthcare delivery to women regardless of the clinical setting.

Net Sales Growth by Business Unit

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Our consolidated net sales grew by \$172.3 million in fiscal 2011 and \$78.1 million in 2010:

(\$ in millions)	2011 vs. 2010	% Change	2010 vs. 2009	% Change
CooperVision	\$ 150.6	16%	\$ 61.0	7%
CooperSurgical	21.7	12%	17.1	10%
	\$ 172.3	15%	\$ 78.1	7%

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

CooperVision Net Sales

The contact lens market has two major product categories:

Spherical lenses including lenses that correct near- and farsightedness uncomplicated by more complex visual defects.

Toric and multifocal lenses including lenses that, in addition to correcting near- and farsightedness, address more complex visual defects such as astigmatism and presbyopia by adding optical properties of cylinder and axis, which correct for irregularities in the shape of the cornea.

In order to achieve comfortable and healthy contact lens wear, products are sold with recommended replacement schedules, often defined as modalities, with the primary modalities being single-use, two-week and monthly. CooperVision offers spherical, aspherical, toric, multifocal and toric multifocal lens products in most modalities.

The contact lens market consists primarily of disposable and frequently replaced lenses. Disposable lenses are designed for either daily, two-week or monthly replacement; frequently replaced lenses are designed for replacement after one to three months. Significantly, the market for spherical lenses is growing with value-added spherical lenses to alleviate dry eye symptoms as well as lenses with aspherical optical properties or higher oxygen permeable lenses such as silicone hydrogels.

CooperVision's Proclear® brand aspheric, toric and multifocal contact lenses, manufactured using proprietary phosphorylcholine (PC) Technology, help enhance tissue/device compatibility and offer improved lens comfort.

CooperVision's Biofinity brand silicone hydrogel spherical, toric and multifocal contact lenses and Avaira brand spherical and toric products are manufactured using proprietary Aquaform technology to increase oxygen transmissibility for longer wear. We believe that it is important to develop a full range of multifocal and single-use silicone hydrogel products due to increased pressure from silicone hydrogel products offered by our major competitors.

Net sales growth includes increases in single-use spheres up 18% and total spheres up 12%. Total toric lenses grew 16%, including 26% growth of single-use toric lenses, and multifocal lenses grew 4%. Silicone hydrogel products grew 49% worldwide. Proclear products increased 10% driven by growth of single-use lenses. Older conventional lens products and cosmetic lenses declined 13% and 17%, respectively.

CooperVision competes in the worldwide soft contact lens market and services three primary regions: the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)****CooperVision Net Sales by Region**

(\$ in millions)	2011	2010	Growth
Americas	\$ 469.7	\$ 432.8	9%
EMEA	398.5	351.8	13%
Asia Pacific	252.9	185.9	36%
	\$ 1,121.1	\$ 970.5	16%

CooperVision's worldwide net sales grew 16% in the period-to-period comparison. Americas net sales grew 9%, primarily due to market gains of CooperVision's silicone hydrogel contact lenses and single-use lenses. In our fiscal first quarter of 2010, we recorded \$10.1 million of reductions to Americas net sales due to out-of-period adjustments to increase accruals for rebates that were under-accrued in fiscal 2009. EMEA net sales grew 13% driven by increases in sales of silicone hydrogel lenses and single-use lenses. Net sales to the Asia Pacific region grew 36%, primarily due to sales growth of single-use spherical and toric products and silicone hydrogel lenses; these results include sales of \$31.3 million related to product lines acquired on December 1, 2010 from Asahikasei Aime Co., Ltd.

CooperVision's net sales growth is driven primarily by increases in the volume of lenses sold and introduction of new products, primarily silicone hydrogel lenses, along with acquisitions and the favorable effect of foreign currency exchange rate fluctuations. While unit growth and product mix have influenced CooperVision's sales growth, average realized prices by product have not materially influenced sales growth.

CooperSurgical Net Sales

CooperSurgical's fiscal 2011 net sales increased 12% from fiscal 2010 to \$209.7 million with net sales growth excluding acquisitions of 8%. Sales of products used in surgical procedures grew 23% and represented 37% of CooperSurgical's fiscal 2011 net sales compared to 33% in the prior fiscal year. CooperSurgical sales are primarily comprised of women's healthcare products used by gynecologists and obstetricians in both office and surgical procedures. The balance consists of sales of medical devices outside of women's healthcare which CooperSurgical does not actively market. Unit growth and product mix along with increased average realized prices on disposable products influenced organic sales growth.

2010 Compared with 2009

Highlights: 2010 vs. 2009

Net sales up 7% to \$1.2 billion from \$1.08 billion in fiscal year 2009.

Gross margin 58% of net sales up from 55%.

Operating income up 27% to \$189.9 million from \$149.9 million.

Interest expense down 17% to \$36.7 million from \$44.1 million.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)**

Diluted earnings per share up 10% to \$2.43 from \$2.21.

Operating cash flow \$267.7 million up 20% from \$223.1 million.

Selected Statistical Information Percentage of Net Sales and Growth

Years Ended October 31,	2010	% Change	2009	% Change	2008
Net sales	100%	7%	100%	3%	100%
Cost of sales	42%		45%	11%	42%
Gross profit	58%	13%	55%	(2%)	58%
Selling, general and administrative expense	37%	11%	36%	(9%)	41%
Research and development expense	3%	6%	3%	(6%)	3%
Amortization of intangibles	2%	1%	2%	6%	2%
Operating income	16%	27%	14%	18%	12%

Net Sales Growth by Business Unit

Our consolidated net sales grew by \$78.1 million in fiscal 2010 and \$33.1 million in 2009:

(\$ in millions)	2010 vs. 2009	% Change	2009 vs. 2008	% Change
CooperVision	\$ 61.0	7%	\$ 30.5	3%
CooperSurgical	17.1	10%	2.6	2%
	\$ 78.1	7%	\$ 33.1	3%

CooperVision Net Sales

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Net sales growth includes increases in single-use spheres up 12% and total spheres up 9%. Total toric lenses grew 13%, including 24% growth of single-use toric lenses, and multifocal lenses grew 1%. Silicone hydrogel spherical and toric lenses grew 108% worldwide. Proclear products increased 9% driven by growth of single-use lenses. Older conventional lens products and cosmetic lenses declined 14% and 12%, respectively.

CooperVision Net Sales by Region

(\$ in millions)	2010	2009	Growth
Americas	\$ 432.8	\$ 392.8	10%
EMEA	351.8	345.1	2%
Asia Pacific	185.9	171.6	8%
	\$ 970.5	\$ 909.5	7%

CooperVision's worldwide net sales grew 7% in the period-to-period comparison. Americas net sales grew 10%, primarily due to market gains of CooperVision's silicone hydrogel spherical and toric

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)**

lenses and single-use lenses. In our fiscal first quarter of 2010, we recorded \$10.1 million of reductions to Americas net sales due to out-of-period adjustments to increase accruals for rebates that were under-accrued in fiscal 2009. EMEA net sales grew 2% in the period driven by increases in sales of silicone hydrogel lenses and single-use lenses. Net sales to the Asia Pacific region grew 8%, primarily due to sales growth of single-use spherical and toric products and silicone hydrogel lenses.

CooperVision's net sales growth is driven primarily through increases in the volume of lenses sold and introduction of new products, primarily silicone hydrogel lenses. While unit growth and product mix have influenced CooperVision's sales growth, average realized prices by product have not materially influenced sales growth.

CooperSurgical Net Sales

CooperSurgical's fiscal 2010 net sales increased 10% from fiscal 2009 to \$188.0 million with net sales growth excluding acquisitions of 6%. Sales of products used in surgical procedures grew 18% and represented 33% of CooperSurgical's fiscal 2010 net sales compared to 31% in fiscal 2009. CooperSurgical sales are primarily comprised of women's healthcare products used by gynecologists and obstetricians in both office and surgical procedures. The balance consists of sales of medical devices outside of women's healthcare which CooperSurgical does not actively market. Unit growth and product mix along with increased average realized prices on disposable products influenced organic sales growth.

2011 Compared to 2010 and 2010 Compared to 2009**Cost of Sales/Gross Profit**

Gross Profit Percentage of Net Sales	2011	2010	2009
CooperVision	60%	57%	54%
CooperSurgical	65%	64%	60%
Consolidated	60%	58%	55%

The increases in CooperVision's gross margin are largely attributable to improvements in manufacturing efficiencies and product mix, primarily the shift to higher margin silicone hydrogel products. CooperVision's gross margin in the current year was negatively impacted by the \$20.2 million reserve for inventory and return provisions related to the recall of certain lots of Avaira contact lenses discussed above. Gross margin also reflects efficiencies associated with the 2009 CooperVision Manufacturing restructuring plan. Costs associated with the plan, recorded as cost of sales, were \$1.9 million for fiscal 2011, \$16.0 million for fiscal 2010 and \$5.0 million for fiscal 2009. As discussed below, these costs are primarily severance charges and accelerated depreciation, and we do not expect to incur similar costs related to this manufacturing restructuring plan in future periods. Gross margin for fiscal 2010 reflects the increase in accruals for rebates discussed above. Gross margin in fiscal 2009

Edgar Filing: COOPER COMPANIES INC - Form 10-K

included costs associated with fixed asset write offs; such costs were not significant in fiscal 2011 or 2010.

The increase in CooperSurgical's gross margin for fiscal 2011 is largely attributable to manufacturing efficiency improvements and product mix including higher margins on products used in surgical

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)**

procedures that represented 37% of net sales in fiscal 2011 compared to 33% in fiscal 2010 and 31% in fiscal 2009. CooperSurgical's gross margin in fiscal 2010 includes the recognition of a one-time \$1.5 million favorable settlement resolving a vendor dispute.

Selling, General and Administrative Expense (SGA)

(\$ in millions)	2011	% Net Sales	2010	% Net Sales	2009	% Net Sales
CooperVision	\$ 410.2	37%	\$ 343.0	35%	\$ 309.9	34%
CooperSurgical	70.6	34%	61.6	33%	53.7	31%
Headquarters	32.3		28.5		28.0	
	\$ 513.1	38%	\$ 433.1	37%	\$ 391.6	36%

Consolidated SGA increased 18% in fiscal 2011 and 11% in fiscal 2010.

The 20% increase in CooperVision's SGA in fiscal 2011 in absolute dollars as well as the increase as a percentage of net sales are primarily due to our increased investment in sales and marketing to reach new customers and to promote our silicone hydrogel products as well as the patent infringement settlement discussed below.

The 15% increase in CooperSurgical's SGA in fiscal 2011 in absolute dollars as well as the increase as a percentage of sales are primarily due to increased selling and marketing costs to support higher sales and anticipated further growth along with legal expenses related to business acquisitions during the period.

Corporate headquarters' SGA increased 14% in fiscal 2011 primarily due to increased legal costs and share-based compensation expense partially offset by reduced consulting fees.

Research and Development Expense

(\$ in millions)	2011	2010	2009
------------------	------	------	------

Edgar Filing: COOPER COMPANIES INC - Form 10-K

		% Net Sales		% Net Sales		% Net Sales
CooperVision	\$ 37.0	3%	\$ 29.9	3%	\$ 28.9	3%
CooperSurgical	6.6	3%	5.4	3%	4.4	3%
	\$ 43.6	3%	\$ 35.3	3%	\$ 33.3	3%

CooperVision research and development expense increased 24% in fiscal 2011 as compared to fiscal 2010 primarily due to investments in new technologies, clinical trials and increased headcount. CooperVision's research and development activities include programs to develop disposable silicone hydrogel products and product lines utilizing PC Technology. In fiscal 2009, CooperVision recorded a \$3.0 million in-process research and development charge related to the acquisition of certain distribution rights.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

CooperSurgical research and development expense increased 23% in fiscal 2011 as compared to fiscal 2010, primarily due to investments in the design of the next generation product line of uterine manipulators. Other research and development activities include the upgrade and expansion of CooperSurgical's portfolio of assisted reproductive technology products as well as products within the general obstetrics and gynecology offerings.

Restructuring Costs

2009 CooperVision Manufacturing Restructuring Plan

In the fiscal third quarter of 2009, CooperVision initiated a restructuring plan to relocate contact lens manufacturing from Norfolk, Virginia, and transfer part of its contact lens manufacturing from Adelaide, Australia, to existing manufacturing operations in Juana Diaz, Puerto Rico, and Hamble, UK (2009 CooperVision Manufacturing restructuring plan). This plan is intended to better utilize CooperVision's manufacturing efficiencies and reduce its manufacturing expenses through a reduction in workforce of approximately 480 employees.

CooperVision completed restructuring activities in Adelaide in our fiscal third quarter of 2010 and in Norfolk in our fiscal first quarter of 2011.

The total restructuring costs under this plan were approximately \$23.1 million, with \$15.4 million associated with assets, including accelerated depreciation and facility lease and contract termination costs, and \$7.7 million associated with employee benefit costs, including severance payments, termination benefit costs, retention bonus payouts and other similar costs. These costs were reported as cost of sales or restructuring costs in our Consolidated Statements of Income.

In fiscal 2011, \$1.9 million, including \$0.8 million of employee benefit costs and \$1.1 million of costs associated with assets, primarily non-cash, were reported in cost of sales. In fiscal 2010, \$16.1 million, including \$3.3 million of employee benefit costs and \$12.8 million of costs associated with assets, primarily non-cash, were reported as \$16.0 million in cost of sales and \$0.1 million in restructuring costs. In fiscal 2009, \$5.1 million including \$3.6 million of employee benefit costs and \$1.5 million of non-cash costs associated with assets were reported as \$5.0 million in cost of sales and \$0.1 million in restructuring costs.

The Company may, from time to time, decide to pursue additional restructuring activities that involve charges in future periods.

Amortization of Intangibles

Amortization of intangibles was \$20.5 million in fiscal 2011, \$18.1 million in fiscal 2010 and \$17.9 million in fiscal 2009. Amortization expense in fiscal 2009 includes a \$1.5 million charge for a CooperSurgical license that no longer had value.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)****Operating Income**

Operating income grew \$77.7 million, or 52%, between fiscal 2009 and fiscal 2011, increasing \$37.7 million or 20% in fiscal 2011 from fiscal 2010 and \$40.0 million or 27% in fiscal 2010 from fiscal 2009.

(\$ in millions)	2011	% Net Sales	2010	% Net Sales	2009	% Net Sales
CooperVision	\$ 207.5	19%	\$ 171.3	18%	\$ 138.3	15%
CooperSurgical	52.4	25%	47.1	25%	39.6	23%
Headquarters	(32.3)		(28.5)		(28.0)	
	\$ 227.6	17%	\$ 189.9	16%	\$ 149.9	14%
Percent growth	20%		27%		18%	

The increase in consolidated operating income in fiscal 2011 both in absolute dollars and as a percentage of net sales was primarily due to the increase in gross profit of 19%, partially offset by increases in operating expenses of 19%, the Avaira recall discussed above and the settlement with Rembrandt discussed below.

Interest Expense

Interest expense decreased 53% to \$17.3 million in 2011 constituting 1% of net sales in fiscal 2011 as compared to 3% of net sales in the fiscal 2010. The fiscal 2011 decrease reflects lower interest rates primarily as a result of the redemption of our Senior Notes in February 2011 and lower average debt in the current period. Interest expense decreased 17% to \$36.7 million in fiscal 2010 and decreased 17% to \$44.1 million in 2009. The fiscal 2010 and 2009 decreases primarily reflect reduced long-term borrowings used for capital expenditures and lower interest rates. We had \$339.7 million in loans on our Credit Agreement at October 31, 2011, compared to \$591.8 million at October 31, 2010.

Extinguishment of Debt

In February 2011, we redeemed all \$339.0 million aggregate principal amount outstanding of our Senior Notes issued on January 31, 2007. In accordance with the Indenture, the redemption price for the Notes was 103.563% of their principal amount plus accrued and unpaid interest to February 15, 2011, the redemption date. In our fiscal second quarter of 2011, we recorded a \$16.5 million loss on the repurchase that includes

Edgar Filing: COOPER COMPANIES INC - Form 10-K

the write-off of approximately \$4.4 million of unamortized costs and the redemption premium of \$12.1 million related to the Senior Notes in our Consolidated Statement of Income. The Company paid the aggregate purchase price from borrowings under its new Credit Agreement, including \$250.0 million from the term loan facility.

In December 2008, we purchased through the open market, in a privately negotiated transaction, \$11.0 million in aggregate principal amount of our 7.125% Senior Notes at a discounted price of approximately \$9.0 million plus accrued and unpaid interest. We also wrote off approximately \$0.2 million of unamortized costs related to the Senior Notes and recorded the \$1.8 million gain on the repurchase in other income in our Consolidated Statement of Income.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)****Settlements**

On December 2, 2011, CooperVision and Rembrandt Vision Technologies, L.P. entered into a settlement agreement whereby CooperVision agreed to make a lump sum payment of \$10.0 million to Rembrandt, and Rembrandt granted a covenant not to sue regarding patent infringement claims. The Company recorded a charge for the settlement in our fiscal fourth quarter of 2011.

The Company and several of its directors and officers had been named in a consolidated securities class action lawsuit, the nature and status of which is described in Note 12. Commitments and Contingencies. The Company announced on May 4, 2010, that it reached an agreement in principle and recorded a charge in our fiscal second quarter of 2010 to settle the consolidated class action lawsuit for \$27.0 million, which we funded into escrow in our fiscal fourth quarter of 2010. The Court granted final approval of the proposed settlement on December 13, 2010.

The Company also was a nominal defendant in shareholder derivative litigation against several current and former officers and directors of the Company. The Company reached a settlement agreement to pay attorney's fees of counsel to the plaintiffs in the amount of \$750 thousand. The Company recorded a charge for the settlement amount in our fiscal fourth quarter of 2010.

Other (Loss) Income, Net

Years Ended October 31, (In millions)	2011	2010	2009
Foreign exchange (loss) gain	\$ (1.0)	\$ (1.2)	\$ 7.0
Other, net	0.0	0.1	0.3
	\$ (1.0)	\$ (1.1)	\$ 7.3

The fiscal 2009 foreign exchange net gain is primarily due to the U.S. dollar strengthening against other currencies and an initiative we completed in the quarter related to intercompany transactions.

Provision for Income Taxes

Edgar Filing: COOPER COMPANIES INC - Form 10-K

We recorded income tax expense of \$17.3 million in fiscal 2011 compared to \$11.6 million in fiscal 2010. Cooper's effective tax rate (ETR) (provision for income taxes divided by pretax income) for both fiscal 2011 and 2010 was about 9%.

The ETR is below the United States statutory rate as a majority of our income is earned in foreign jurisdictions with lower tax rates reflecting the shift in the geographic mix of income during recent periods with income earned in foreign jurisdictions increasing as compared to income earned in the United States. As a result, the ratio of domestic income to worldwide income primarily within CooperVision has decreased over recent fiscal periods. A reduction in the ratio of domestic income to worldwide income effectively lowers the overall tax rate due to the fact that the tax rates in the majority of foreign jurisdictions where the Company operates are significantly lower than the statutory rate in the United States. The completion of the Company's restructuring plan to close a CooperVision manufacturing facility, located in Norfolk, Virginia, with the manufacturing demand subsequently

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

absorbed by our plants in the United Kingdom and Puerto Rico contributed to this change in the geographic mix of income. As a result of this restructuring, substantially all of CooperVision's contact lens products are manufactured outside of the United States.

Additionally, in fiscal 2011, the Company recorded a \$16.5 million domestic loss on the repurchase of its Senior Notes that included the write off of about \$4.4 million of unamortized costs and the redemption premium of \$12.1 million. This impacted the Company's tax provision and further reduced the overall effective tax rate.

Share-Based Compensation Plans

The Company grants various share-based compensation awards, including stock options, performance shares, restricted stock and restricted stock units. The share-based compensation and related income tax benefit recognized in the consolidated financial statements in fiscal 2011 was \$14.7 million and \$4.4 million, respectively, compared to \$10.2 million and \$3.2 million, respectively, in fiscal 2010. As of October 31, 2011, there was \$32.4 million of total unrecognized share-based compensation cost related to non-vested awards: \$7.2 million for stock options; \$19.0 million for restricted stock units; and \$6.2 million for performance shares. The unrecognized compensation is expected to be recognized over weighted average remaining vesting periods of 2.7 years for nonvested stock options, 2.9 years for restricted stock units and 1.8 years for performance shares. Cash received from options exercised under all share-based compensation arrangements for fiscal 2011, 2010 and 2009 was \$82.0 million, \$11.1 million and \$1.1 million, respectively.

The Company estimates the fair value of each stock option award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. The use of different assumptions could lead to a different estimate of fair value. The expected life of the stock option is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. If our assumption for the expected life increased by one year, the fair value of an individual option granted in fiscal 2011 would have increased by approximately \$1.50. To determine the stock price volatility, management considers implied volatility from publicly-traded options on the Company's stock at the date of grant, historical volatility and other factors. If our assumption for stock price volatility increased by one percentage point, the fair value of an individual option granted in fiscal 2011 would have increased by less than \$1.

The Company estimates stock option forfeitures based on historical data for each employee grouping, and adjusts the rate to expected forfeitures periodically. The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in the period the forfeiture estimate is changed. These adjustments totaled \$1.9 million, \$1.2 million and \$2.9 million in fiscal years 2011, 2010 and 2009, respectively.

The Company grants performance units that provide for the issuance of common stock to certain executive officers if the Company achieves specified long-term performance goals over a three-year period. The Company estimates the fair value of each award on the date of grant based on the current

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)**

market price of our common stock. The total amount of compensation expense recognized reflects our initial assumptions of the achievement of the performance goals and the estimated forfeiture rates. The Company reviews our assessment of the probability of the achievement of the performance goals each fiscal quarter. If achievement of the goals are not met or it is determined that achievement of the goals is not probable, previously recognized compensation expense is adjusted prospectively to reflect the expected achievement. If we determine that achievement of the goals will exceed the original assessment, additional compensation expense is recognized prospectively.

CAPITAL RESOURCES AND LIQUIDITY**2011 Highlights**

Operating cash flow \$336.3 million, compared to \$267.7 million in fiscal 2010.

Expenditures for purchases of property, plant and equipment \$103.7 million, compared to \$73.8 million in fiscal 2010.

Total debt decreased to \$380.4 million at the end of fiscal 2011 from \$611.1 million at the end of fiscal 2010.

Cash payments for acquisitions totaled \$58.0 million vs. \$32.8 million in fiscal 2010.

Comparative Statistics

Years Ended October 31, (\$ in millions)	2011	2010
Cash and cash equivalents	\$ 5.2	\$ 3.6
Total assets	\$ 2,624.5	\$ 2,525.0
Working capital	\$ 273.1	\$ 291.8
Total debt	\$ 380.4	\$ 611.1
Stockholders' equity	\$ 1,937.5	\$ 1,666.8
Ratio of debt to equity	0.20:1	0.37:1
Debt as a percentage of total capitalization	16%	27%

Working Capital

Edgar Filing: COOPER COMPANIES INC - Form 10-K

The decrease in working capital at the end of fiscal 2011 from the end of fiscal 2010 was primarily due to increases in accounts payable, other accrued liabilities, including the charge related to the Rembrandt settlement, and short-term debt including the portion of the term loan which became current during the fiscal year. This decrease was partially offset by increases in trade accounts receivable, inventory and a decrease in accrued interest payable. The decrease in accrued interest payable was due to lower interest rates primarily as a result of the redemption of our Senior Notes in February 2011, lower average outstanding debt and the timing of interest payments.

The increases in trade accounts receivable and inventory were primarily due to the growth in sales and to production to support new product launches. At October 31, 2011, Cooper's inventory months on hand (MOH) were 5.9, excluding the reserves for inventory related to the recall of certain lots of

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

Avaira contact lenses, representing an increase from 5.4 at October 31, 2010. Including the reserves for inventory MOH were 5.5 at October 31, 2011. Our days sales outstanding (DSO) decreased to 55 days in fiscal 2011 from 57 days in the prior fiscal year. Based on our experience and knowledge of our customers and our analysis of inventoried products and product levels, we believe that our reported accounts receivable and inventories are recoverable.

The Company has reviewed its needs in the United States for possible repatriation of undistributed earnings or cash of its foreign subsidiaries. The Company presently intends to continue to indefinitely invest all earnings and cash outside of the United States of all foreign subsidiaries to fund foreign investments or meet foreign working capital and property, plant and equipment requirements.

Operating Cash Flow

Cash flow provided by operating activities continued in fiscal 2011 as Cooper's major source of liquidity, increasing to \$336.3 million from \$267.7 million in fiscal 2010 and \$223.1 million in fiscal 2009. The \$68.6 million increase in cash flow provided by operations from fiscal 2010 to fiscal 2011 is primarily due to the increase in net income of \$62.6 million. Fiscal 2011 results include \$175.4 million of net income, \$114.8 million of non-cash items primarily related to depreciation, amortization, share-based compensation and currency translation and \$16.5 million for the loss on extinguishment of debt. Results also include \$29.6 million from the net changes in assets and liabilities.

For fiscal 2011, our primary source of cash flows provided by operating activities was cash collections from our customers for purchase of our products totaling \$1.3 billion. Our uses of cash flows provided by operating activities included \$939.4 million used primarily for personnel and material costs and cash payments of \$25.6 million and \$12.2 million for interest and income tax, respectively.

For fiscal 2010, our primary source of cash flows provided by operating activities was cash collections from our customers for purchase of our products totaling \$1.1 billion. Our primary uses of cash flows from operating activities included \$819.0 million used for personnel and material costs and cash payments of \$36.7 million and \$8.6 million for interest and income tax, respectively.

Investing Cash Flow

Cash used in investing activities of \$161.7 million in fiscal 2011 was for capital expenditures of \$103.7 million, primarily to improve manufacturing efficiency, and payments of \$58.0 million related to acquisitions.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Cash used in investing activities of \$106.6 million in fiscal 2010 was for capital expenditures of \$73.8 million primarily to improve manufacturing capacity and payments of \$32.8 million related to acquisitions.

Financing Cash Flow

The changes in cash flows from financing activities primarily relate to borrowings and payments of debt as well as proceeds from share-based compensation award exercises and dividend payments. Cash

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

used in financing activities of \$172.9 million in fiscal 2011 was driven by net repayments of debt of \$242.8 million, including the redemption of all outstanding Senior Notes and the related redemption premium, acquisition costs related to the Credit Agreement of \$9.6 million, a \$2.6 million payment for contingent consideration and dividends paid on our common stock of \$2.8 million, offset by proceeds of \$82.0 million from the exercise of share-based compensation awards and \$2.9 million for the excess tax benefit from share-based compensation arrangements.

Cash used in financing activities of \$161.6 million in fiscal 2010 was driven by net repayments of long-term debt of \$182.5 million, including the capital lease, and dividends paid on our common stock of \$2.7 million, offset by proceeds from short-term debt of \$12.1 million and \$11.5 million from the exercise of share-based compensation awards and related tax benefit.

At October 31, 2011, we had \$650.7 million available under the Credit Agreement, and we are in compliance with the covenants including the Interest Coverage Ratio and Total Leverage Ratio at 21.42 to 1.00 versus the requirement to be at least 3.00 to 1.00 and 1.03 to 1.00 versus the requirement to remain below 3.75 to 1.00, respectively. As defined in the Credit Agreement, the Interest Coverage Ratio is the ratio of Consolidated Proforma EBITDA to Consolidated Interest Expense and the Total Leverage Ratio is the ratio of Consolidated Funded Indebtedness to Consolidated Proforma EBITDA.

Risk Management

We operate multiple foreign subsidiaries that manufacture and market our products worldwide. As a result, our earnings, cash flow and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables, sales transactions, capital expenditures and net investment in certain foreign operations. We are exposed to risks caused by changes in foreign exchange, primarily to the British pound, euro, Japanese yen, Swedish krona, Australian dollar and Canadian dollar. Our policy is to minimize, to the extent reasonable and practical, transaction, remeasurement and specified economic exposures with derivatives instruments. Although we may enter into foreign exchange agreements with financial institutions to reduce our nonfunctional currency exposure, these hedging transactions do not eliminate that risk entirely. We are also exposed to risks associated with changes in interest rates, as the interest rate on our Credit Agreement may vary with the London Interbank Offered Rate (LIBOR). We have decreased this interest rate risk by hedging a significant portion of variable rate debt effectively converting it to fixed rate debt for varying periods through December 2014. For additional detail, see Item 1A. Risk Factors and Note 1 and Note 10 to the consolidated financial statements.

In the fiscal first quarter of 2011, we refinanced our syndicated Senior Unsecured Revolving Line of Credit due to mature on January 31, 2012, with a new Credit Agreement that provides for a multicurrency revolving credit facility in an aggregate principal amount of \$750.0 million and an amortizing term loan facility with an original principal amount of \$250.0 million, each of which, mature on January 12, 2016. On February 15, 2011, we redeemed all \$339.0 million aggregate principal amount outstanding of our Senior Notes, in accordance with the terms of the Indenture, from borrowings under the new Credit Agreement, including \$250.0 million from the term loan facility.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and****Results of Operations (Continued)****OFF BALANCE SHEET ARRANGEMENTS**

None.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As of October 31, 2011, we had the following contractual obligations and commercial commitments:

Payments Due by Period (In millions)	Total	2012	2013 & 2014	2015 & 2016	2017 & Beyond
Contractual obligations:					
Long-term debt	\$ 339.9	\$ 12.5	\$ 34.4	\$ 292.8	\$ 0.2
Interest payments	28.0	7.9	14.4	5.7	
Operating leases	156.4	31.6	34.8	35.3	54.7
Patent litigation settlement	10.0	10.0			
Consideration for marketing rights	7.7	1.3	6.4		
Total contractual obligations	542.0	63.3	90.0	333.8	54.9
Commercial commitments:					
Stand-by letters of credit	2.8	2.8			
Total	\$ 544.8	\$ 66.1	\$ 90.0	\$ 333.8	\$ 54.9

The expected future benefit payments for pension plans through 2021 are disclosed in Note 9. Employee Benefits.

We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, such amounts of our long-term income taxes payable have been excluded from the table above. However, other long-term liabilities, included in our consolidated balance sheet, included these uncertain tax positions. For additional information, please see Note 5. Income Taxes.

Inflation and Changing Prices

Inflation has had no appreciable effect on our operations in the last three fiscal years.

New Accounting Pronouncements

On November 1, 2010, the Company adopted portions of the Accounting Standards Update (ASU) 2010-6, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. This ASU added new requirements for disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements and (4) the transfers between Levels 1, 2 and 3 fair value measurements. The requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis will be effective for the Company for the fiscal year beginning on November 1, 2011. As this guidance only requires enhanced disclosures, as applicable, its adoption did not have a material impact on our consolidated financial statements.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

In December 2010, the Financial Accounting Standards Board (FASB) issued ASU 2010-29, *Business Combinations: Disclosure of Supplementary Proforma Information for Business Combinations*, which amends ASC 805, *Business Combinations*. The amendments in this ASU affect any public entity as defined by ASC 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental proforma disclosures to include a description of the nature and amount of material, nonrecurring proforma adjustments directly attributable to the business combination included in the reported proforma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The Company does not anticipate the adoption of ASU 2010-29, which is effective for the Company for the fiscal year beginning on November 1, 2011, will have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles—Goodwill and Other: When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*, which amends ASC 350, *Intangibles—Goodwill and Other*. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that an impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company does not anticipate the adoption of ASU 2010-28, which is effective for the Company on November 1, 2011, will have a material impact on our consolidated financial statements. Early adoption is not permitted.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which amends ASC 820, *Fair Value Measurement*. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board (the Boards) on fair value measurement. The amendments (1) clarify the Boards' intent regarding the application of existing fair value measurement guidance, (2) revise certain measurement guidance that changes or modifies a principle and (3) add disclosure requirements concerning the measurement uncertainty of level 3 measurements. The Boards concluded that the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards. The amendments are effective during interim and annual periods beginning after December 15, 2011 and are to be applied prospectively. Early application is not permitted. The Company is currently evaluating the potential impact of ASU 2011-04, which is effective for the Company on November 1, 2012, on our consolidated financial statements.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*. This ASU, which amends ASC 220, *Comprehensive Income*, allows an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both options, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments made by ASU 2011-05 should be applied retrospectively and become effective for fiscal years (and interim periods within those years) beginning after December 15, 2011. Early adoption is permitted. The Company does not anticipate the adoption of ASU 2011-05, which is effective for the Company for the fiscal year beginning on November 1, 2012, will have an impact on our consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, *Intangibles-Goodwill and Other: Testing Goodwill for Impairment*. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test as described in ASC 350, *Intangibles-Goodwill and Other*. The ASU defines the more-likely-than-not threshold as having a likelihood of more than 50%. Under the amendments in this update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company does not anticipate the adoption of this ASU, which is effective for the Company for the fiscal year beginning on November 1, 2012, will have an impact on our consolidated financial statements.

Estimates and Critical Accounting Policies

Management estimates and judgments are an integral part of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). We believe that the critical accounting policies described in this section address the more significant estimates required of management when preparing our consolidated financial statements in accordance with GAAP. We consider an accounting estimate critical if changes in the estimate may have a material impact on our financial condition or results of operations. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustment to these balances in future periods.

Revenue recognition We recognize product net sales, net of discounts, returns, and rebates in accordance with related accounting standards and SEC Staff Accounting Bulletins. As required by these standards, we recognize revenue when it is realized or realizable and earned, based on terms of sale with the customer, where persuasive evidence of an agreement exists, delivery has occurred, the seller's price is fixed and determinable and collectability is reasonably assured. For contact

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

lenses as well as CooperSurgical medical devices, diagnostic products and surgical instruments and accessories, this primarily occurs when title and risk of ownership transfers to our customers. We believe our revenue recognition policies are appropriate in all circumstances, and that our policies are reflective of our customer arrangements. We record, based on historical statistics, estimated reductions to revenue for customer incentive programs offered including cash discounts, promotional and advertising allowances, volume discounts, contractual pricing allowances, rebates and specifically established customer product return programs. The Company records taxes collected from customers on a net basis, as these taxes are not included in net sales.

Allowance for doubtful accounts Our reported balance of accounts receivable, net of the allowance for doubtful accounts, represents our estimate of the amount that ultimately will be realized in cash. We review the adequacy and adjust our allowance for doubtful accounts on an ongoing basis, using historical payment trends and the age of the receivables and knowledge of our individual customers. However, if the financial condition of our customers were to deteriorate, additional allowances may be required. While estimates are involved, bad debts historically have not been a significant factor given the diversity of our customer base, well established historical payment patterns and the consistent healthcare needs of patients regardless of the economic environment.

Net realizable value of inventory In assessing the value of inventories, we make estimates and judgments regarding aging of inventories and other relevant issues potentially affecting the saleable condition of products and estimated prices at which those products will sell. On an ongoing basis, we review the carrying value of our inventory, measuring number of months on hand and other indications of salability. We reduce the value of inventory if there are indications that the carrying value is greater than market, resulting in a new, lower-cost basis for that inventory. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. While estimates are involved, historically, obsolescence has not been a significant factor due to long product dating and lengthy product life cycles. We target to keep, on average, five to seven months of inventory on hand to maintain high customer service levels given the complexity of our contact lens and women's healthcare product portfolios.

Valuation of goodwill We account for goodwill and evaluate our goodwill balances and test them for impairment in accordance with related accounting standards. We performed our annual impairment test in our fiscal third quarter of 2011, and our analysis indicated that we had no impairment of goodwill. We test goodwill for impairment annually during the fiscal third quarter and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist.

The goodwill impairment test is a two-step process. Initially, we compare the book value of net assets to the fair value of each reporting unit that has goodwill assigned to it. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of the impairment. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are the same as our business segments CooperVision and CooperSurgical reflecting the way that we manage our business.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

The fair value of our reporting units was determined using the income valuation approach. Under the income approach, specifically the discounted cash flow method, the fair value of the reporting unit is based on the present value of estimated future cash flows that the reporting unit is expected to generate over its remaining life.

In the application of the income approach, the Company is required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results related to assumed variables could differ from these estimates. Discount rates are based on a weighted average cost of capital, which represents the average rate a business must pay its providers of debt and equity capital. We used discount rates that are the representative weighted average cost of capital for each of our reporting units, with consideration given to the current condition of the global economy. The discount rates used in the current year are about 100 basis points lower than those used in our analysis for fiscal year 2010 reflecting the current condition of the United States and global economy. The Company determines net sales forecasts based on our best estimate of near-term net sales expectations and long-term projections which include review of published independent industry analyst reports. As a sensitivity analysis, a 100 basis point reduction in the assumed net sales growth beginning in fiscal 2011 and extending through the valuation period would decrease the excess amount of the estimated fair value of each reporting unit over the carrying value but would not cause a change in the results of our impairment testing that indicated that we had no impairment of goodwill.

Goodwill impairment analysis and measurement is a process that requires significant judgment. If our common stock price trades below book value per share, there are changes in market conditions or a future downturn in our business, or a future annual goodwill impairment test indicates an impairment of our goodwill, the Company may have to recognize a non-cash impairment of its goodwill that could be material, and could adversely affect our results of operations in the period recognized and also adversely affect our total assets, stockholders' equity and financial condition.

Business combinations We routinely consummate business combinations. Results of operations for acquired companies are included in our consolidated results of operations from the date of acquisition. Based on the FASB revision to the accounting standard for business combinations, we recognize separately from goodwill, the identifiable assets acquired, including acquired in-process research and development, the liabilities assumed, and any noncontrolling interest in the acquiree generally at the acquisition date fair values as defined by accounting standards related to fair value measurements. As of the acquisition date, goodwill is measured as the excess of consideration given, generally measured at fair value, and the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. Direct acquisition costs are expensed as incurred.

During the fiscal third quarter of 2011, we recorded an out-of-period adjustment related to CooperVision's acquisition of certain assets of Asahikasei Aime Co., Ltd. (Aime), reported in our fiscal first quarter of 2011, to reduce the amount of recorded goodwill and reverse the \$6.1 million gain on settlement of preexisting relationship. The Company determined that it incorrectly applied the guidance in ASC 805, *Business Combinations*, relating to the settlement of preexisting relationships due to our interpretation of specific language in the underlying contract. Based upon an evaluation of all relevant quantitative and qualitative factors, and after considering the

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

provisions of ASC 270-10-45-16, *Accounting Changes in Interim Periods*, and ASC 250, *Accounting Changes and Error Corrections*, that incorporates SEC Staff Accounting Bulletin (SAB) No. 99, *Materiality*, and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, we do not believe that the effect of the out-of-period adjustment is material to our fiscal year 2011 financial results. We also do not believe that the out-of-period adjustment is material to any previously issued quarterly consolidated financial statements. Based on this assessment of materiality, the out-of-period adjustment was recorded in our consolidated financial statements for the fiscal third quarter of 2011. There is no impact on our fiscal year results as the error and its correction were both recorded in the fiscal year ended October 31, 2011.

Income taxes We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As part of the process of preparing our consolidated financial statements, we must estimate our income tax expense for each of the jurisdictions in which we operate. This process requires significant management judgments and involves estimating our current tax exposures in each jurisdiction including the impact, if any, of additional taxes resulting from tax examinations as well as judging the recoverability of deferred tax assets. To the extent recovery of deferred tax assets is not likely based on our estimation of future taxable income in each jurisdiction, a valuation allowance is established. Tax exposures can involve complex issues and may require an extended period to resolve. Frequent changes in tax laws in each jurisdiction complicate future estimates. To determine the tax rate, we are required to estimate full-year income and the related income tax expense in each jurisdiction. We update the estimated effective tax rate for the effect of significant unusual items as they are identified. Changes in the geographic mix or estimated level of annual pre-tax income can affect the overall effective tax rate, and such changes could be material.

Regarding accounting for uncertainty in income taxes, we recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. We measure the income tax benefits from the tax positions that are recognized, assess the timing of the derecognition of previously recognized tax benefits and classify and disclose the liabilities within the consolidated financial statements for any unrecognized tax benefits based on the guidance in the interpretation of ASC 740, *Accounting for Income Taxes*. The interpretation also provides guidance on how the interest and penalties related to tax positions may be recorded and classified within our Consolidated Statement of Income and presented in the Consolidated Balance Sheet. We classify interest and penalties related to uncertain tax positions as additional income tax expense.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and

Results of Operations (Continued)

Share-Based Compensation The Company grants various share-based compensation awards, including stock options, performance unit shares, restricted stock and restricted stock units. Under fair value recognition provisions, share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating Cooper's stock price volatility, employee exercise behaviors and related employee forfeiture rates.

The expected life of the share-based awards is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. In determining the expected volatility, management considers implied volatility from publicly-traded options on the Company's stock at the date of grant, historical volatility and other factors. The risk-free interest rate is based on the continuous rates provided by the U.S. Treasury with a term equal to the expected life of the award. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

As share-based compensation expense recognized in our Consolidated Statements of Income is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant, based on historical experience, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

If factors change and the Company employs different assumptions in the application of the fair value recognition provisions, the compensation expense that it records in future periods may differ significantly from what it has recorded in the current period.

Table of Contents**Item 7A. Quantitative and Qualitative Disclosure about Market Risk.**

Note numbers refer to the Notes to Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The Company is exposed to market risks that relate principally to changes in interest rates and foreign currency fluctuations. The Company's policy is to minimize, to the extent reasonable and practical, its exposure to the impact of changing interest rates and foreign currency fluctuations by entering into interest rate swaps and foreign currency forward exchange contracts, respectively. The Company does not enter into derivative financial instrument transactions for speculative purposes. For additional information please see Risk Management discussed above in Capital Resources and Liquidity and Item 1A. Risk Factors and Note 1 and Note 10 to the consolidated financial statements.

Long-term Debt

Total debt decreased to \$380.4 million at October 31, 2011 from \$611.1 million at October 31, 2010. On January 12, 2011, Cooper refinanced its existing syndicated Senior Unsecured Revolving Line of Credit with a new Credit Agreement that provides for a multicurrency revolving credit facility in an aggregate principal amount of \$750.0 million and an amortizing term loan facility in an original principal amount of \$250.0 million, each of which, unless terminated earlier, mature on January 12, 2016. In addition, the Company has the ability from time to time to increase the size of the revolving credit facility by up to an additional \$250.0 million.

In February 2011, we redeemed all \$339.0 million aggregate principal amount outstanding of the Senior Notes issued on January 31, 2007, in accordance with the terms of the Indenture among the Company, the guarantors party thereto and HSBC Bank USA, National Association, as trustee, pursuant to which the Senior Notes were issued. In accordance with the Indenture, the redemption price for the Notes was 103.563% of their principal amount plus accrued and unpaid interest to February 15, 2011, the redemption date. In our fiscal second quarter of 2011, we recorded a \$16.5 million loss on the repurchase that includes the write-off of about \$4.4 million of unamortized costs and the redemption premium of \$12.1 million related to the Senior Notes on our Consolidated Statement of Income. The Company paid the aggregate purchase price from borrowings under the new Credit Agreement, including \$250.0 million from the term loan facility. See Note 4 to the consolidated financial statements for further information about the Company's debt.

October 31,

(In millions)	2011	2010
Short-term debt	\$ 52.9	\$ 19.1
Long-term debt	327.5	592.0
Total	\$ 380.4	\$ 611.1

Table of Contents

At October 31, 2011, the scheduled maturities of the Company's fixed and variable rate long-term debt obligations, their weighted average interest rates and their estimated fair values were as follows:

Expected Maturity Date Fiscal Year

(\$ in millions)	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value
Long-term debt:								
Fixed interest rate	\$	\$	\$	\$	\$	\$ 0.2	\$ 0.2	\$ 0.2
Average interest rate						6.0%		
Variable interest rate	\$ 12.5	\$ 12.5	\$ 21.9	\$ 25.0	\$ 267.8	\$	\$ 339.7	\$ 339.7
Average interest rate	1.6%	1.6%	1.6%	1.6%	1.6%			

As the table incorporates only those exposures that existed as of October 31, 2011, it does not consider those exposures or positions which could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on interest rates, the exposures that arise during the period and our hedging strategies at that time. As of October 31, 2011, the Company has interest rate swaps outstanding that are designed to fix the borrowing costs related to \$200.0 million of the outstanding balance on the Company's amortizing term loan under the Credit Agreement. If interest rates were to increase or decrease by 1% or 100 basis points, annual interest expense would increase or decrease by about \$1.4 million.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

The Cooper Companies, Inc.:

We have audited the accompanying consolidated balance sheets of The Cooper Companies, Inc. and subsidiaries (the Company) as of October 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended October 31, 2011. We also have audited the Company's internal control over financial reporting as of October 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Cooper Companies, Inc. and subsidiaries as of October 31, 2011 and 2010, and the results of their operations and their cash flows for each of the

Edgar Filing: COOPER COMPANIES INC - Form 10-K

years in the three-year period ended October 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, The Cooper Companies, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of October 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

San Francisco, California

December 16, 2011

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Consolidated Statements of Income**

Years Ended October 31,

(In thousands, except per share amounts)	2011	2010	2009
Net sales	\$ 1,330,835	\$ 1,158,517	\$ 1,080,421
Cost of sales	526,031	481,794	483,927
Gross profit	804,804	676,723	596,494
Selling, general and administrative expense	513,138	433,057	391,593
Research and development expense	43,581	35,274	33,298
Restructuring costs	0	424	3,887
Amortization of intangibles	20,529	18,056	17,860
Operating income	227,556	189,912	149,856
Interest expense	17,342	36,668	44,143
(Loss) gain on extinguishment of debt	(16,487)	0	1,823
Litigation settlement charges	0	27,750	0
Other (loss) income, net	(963)	(1,068)	7,292
Income before income taxes	192,764	124,426	114,828
Provision for income taxes	17,334	11,623	14,280
Net income	\$ 175,430	\$ 112,803	\$ 100,548
Basic earnings per share	\$ 3.74	\$ 2.48	\$ 2.23
Diluted earnings per share	\$ 3.63	\$ 2.43	\$ 2.21
Number of shares used to compute earnings per share:			
Basic	46,904	45,530	45,173
Diluted	48,309	46,505	45,478

See accompanying notes to consolidated financial statements.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

October 31,

(In thousands)	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,175	\$ 3,573
Trade accounts receivable, net of allowance for doubtful accounts of \$4,826 and \$4,238 at October 31, 2011 and 2010, respectively	214,779	197,490
Inventories	253,584	227,902
Deferred tax assets	33,684	28,828
Prepaid expense and other current assets	33,125	33,547
Total current assets	540,347	491,340
Property, plant and equipment, at cost	955,980	919,268
Less: accumulated depreciation and amortization	346,775	325,381
	609,205	593,887
Goodwill	1,276,567	1,261,976
Other intangibles, net	128,341	114,177
Deferred tax assets	21,828	23,072
Other assets	48,230	40,566
	\$ 2,624,518	\$ 2,525,018
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term debt	\$ 52,979	\$ 19,159
Accounts payable	61,755	51,792
Employee compensation and benefits	48,790	44,821
Accrued income taxes	2,828	4,494
Other current liabilities	100,854	79,254
Total current liabilities	267,206	199,520
Long-term debt	327,453	591,977
Deferred tax liabilities	20,127	20,202
Accrued pension liability and other	72,244	46,543
Total liabilities	687,030	858,242
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Preferred stock, 10 cents par value, shares authorized: 1,000; zero shares issued or outstanding	0	0
Common stock, 10 cents par value, shares authorized:		

Edgar Filing: COOPER COMPANIES INC - Form 10-K

70,000; issued 48,015 and 46,140 at October 31, 2011 and 2010, respectively	4,802	4,614
Additional paid-in capital	1,180,250	1,083,779
Accumulated other comprehensive loss	(18,110)	(17,334)
Retained earnings	773,136	600,522
Treasury stock at cost: 169 and 313 shares at October 31, 2011 and 2010, respectively	(2,590)	(4,805)
Stockholders' equity	1,937,488	1,666,776
	\$ 2,624,518	\$ 2,525,018

See accompanying notes to consolidated financial statements.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

Years Ended October 31,

(In thousands)	2011	2010	2009
Cash flows from operating activities:			
Net income	\$ 175,430	\$ 112,803	\$ 100,548
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	98,149	94,001	92,602
Accrued litigation settlement	10,000	0	0
Share-based compensation expense	13,876	9,638	12,037
In-process research and development expense	0	0	3,035
Loss on disposal of property, plant and equipment	12,068	7,840	10,934
Loss (gain) on extinguishment of debt	16,487	0	(1,823)
Deferred income taxes	(4,420)	(1,755)	7,292
Provision for doubtful accounts	527	(833)	1,306
Change in assets and liabilities:			
Accounts receivable	(2,684)	(24,789)	(13,090)
Inventories	(17,205)	34,978	22,601
Other assets	196	16,078	20,211
Accounts payable	5,185	8,644	(13,517)
Accrued liabilities	19,315	2,474	(18,302)
Accrued income taxes	(3,541)	468	(2,657)
Other long-term liabilities	12,898	8,116	1,951
Cash provided by operating activities	336,281	267,663	223,128
Cash flows from investing activities:			
Purchases of property, plant and equipment	(103,665)	(73,757)	(93,906)
Acquisitions of businesses, net of cash acquired	(58,010)	(32,847)	(4,731)
Cash used in investing activities	(161,675)	(106,604)	(98,637)
Cash flows from financing activities:			
Proceeds from long-term debt	1,416,523	564,114	736,467
Repayments and repurchase of long-term debt	(1,680,625)	(736,560)	(821,785)
Long-term debt acquisition costs	(9,617)	0	0
Capital lease repayment	0	(10,000)	0
Proceeds (repayments) under short-term agreements	21,319	12,108	(35,960)
Excess tax benefit from share-based compensation arrangements	2,895	407	135
Issuance of common stock for stock plans	82,035	11,096	1,116
Dividends on common stock	(2,816)	(2,732)	(2,712)
Payment of contingent consideration	(2,587)	0	0
Cash used in financing activities	(172,873)	(161,567)	(122,739)
Effect of exchange rate changes on cash and cash equivalents	(131)	149	236
Net increase (decrease) in cash and cash equivalents	1,602	(359)	1,988
Cash and cash equivalents at beginning of year	3,573	3,932	1,944

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Cash and cash equivalents at end of year	\$ 5,175	\$ 3,573	\$ 3,932
--	----------	----------	----------

Supplemental disclosures of cash flow information:

Cash paid for:

Interest, net of amounts capitalized	\$ 25,629	\$ 36,658	\$ 42,999
--------------------------------------	-----------	-----------	-----------

Income taxes	\$ 12,207	\$ 8,603	\$ 6,359
--------------	-----------	----------	----------

Litigation settlement charge	\$ 750	\$ 27,000	\$ 0
------------------------------	--------	-----------	------

See accompanying notes to consolidated financial statements.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss)**

(In thousands)	Common Shares		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Treasury Stock	Total Stockholders Equity
	Shares	Amount	Shares	Amount		Income	(Loss)			
Balance at October 31, 2008	45,129	\$ 4,513	353	\$ 35	\$ 1,050,572	\$ (25,240)	\$ 392,615	\$ (5,419)	\$ 1,417,076	
Net income	0	0	0	0	0	0	100,548	0	100,548	
Other comprehensive income (loss):										
Foreign currency translation adjustment	0	0	0	0	0	22,760	0	0	22,760	
Change in value of derivative instruments, net of tax benefit \$108	0	0	0	0	0	(2,725)	0	0	(2,725)	
Additional minimum pension liability, net of tax (\$4,932)	0	0	0	0	0	(7,715)	0	0	(7,715)	
Comprehensive income									112,868	
Issuance of common stock for stock plans	115	12	(25)	(3)	723	0	0	384	1,116	
Tax benefit from exercise of stock options	0	0	0	0	(43)	0	0	0	(43)	
Dividends on common stock	0	0	0	0	0	0	(2,712)	0	(2,712)	
Share-based compensation expense	0	0	0	0	12,037	0	0	0	12,037	
Balance at October 31, 2009	45,244	\$ 4,525	328	\$ 32	\$ 1,063,289	\$ (12,920)	\$ 490,451	\$ (5,035)	\$ 1,540,342	
Net income	0	0	0	0	0	0	112,803	0	112,803	
Other comprehensive income (loss):										
Foreign currency translation adjustment	0	0	0	0	0	(14,396)	0	0	(14,396)	
Change in value of derivative instruments, net of tax (\$3,566)	0	0	0	0	0	9,640	0	0	9,640	
Additional minimum pension liability, net of tax benefit \$495	0	0	0	0	0	342	0	0	342	
Comprehensive income									108,389	
Issuance of common stock for stock plans	583	58	(15)	(1)	10,809	0	0	230	11,096	
Tax benefit from exercise of stock options	0	0	0	0	43	0	0	0	43	
Dividends on common stock	0	0	0	0	0	0	(2,732)	0	(2,732)	
Share-based compensation expense	0	0	0	0	9,638	0	0	0	9,638	
Balance at October 31, 2010	45,827	\$ 4,583	313	\$ 31	\$ 1,083,779	\$ (17,334)	\$ 600,522	\$ (4,805)	\$ 1,666,776	
Net income	0	0	0	0	0	0	175,430	0	175,430	
Other comprehensive income (loss):										
Foreign currency translation adjustment	0	0	0	0	0	5,817	0	0	5,817	
Change in value of derivative instruments, net of tax benefit \$1,307	0	0	0	0	0	(3,798)	0	0	(3,798)	
Additional minimum pension liability, net of tax (\$1,806)	0	0	0	0	0	(2,804)	0	0	(2,804)	
Unrealized gain on marketable securities, net of tax	0	0	0	0	0	9	0	0	9	
Comprehensive income									174,654	
Issuance of common stock for stock plans	2,019	202	(144)	(14)	79,632	0	0	2,215	82,035	
Tax benefit from exercise of stock options	0	0	0	0	0	0	0	0	0	
Dividends on common stock	0	0	0	0	0	0	(2,816)	0	(2,816)	
Share-based compensation expense	0	0	0	0	13,876	0	0	0	13,876	
Tax provision deferred tax assets adjustment	0	0	0	0	2,963	0	0	0	2,963	

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Balance at October 31, 2011 47,846 \$ 4,785 169 \$ 17 \$ 1,180,250 \$ (18,110) \$ 773,136 \$ (2,590) \$ 1,937,488

See accompanying notes to consolidated financial statements.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

General

The Cooper Companies, Inc. (Cooper or the Company) is a global medical device company publicly traded on the NYSE Euronext (NYSE:COO). Cooper is dedicated to serving the needs of the healthcare professional, improving the quality of life for its employees and customers and providing competitive products. Cooper operates through two business units, CooperVision and CooperSurgical.

CooperVision produces a broad range of monthly, two-week and single-use contact lenses, featuring advanced materials and optics. CooperVision brings a commitment to solving the toughest vision challenges such as astigmatism, presbyopia and ocular dryness; with a broad collection of spherical, toric and multifocal contact lenses.

CooperSurgical develops, manufactures and markets medical devices and procedure solutions to improve healthcare delivery to women regardless of the clinical setting.

Estimates and Critical Accounting Policies

Management estimates and judgments are an integral part of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). We believe that the critical accounting policies described in this section address the more significant estimates required of management when preparing our consolidated financial statements in accordance with GAAP. We consider an accounting estimate critical if changes in the estimate may have a material impact on our financial condition or results of operations. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustment to these balances in future periods.

Revenue recognition We recognize product net sales, net of discounts, returns, and rebates in accordance with related accounting standards and SEC Staff Accounting Bulletins. As required by these standards, we recognize revenue when it is realized or realizable and earned, based on terms of sale with the customer, where persuasive evidence of an agreement exists, delivery has occurred, the seller's price is fixed and determinable and collectability is reasonably assured. For contact lenses as well as CooperSurgical medical devices, diagnostic products and surgical instruments and accessories, this primarily occurs when title and risk of ownership transfers to our customers. We believe our revenue recognition policies are appropriate in all circumstances, and that our policies are reflective of our customer arrangements. We record, based on historical statistics, estimated reductions to revenue for customer incentive programs offered including cash discounts, promotional and advertising allowances, volume discounts, contractual pricing allowances, rebates and specifically established customer product return programs. The Company records taxes collected from customers on a net basis, as these taxes are not included in net sales.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Allowance for doubtful accounts Our reported balance of accounts receivable, net of the allowance for doubtful accounts, represents our estimate of the amount that ultimately will be realized in cash. We review the adequacy and adjust our allowance for doubtful accounts on an ongoing basis, using historical payment trends and the age of the receivables and knowledge of our individual customers. However, if the financial condition of our customers were to deteriorate, additional allowances may

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

be required. While estimates are involved, bad debts historically have not been a significant factor given the diversity of our customer base, well established historical payment patterns and the consistent healthcare needs of patients regardless of the economic environment.

Net realizable value of inventory In assessing the value of inventories, we make estimates and judgments regarding aging of inventories and other relevant issues potentially affecting the saleable condition of products and estimated prices at which those products will sell. On an ongoing basis, we review the carrying value of our inventory, measuring number of months on hand and other indications of salability. We reduce the value of inventory if there are indications that the carrying value is greater than market, resulting in a new, lower-cost basis for that inventory. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. While estimates are involved, historically, obsolescence has not been a significant factor due to long product dating and lengthy product life cycles. We target to keep, on average, five to seven months of inventory on hand to maintain high customer service levels given the complexity of our contact lens and women's healthcare product portfolios.

Valuation of goodwill We account for goodwill and evaluate our goodwill balances and test them for impairment in accordance with related accounting standards. We performed our annual impairment test in our fiscal third quarter of 2011, and our analysis indicated that we had no impairment of goodwill. We test goodwill for impairment annually during the fiscal third quarter and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist.

The goodwill impairment test is a two-step process. Initially, we compare the book value of net assets to the fair value of each reporting unit that has goodwill assigned to it. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of the impairment. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are the same as our business segments—CooperVision and CooperSurgical—reflecting the way that we manage our business.

The fair value of our reporting units was determined using the income valuation approach. Under the income approach, specifically the discounted cash flow method, the fair value of the reporting unit is based on the present value of estimated future cash flows that the reporting unit is expected to generate over its remaining life.

In the application of the income approach, the Company is required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results related to assumed variables could differ from these estimates. Discount rates are based on a weighted average cost of capital, which represents the average rate a business must pay its providers of debt and equity capital. We used discount rates that are the representative weighted average cost of capital for each of our reporting units, with consideration given to the current condition of the global economy. The discount rates used in the current year are about 100 basis points lower than those used in our analysis for fiscal year 2010 reflecting the current condition of the United States and global economy. The Company determines net sales forecasts based on our best estimate of near-term net sales expectations and long-term projections which include review of published independent industry analyst reports. As a sensitivity analysis, a 100 basis point reduction in the assumed net sales growth beginning in fiscal 2011 and extending through the valuation period

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

would decrease the excess amount of the estimated fair value of each reporting unit over the carrying value but would not cause a change in the results of our impairment testing that indicated that we had no impairment of goodwill.

Goodwill impairment analysis and measurement is a process that requires significant judgment. If our common stock price trades below book value per share, there are changes in market conditions or a future downturn in our business, or a future annual goodwill impairment test indicates an impairment of our goodwill, the Company may have to recognize a non-cash impairment of its goodwill that could be material, and could adversely affect our results of operations in the period recognized and also adversely affect our total assets, stockholders' equity and financial condition.

Business combinations We routinely consummate business combinations. Results of operations for acquired companies are included in our consolidated results of operations from the date of acquisition. Based on the FASB revision to the accounting standard for business combinations, we recognize separately from goodwill, the identifiable assets acquired, including acquired in-process research and development, the liabilities assumed, and any noncontrolling interest in the acquiree generally at the acquisition date fair values as defined by accounting standards related to fair value measurements. As of the acquisition date, goodwill is measured as the excess of consideration given, generally measured at fair value, and the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. Direct acquisition costs are expensed as incurred.

During the fiscal third quarter of 2011, we recorded an out-of-period adjustment related to CooperVision's acquisition of certain assets of Asahikasei Aime Co., Ltd. (Aime), reported in our fiscal first quarter of 2011, to reduce the amount of recorded goodwill and reverse the \$6.1 million gain on settlement of preexisting relationship. The Company determined that it incorrectly applied the guidance in ASC 805, *Business Combinations*, relating to the settlement of preexisting relationships due to our interpretation of specific language in the underlying contract. Based upon an evaluation of all relevant quantitative and qualitative factors, and after considering the provisions of ASC 270-10-45-16, *Accounting Changes in Interim Periods*, and ASC 250, *Accounting Changes and Error Corrections*, that incorporates SEC Staff Accounting Bulletin (SAB) No. 99, *Materiality*, and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, we do not believe that the effect of the out-of-period adjustment is material to our fiscal year 2011 financial results. We also do not believe that the out-of-period adjustment is material to any previously issued quarterly consolidated financial statements. Based on this assessment of materiality, the out-of-period adjustment was recorded in our consolidated financial statements for the fiscal third quarter of 2011. There is no impact on our fiscal year results as the error and its correction were both recorded in the fiscal year ended October 31, 2011.

Income taxes We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As part of the process of preparing our consolidated financial statements, we must estimate our income tax expense for each of the jurisdictions in which we operate. This process requires significant management judgments and involves estimating our current tax exposures in each jurisdiction including the impact, if any, of additional taxes resulting from tax examinations as well as judging the recoverability of deferred tax assets. To the extent recovery of deferred tax assets is not likely based on our estimation of future taxable income in each jurisdiction, a valuation allowance is established. Tax exposures can involve complex issues and may require an extended period to resolve. Frequent changes in tax laws in each jurisdiction complicate future estimates. To determine the tax rate, we are required to estimate full-year income and the related income tax expense in each jurisdiction. We update the estimated effective tax rate for the effect of significant unusual items as they are identified. Changes in the geographic mix or estimated level of annual pre-tax income can affect the overall effective tax rate, and such changes could be material.

Regarding accounting for uncertainty in income taxes, we recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. We measure the income tax benefits from the tax positions that are recognized, assess the timing of the derecognition of previously recognized tax benefits and classify and disclose the liabilities within the consolidated financial statements for any unrecognized tax benefits based on the guidance in the interpretation of ASC 740, *Accounting for Income Taxes*. The interpretation also provides guidance on how the interest and penalties related to tax positions may be recorded and classified within our Consolidated Statement of Income and presented in the Consolidated Balance Sheet. We classify interest and penalties related to uncertain tax positions as additional income tax expense.

Share-Based Compensation The Company grants various share-based compensation awards, including stock options, performance unit shares, restricted stock and restricted stock units. Under fair value recognition provisions, share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating Cooper's stock price volatility, employee exercise behaviors and related employee forfeiture rates.

The expected life of the share-based awards is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. In determining the expected volatility, management considers implied volatility from publicly-traded options on the Company's stock at the date of grant, historical volatility and other factors. The risk-free interest rate is based on the continuous rates provided by the U.S. Treasury with a term equal to the expected life of the award. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

As share-based compensation expense recognized in our Consolidated Statements of Income is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

forfeitures. Forfeitures are estimated at the time of grant, based on historical experience, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

If factors change and the Company employs different assumptions in the application of the fair value recognition provisions, the compensation expense that it records in future periods may differ significantly from what it has recorded in the current period.

New Accounting Pronouncements

On November 1, 2010, the Company adopted portions of the Accounting Standards Update (ASU) 2010-6, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. This ASU added new requirements for disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements and (4) the transfers between Levels 1, 2 and 3 fair value measurements. The requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis will be effective for the Company for the fiscal year beginning on November 1, 2011. As this guidance only requires enhanced disclosures, as applicable, its adoption did not have a material impact on our consolidated financial statements.

In December 2010, the Financial Accounting Standards Board (FASB) issued ASU 2010-29, *Business Combinations: Disclosure of Supplementary Proforma Information for Business Combinations*, which amends ASC 805, *Business Combinations*. The amendments in this ASU affect any public entity as defined by ASC 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental proforma disclosures to include a description of the nature and amount of material, nonrecurring proforma adjustments directly attributable to the business combination included in the reported proforma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The Company does not anticipate the adoption of ASU 2010-29, which is effective for the Company for the fiscal year beginning on November 1, 2011, will have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles - Goodwill and Other: When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*, which amends ASC 350, *Intangibles - Goodwill and Other*. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that an impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

than not reduce the fair value of a reporting unit below its carrying amount. The Company does not anticipate the adoption of ASU 2010-28, which is effective for the Company on November 1, 2011, will have a material impact on our consolidated financial statements. Early adoption is not permitted.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which amends ASC 820, *Fair Value Measurement*. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board (the Boards) on fair value measurement. The amendments (1) clarify the Boards' intent regarding the application of existing fair value measurement guidance, (2) revise certain measurement guidance that changes or modifies a principle and (3) add disclosure requirements concerning the measurement uncertainty of level 3 measurements. The Boards concluded that the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards. The amendments are effective during interim and annual periods beginning after December 15, 2011 and are to be applied prospectively. Early application is not permitted. The Company is currently evaluating the potential impact of ASU 2011-04, which is effective for the Company on November 1, 2012, on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*. This ASU, which amends ASC 220, *Comprehensive Income*, allows an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both options, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments made by ASU 2011-05 should be applied retrospectively and become effective for fiscal years (and interim periods within those years) beginning after December 15, 2011. Early adoption is permitted. The Company does not anticipate the adoption of ASU 2011-05, which is effective for the Company for the fiscal year beginning on November 1, 2012, will have an impact on our consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, *Intangibles-Goodwill and Other: Testing Goodwill for Impairment*. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test as described in ASC 350, *Intangibles-Goodwill and Other*. The ASU defines the more-likely-than-not threshold as having a likelihood of more than 50%. Under the amendments in this update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company does not anticipate the adoption of this ASU, which is effective for the Company for the fiscal year beginning on November 1, 2012, will have an impact on our consolidated financial statements.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Consolidation

The financial statements in this report include the accounts of all of Cooper's consolidated entities. All significant intercompany transactions and balances are eliminated in consolidation.

Foreign Currency Translation

Most of our operations outside the United States use their local currency as their functional currency. We translate these assets and liabilities into U.S. dollars at year-end exchange rates. We translate income and expense accounts at weighted average rates for each year. We record gains and losses from the translation of financial statements in foreign currencies into U.S. dollars in other comprehensive income. We record gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting location's functional currency in net income for each period. We recorded in other income net foreign exchange losses of \$1.0 million for fiscal 2011 and \$1.2 million for fiscal 2010, and a net foreign exchange gain of \$7.0 million for fiscal 2009.

Financial Instruments

We may use derivatives to reduce market risks associated with changes in foreign exchange and interest rates. We do not use derivatives for trading or speculative purposes. We believe that the counterparties with which we enter into forward exchange contracts and interest rate swap agreements are financially sound and that the credit risk of these contracts is not significant.

Litigation

We are subject to various claims and contingencies relating to litigation arising out of the normal course of business. If we believe the likelihood of an adverse legal outcome is probable and the amount is estimable, we accrue a liability in accordance with accounting guidance for contingencies. We consult with legal counsel on matters related to litigation and seek input both within and outside the Company with respect to matters in the ordinary course of business.

Long-lived Assets

Edgar Filing: COOPER COMPANIES INC - Form 10-K

The Company reviews long-lived assets held and used, intangible assets with finite useful lives and assets held for sale for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation of recoverability is required, the estimated undiscounted future cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down is required. If the undiscounted cash flows are less than the carrying amount, an impairment loss is recorded to the extent that the carrying amount exceeds the fair value. If management has committed to a plan to dispose of long-lived assets, the assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

The Company provides optometric practices with in-office lenses used in marketing programs to facilitate efficient and convenient fitting of contact lenses by practitioners. Such lens fitting sets generally consist of a physical binder or rack to store contact lenses and an array of lenses. We record the costs associated with the original fitting set to other long-term assets on our Consolidated Balance

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Sheet. We amortize such costs over their estimated useful lives to selling, general and administrative expense on our Consolidated Statements of Income. We also expense the cost for lenses provided to practitioners as replenishment for fitting sets in the period shipped to selling, general and administrative expense on our Consolidated Statements of Income.

Cash and Cash Equivalents

Cash and cash equivalents include short-term income producing investments with maturity dates of three months or less. These investments are readily convertible to cash and are carried at cost, which approximates market value.

Inventories

October 31,

(In thousands)	2011	2010
Raw materials	\$ 62,832	\$ 47,411
Work-in-process	15,440	8,937
Finished goods	175,312	171,554
	\$ 253,584	\$ 227,902

Inventories are stated at the lower of cost or market. Cost is computed using standard cost that approximates actual cost on a first-in, first-out basis.

Property, Plant and Equipment

October 31,

(In thousands)	2011	2010
Land and improvements	\$ 6,614	\$ 6,555
Buildings and improvements	160,765	145,117
Machinery and equipment	671,661	602,330
Construction in progress	116,940	165,266
Less: Accumulated depreciation	346,775	325,381

\$ 609,205 \$ 593,887

Property, plant and equipment are stated at cost. We compute depreciation using the straight-line method in amounts sufficient to write off depreciable assets over their estimated useful lives. We amortize leasehold improvements over their estimated useful lives or the period of the related lease, whichever is shorter. We depreciate buildings over 35 to 40 years and machinery and equipment over 3 to 15 years.

We expense costs for maintenance and repairs and capitalize major replacements, renewals and betterments. We eliminate the cost and accumulated depreciation of depreciable assets retired or otherwise disposed of from the asset and accumulated depreciation accounts and reflect any gains or losses in operations for the period. We had no impairments of property, plant and equipment for the

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

years ended October 31, 2011 and 2010. We had capitalized interest included in construction in progress of \$8.7 million and \$14.6 million for the years ended October 31, 2011 and 2010, respectively.

Earnings Per Share

We determine basic earnings per share (EPS) by using the weighted average number of shares outstanding. We determine diluted EPS by increasing the weighted average number of shares outstanding in the denominator by the number of outstanding dilutive equity awards using the treasury stock method. In fiscal 2008, related to our convertible debentures, we used the if-converted method to include in the denominator the number of shares of common stock contingently issuable pursuant to the convertible debentures, and we adjust the numerator to add back the after-tax amount of interest recognized in the period associated with the convertible debentures. The numerator and denominator are only adjusted when the impact is dilutive.

Treasury Stock

The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. At October 31, 2011 and 2010, the number of shares in treasury was 168,885 and 313,285, respectively. No shares were purchased during the years ended October 31, 2011 and 2010.

Note 2. Restructuring Costs

Restructuring Costs

2009 CooperVision Manufacturing Restructuring Plan

In the fiscal third quarter of 2009, CooperVision initiated a restructuring plan to relocate contact lens manufacturing from Norfolk, Virginia, and transfer part of its contact lens manufacturing from Adelaide, Australia, to existing manufacturing operations in Juana Diaz, Puerto Rico, and Hamble, UK (2009 CooperVision Manufacturing restructuring plan). This plan is intended to better utilize CooperVision's manufacturing efficiencies and reduce its manufacturing expenses through a reduction in workforce of approximately 480 employees.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

CooperVision completed restructuring activities in Adelaide in our fiscal third quarter of 2010 and in Norfolk in our fiscal first quarter of 2011.

The total restructuring costs under this plan were approximately \$23.1 million, with \$15.4 million associated with assets, including accelerated depreciation and facility lease and contract termination costs, and \$7.7 million associated with employee benefit costs, including severance payments, termination benefit costs, retention bonus payouts and other similar costs. These costs were reported as cost of sales or restructuring costs in our Consolidated Statements of Income.

In fiscal 2011, \$1.9 million, including \$0.8 million of employee benefit costs and \$1.1 million of costs associated with assets, primarily non-cash, were reported in cost of sales. In fiscal 2010, \$16.1 million, including \$3.3 million of employee benefit costs and \$12.8 million of costs associated with assets,

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

primarily non-cash, were reported as \$16.0 million in cost of sales and \$0.1 million in restructuring costs. In fiscal 2009, \$5.1 million including \$3.6 million of employee benefit costs and \$1.5 million of non-cash costs associated with assets were reported as \$5.0 million in cost of sales and \$0.1 million in restructuring costs.

(In millions)	Balance at Beginning of Period	Additions Charged to Costs of Sales and Restructuring Costs	Payments and Adjustments	Balance at End of Period
Year Ended October 31, 2009				
Other current liabilities	\$ 0	\$ 3.6	\$ 0.6	\$ 3.0
Accelerated depreciation and other	0	1.5	1.2	0.3
	\$ 0	\$ 5.1	\$ 1.8	\$ 3.3
Year Ended October 31, 2010				
Other current liabilities	\$ 3.0	\$ 4.4	\$ 4.9	\$ 2.5
Accelerated depreciation and other	0.3	11.7	10.2	1.8
	\$ 3.3	\$ 16.1	\$ 15.1	\$ 4.3
Year Ended October 31, 2011				
Other current liabilities	\$ 2.5	\$ 0.9	\$ 3.3	\$ 0.1
Accelerated depreciation and other	1.8	1.0	1.9	0.9
	\$ 4.3	\$ 1.9	\$ 5.2	\$ 1.0

The Company may, from time to time, decide to pursue additional restructuring activities that involve charges in future periods.

Note 3. Intangible Assets

(In thousands)	CooperVision	CooperSurgical	Total
Goodwill:			
Balance as of October 31, 2009	\$ 1,049,270	\$ 207,759	\$ 1,257,029
Net additions during the year ended October 31, 2010	0	10,102	10,102
Translation	(4,998)	(157)	(5,155)

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Balance as of October 31, 2010	\$ 1,044,272	\$ 217,704	\$ 1,261,976
Net additions during the year ended October 31, 2011	952	12,272	13,224
Translation	1,363	4	1,367
Balance as of October 31, 2011	\$ 1,046,587	\$ 229,980	\$ 1,276,567

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Of the October 31, 2011 goodwill balance, \$79.7 million is expected to be deductible for tax purposes.

(In thousands)	As of October 31, 2011		As of October 31, 2010		Weighted Average Amortization Period (In years)
	Gross Carrying Amount	Accumulated Amortization & Translation	Gross Carrying Amount	Accumulated Amortization & Translation	
Other intangible assets:					
Trademarks	\$ 3,204	\$ 1,431	\$ 3,022	\$ 1,195	12
Technology	109,896	62,525	105,527	52,954	11
Shelf space and market share	110,296	47,861	88,803	37,953	12
License and distribution rights and other	23,782	7,020	15,701	6,774	16
	247,178	\$ 118,837	213,053	\$ 98,876	12
Less accumulated amortization and translation	118,837		98,876		
Other intangible assets, net	\$ 128,341		\$ 114,177		

We estimate that amortization expense will average \$20.6 million per year in the three-year period ending October 31, 2014, and average \$11.6 million in the two succeeding years ending October 31, 2016.

Note 4. Debt

October 31,

(In thousands)	2011	2010
Short-term:		
Overdraft and other credit facilities	\$ 40,479	\$ 19,159
Current portion of long-term debt	12,500	0
	\$ 52,979	\$ 19,159
Long-term:		
Credit agreements	\$ 327,225	\$ 252,750
Senior notes	0	339,000
Other	228	227
	\$ 327,453	\$ 591,977

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Annual maturities of long-term debt as of October 31, 2011, are as follows:

Year	
(In thousands)	
2012	\$ 12,500
2013	\$ 12,500
2014	\$ 21,875
2015	\$ 25,000
2016	\$ 267,850
Thereafter	\$ 228

Credit Agreement

On January 12, 2011, Cooper refinanced its existing syndicated Senior Unsecured Revolving Line of Credit (Revolver) with a new Credit Agreement that provides for a multicurrency revolving credit facility in an aggregate principal amount of \$750.0 million and an amortizing term loan facility in an original principal amount of \$250.0 million, each of which, unless terminated earlier, mature on January 12, 2016. In addition, the Company has the ability from time to time to increase the size of the revolving credit facility by up to an additional \$250.0 million. KeyBank led the refinancing with certain banks that participated in the Revolver retaining or increasing their participation in the Credit Agreement.

Amounts outstanding under the new Credit Agreement bear interest, at the Company's option, at either the base rate, which is a rate per annum equal to the greatest of (a) KeyBank's prime rate, (b) one-half of one percent in excess of the federal funds effective rate and (c) one percent in excess of the adjusted LIBOR rate for a one-month interest period on such day, or the LIBOR or adjusted foreign currency rate, plus, in each case, an applicable margin in respect of base rate loans and in respect of LIBOR or adjusted foreign currency rate loans. The applicable margins are determined quarterly based upon the Company's ratio of consolidated funded indebtedness to consolidated proforma EBITDA, as defined in the Credit Agreement. At October 31, 2011, the weighted average interest rate on the outstanding balances was 1.6%.

The Company pays an annual commitment fee that ranges from 0.15% to 0.50% of the unused portion of the revolving credit facility depending on our ratio of consolidated funded indebtedness to consolidated proforma EBITDA, as defined in the Credit Agreement. In addition to this annual commitment fee, the Company is also required to pay certain letter of credit and related fronting fees and other administrative fees pursuant to the terms of the Credit Agreement.

The Company's new credit facility is not secured by any of its, or any of its subsidiaries', assets. All obligations under the new credit facility will be guaranteed by each of the Company's existing and future direct and indirect material domestic subsidiaries.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

The term loan facility will amortize in equal quarterly installments as follows, with the remainder due on the term loan maturity date: 5% of the aggregate principal amount of the term loan for the first three years following the closing date and 10% of the aggregate principal amount of the term loan for the fourth and fifth years following the closing date.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Pursuant to the terms of the Credit Agreement, the Company is also required to maintain specified financial ratios:

The ratio of Consolidated Proforma EBITDA to Consolidated Interest Expense (as defined, Interest Coverage Ratio) be at least 3.00 to 1.00 at all times.

The ratio of Consolidated Funded Indebtedness to Consolidated Proforma EBITDA (as defined, Total Leverage Ratio) be no higher than 3.75 to 1.00.

At October 31, 2011, the Company's Interest Coverage Ratio was 21.42 to 1.00 and the Total Leverage Ratio was 1.03 to 1.00.

The Company wrote off about \$0.3 million of debt issuance costs in interest expense as a result of extinguishing the Revolver. The remaining \$0.5 million of existing debt issuance costs and the \$9.5 million of costs incurred to refinance the Credit Agreement are carried in other assets and amortized to interest expense over the life of the Credit Agreement.

At October 31, 2011, we had \$650.7 million available under the Credit Agreement.

Senior Notes

On January 31, 2007, the Company issued \$350.0 million aggregate principal amount of 7.125% Senior Notes (the Notes) due February 15, 2015, of which none were outstanding at the end of fiscal 2011. The Notes paid interest semi-annually on February 15 and August 15 of each year, beginning August 15, 2007. The Notes were offered in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933.

On January 12, 2011, we provided formal notice, and on February 15, 2011, we redeemed all \$339.0 million aggregate principal amount outstanding of the Notes in accordance with the terms of the Indenture among the Company, the guarantors party thereto and HSBC Bank USA, National Association, as trustee, pursuant to which the Notes were issued. In accordance with the Indenture, the redemption price for the Notes was 103.563% of their principal amount plus accrued and unpaid interest to February 15, 2011, the redemption date. Due to the redemption of all outstanding Notes, we no longer disclose financial information for guarantor and non-guarantor subsidiaries.

In our fiscal second quarter of 2011, we recorded a \$16.5 million loss on the repurchase that includes the write-off of about \$4.4 million of unamortized costs and the redemption premium of \$12.1 million related to the Notes on our Consolidated Statement of Income. The Company

paid the aggregate purchase price from borrowings under the new Credit Agreement, including \$250.0 million from the term loan facility.

European Credit Facility

The Company maintains a European credit facility with Citibank in the form of a continuing and unconditional guaranty. The aggregate facility limit was \$35.9 million and \$33.0 million at October 31, 2011 and 2010, respectively. The Company will pay to Citibank all forms of indebtedness in the currency in which it is denominated for those certain subsidiaries. Interest expense is calculated on all

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

debit balances based on an applicable base rate for each country plus a fixed spread common across most subsidiaries covered under the guaranty. At October 31, 2011, \$15.7 million of the facility was utilized. The weighted average interest rate on the outstanding balances was 2.9%.

In addition to this European credit facility, the Company has available a non-guaranteed Euro-denominated Italian overdraft facility. The Facility limit was \$0.8 million and \$3.6 million at October 31, 2011 and 2010, respectively. At October 31, 2011, about \$50 thousand of this facility was utilized.

Asian Pacific Credit Facilities

The Company maintained Yen-denominated and dollar-dominated credit facilities in Japan supported by continuing and unconditional guarantees. The aggregate facility limit was \$40.6 million and \$27.4 million at October 31, 2011 and 2010, respectively. The Company will pay all forms of indebtedness in Yen upon demand. Interest expense is calculated on the outstanding balance based on the base rate, TIBOR or Euroyen plus a fixed spread. At October 31, 2011, \$23.4 million of the combined facilities was utilized. The weighted average interest rate on the outstanding balances was 0.8%.

The Company maintains credit facilities for certain of our Asia Pacific subsidiaries with JP Morgan. Each facility is supported by a continuing and unconditional guaranty. The aggregate facility limit was \$7.6 million and \$5.0 million at October 31, 2011 and 2010, respectively. The Company will pay all forms of indebtedness, for each facility, in the currency in which it is denominated for those certain subsidiaries. Interest expense is calculated on all outstanding balances based on an applicable base rate for each country plus a fixed spread common across all subsidiaries covered under each guaranty. At October 31, 2011, \$0.7 million of the facility was utilized. The weighted average interest rate on the outstanding balances was 6.0%.

Letters of Credit

The Company maintains letters of credit throughout the world with various financial institutions that primarily serve as guarantee notes on debt obligations. The aggregate outstanding amount of letters of credit at October 31, 2011 was \$2.8 million.

Note 5. Income Taxes

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Cooper's effective tax rate (ETR) (provision for income taxes divided by pretax income) for the fiscal year 2011 was 9%. Our results include the fiscal year ETR, plus any discrete items. The ETR used to record the provision for income taxes for the fiscal year 2010 was 9.3%. The ETR is less than the United States statutory rate as a majority of our income is earned in foreign jurisdictions with lower tax rates reflecting the shift in the geographic mix of income during recent periods with income earned in foreign jurisdictions increasing as compared to income earned in the United States. As a result, the ratio of domestic income to worldwide income primarily within CooperVision has decreased over recent fiscal periods. A reduction in the ratio of domestic income to worldwide income effectively lowers the overall tax rate due to the fact that the tax rates in the majority of foreign jurisdictions where

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

the Company operates are significantly lower than the statutory rate in the United States. The completion of the Company's restructuring plan to close a CooperVision manufacturing facility, located in Norfolk, Virginia, with the manufacturing demand subsequently absorbed by our plants in the United Kingdom and Puerto Rico contributed to this change in the geographic mix of income. As a result of this restructuring, substantially all of CooperVision's contact lens products are manufactured outside of the United States.

Additionally, in fiscal 2011, the Company recorded a \$16.5 million domestic loss on the repurchase of its Senior Notes that included the write off of about \$4.4 million of unamortized costs and the redemption premium of \$12.1 million. This impacted the Company's tax provision and further reduced the overall effective tax rate.

The components of income from continuing operations before income taxes and the income tax provision related to income from all operations in our Consolidated Statements of Income consist of:

Years Ended October 31,

(In thousands)	2011	2010	2009
Income (loss) before income taxes:			
United States	\$ 5,449	\$ (613)	\$ 24,335
Foreign	187,315	125,039	90,493
	\$ 192,764	\$ 124,426	\$ 114,828
Income tax provision	\$ 17,334	\$ 11,623	\$ 14,280

The income tax provision related to income from continuing operations in our Consolidated Statements of Income consists of:

Years Ended October 31,

(In thousands)	2011	2010	2009
Current:			
Federal	\$ 11,448	\$ 3,963	\$ (492)
State	606	1,602	2,156
Foreign	9,700	7,813	5,324
	21,754	13,378	6,988
Deferred:			
Federal	(1,859)	(1,731)	6,806
State	(270)	(1,287)	(680)

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Foreign	(2,291)	1,263	1,166
	(4,420)	(1,755)	7,292
Income tax provision	\$ 17,334	\$ 11,623	\$ 14,280

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

We reconcile the provision for income taxes attributable to income from operations and the amount computed by applying the statutory federal income tax rate of 35% to income before income taxes as follows:

Years Ended October 31, (In thousands)	2011	2010	2009
Computed expected provision for taxes	\$ 67,468	\$ 43,549	\$ 40,190
(Decrease) increase in taxes resulting from:			
Income earned outside the United States subject to different tax rates	(56,877)	(33,912)	(28,186)
State taxes, net of federal income tax benefit	218	206	1,676
Research and development credit	(1,183)	(525)	0
Nontaxable gain from reversal of preacquisition contingency	0	0	(836)
Incentive stock option compensation	(119)	(50)	(65)
Tax accrual adjustment	7,167	2,640	1,752
Other, net	660	(285)	(251)
Actual provision for income taxes	\$ 17,334	\$ 11,623	\$ 14,280

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

October 31,

(In thousands)	2011	2010
Deferred tax assets:		
Accounts receivable, principally due to allowances for doubtful accounts	\$ 1,017	\$ 1,019
Inventories	4,325	4,199
Litigation settlements	183	99
Accrued liabilities, reserves and compensation accruals	31,856	26,124
Restricted stock	19,341	17,370
Net operating loss carryforwards	8,159	8,496
Plant and equipment	2,778	2,520
Research and experimental expenses Section 59(e)	8,311	9,808
Tax credit carryforwards	7,629	6,284
Total gross deferred tax assets	83,599	75,919
Less valuation allowance	0	0
Deferred tax assets	83,599	75,919
Deferred tax liabilities:		
Tax deductible goodwill	(16,804)	(14,734)
Transaction cost	(1,144)	(1,144)
Foreign deferred tax liabilities	(11,005)	(13,352)

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Other intangible assets	(15,610)	(15,165)
Bonus adjustments under new accounting method	(3,901)	0
Total gross deferred tax liabilities	(48,464)	(44,395)
Net deferred tax assets	\$ 35,135	\$ 31,524

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Current deferred tax liabilities of \$0.3 million at October 31, 2011, and \$0.2 million at October 31, 2010, are included in other accrued liabilities on the balance sheet.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at October 31, 2011. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company has not provided for federal income tax on approximately \$880.2 million of undistributed earnings of its foreign subsidiaries since the Company intends to reinvest this amount outside the U.S. indefinitely.

At October 31, 2011, the Company had federal net operating loss carryforwards of \$15.8 million and state net operating loss carryforwards of \$34.6 million. The Company also had federal net operating loss carryforwards of \$30.6 million related to share option exercises as of October 31, 2011. A tax benefit and a credit to additional paid-in capital for the excess deduction would not be recognized until such deduction reduces taxes payable. Additionally, the Company had \$5.7 million of federal alternative minimum tax credits, \$1.7 million of federal research credits and \$0.2 million of California research credits. The federal net operating loss and federal research credits carryforwards expire on various dates between 2025 through 2031, and the federal alternative minimum tax credits carry forward indefinitely. The state net operating loss carryforwards expire on various dates between 2019 through 2021 and the California research credits carry forward indefinitely. The net operating loss and other tax credits may be subject to certain limitations upon utilization under Section 382 of the Internal Revenue Code.

The Company adopted the provisions of the interpretation of ASC 740-10-25-5 through 25-17, *Basic Recognition Threshold*, formerly FIN 48, on November 1, 2007. As a result of the adoption, the Company reduced its net liability for unrecognized tax benefits (UTB), previously classified in current taxes payable, by \$5.3 million, which was accounted for as an increase to retained earnings. The interpretation also provides guidance on how the interest and penalties related to tax positions may be recorded and classified within our Consolidated Statements of Income and presented in the Consolidated Balance Sheet. We classify interest expense and penalties related to uncertain tax positions as additional income tax expense.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The aggregated changes in the balance of gross unrecognized tax benefits were as follows:

(In millions)

Balance at November 1, 2009	\$ 15.9
Increase from prior year's UTB's	0
Increase from current year's UTB's	5.2
UTB (decreases) from tax authorities' settlements	0
UTB (decreases) from expiration of statute of limitations	(1.4)
Increase of unrecorded UTB's	0
Balance at October 31, 2010	19.7
Increase from prior year's UTB's	0
Increase from current year's UTB's	8.9
UTB (decreases) from tax authorities' settlements	0
UTB (decreases) from expiration of statute of limitations	(1.2)
Increase of unrecorded UTB's	0
Balance at October 31, 2011	\$ 27.4

As of October 31, 2011, the Company had \$27.3 million of unrecognized tax benefits, including \$1.6 million of related accrued interest and penalties that, if recognized, would affect our effective tax rate. It is the Company's policy to recognize interest and penalties directly related to incomes taxes as additional income tax expense.

Included in the balance of unrecognized tax benefits at October 31, 2011 is \$9.0 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits related to expiring statutes in various jurisdictions worldwide and comprises of transfer pricing and other items.

The Company is required to file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and many foreign jurisdictions.

On April 1, 2011, the Internal Revenue Service (IRS) issued a Notice of Deficiency to the Company in connection with its audit of the Company's income tax returns for the years 2005 and 2006. The Notice asserts that the Company is subject to additional taxes due to a proposed adjustment under the anti-deferral provisions of Subpart F of the Internal Revenue Code. If sustained, such taxes should be offset by the Company's existing federal net operating loss carryforwards leaving a \$1.2 million balance of proposed taxes owed. The Company intends to defend its positions taken in its income tax returns vigorously. However, if the IRS's contentions were sustained, the Company's existing federal net operating loss carryforwards could be materially reduced, which could result in a material adverse effect on the Company's future net income.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

As of October 31, 2011, the tax years for which the Company remains subject to United States Federal income tax assessment upon examination are 2005 through 2010. The Company remains subject to income tax examinations in other major tax jurisdictions including the United Kingdom, France and Australia for the tax years 2006 through 2010.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Note 6. Earnings Per Share**

Years Ended October 31, (In thousands, except per share amounts)	2011	2010	2009
Net income	\$ 175,430	\$ 112,803	\$ 100,548
<i>Basic:</i>			
Weighted average common shares	46,904	45,530	45,173
Basic earnings per common share	\$ 3.74	\$ 2.48	\$ 2.23
<i>Diluted:</i>			
Weighted average common shares	46,904	45,530	45,173
Effect of dilutive stock options	1,405	975	305
Diluted weighted average common shares	48,309	46,505	45,478
Diluted earnings per share	\$ 3.63	\$ 2.43	\$ 2.21

The following table sets forth stock options to purchase Cooper's common stock that are not included in the diluted net income per share calculation because to do so would be anti-dilutive for the periods presented:

Years Ended October 31, (In thousands, except exercise prices)	2011	2010	2009
Number of stock option shares excluded	631	3,443	4,383
Range of exercise prices	\$ 68.66 - \$80.51	\$ 41.44 - \$80.51	\$ 24.40 - \$80.51

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Note 7. Stockholders Equity****Analysis of changes in accumulated other comprehensive income (loss):**

(In thousands)	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Marketable Securities	Change in Value of Derivative Instruments	Minimum Pension Liability	Total
Balance at October 31, 2008	\$ (16,722)	\$ 0	\$ (5,942)	\$ (2,576)	\$ (25,240)
Gross change in value for the period	22,760	0	(32,462)	(12,647)	(22,349)
Reclassification adjustments for losses realized in income	0	0	29,629	0	29,629
Tax effect for the period	0	0	108	4,932	5,040
Balance at October 31, 2009	\$ 6,038	\$ 0	\$ (8,667)	\$ (10,291)	\$ (12,920)
Gross change in value for the period	(14,396)	0	114	838	(13,444)
Reclassification adjustments for losses realized in income	0	0	13,091	0	13,091
Tax effect for the period	0	0	(3,566)	(495)	(4,061)
Balance at October 31, 2010	\$ (8,358)	\$ 0	\$ 972	\$ (9,948)	\$ (17,334)
Gross change in value for the period	5,817	9	(6,227)	(4,610)	(5,011)
Reclassification adjustments for losses realized in income	0	0	1,122	0	1,122
Tax effect for the period	0	0	1,307	1,806	3,113
Balance at October 31, 2011	\$ (2,541)	\$ 9	\$ (2,826)	\$ (12,752)	\$ (18,110)

Cash Dividends

In fiscal 2011 and 2010, we paid semiannual dividends of 3 cents per share: an aggregate of approximately \$1.4 million or 3 cents per share on February 7, 2011, to stockholders of record on January 19, 2011; \$1.4 million or 3 cents per share on August 5, 2011, to stockholders of record on July 25, 2011; \$1.4 million on August 5, 2010, to stockholders of record on July 20, 2010; and \$1.3 million on February 5, 2010, to stockholders of record on January 19, 2010.

Stockholders Rights Plan

Under our stockholders rights plan, each outstanding share of our common stock carries one-half of one preferred share purchase right (Right). The Rights will become exercisable only under certain circumstances involving acquisition of beneficial ownership of 20% or more of our common stock by a person or group (Acquiring Person) without the prior consent of Cooper s Board of Directors. If a person or group becomes an Acquiring Person, each Right would then entitle the holder (other than an Acquiring Person) to purchase, for the then purchase price of the Right (currently \$450, subject to adjustment), shares of Cooper s common stock, or shares of common stock of any person into which we are thereafter merged or to which 50% or more of our assets or earning power is sold, with a market value of twice the purchase price. The Rights will expire in October 2017 unless earlier exercised or redeemed. The Board of Directors may redeem the Rights for \$.01 per Right prior to any person or group becoming an Acquiring Person.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 8. Stock Plans

At October 31, 2011, Cooper had the following stock-based compensation plans:

2006 Long-Term Incentive Plan for Non-Employee Directors (2006 Directors Plan)

In March 2006, the Company received stockholder approval of the 2006 Directors Plan, and in March 2007, October 2007, October 2008 and December 2008, the Board of Directors amended the 2006 Directors Plan. The Company received stockholder approval of an amendment and restatement of the 2006 Directors Plan in March 2009 and the Board of Directors amended the Amended and Restated 2006 Directors Plan in October 2009 and October 2010. The Company received stockholder approval of a further amendment and restatement of the 2006 Directors Plan in March 2011 and the Board of Directors amended the Second Amended and Restated 2006 Directors Plan in October 2011.

The Second Amended and Restated 2006 Directors Plan, as amended, authorizes either Cooper's Board of Directors or a designated committee thereof composed of two or more Non-Employee Directors to grant to Non-Employee Directors during the period ending March 21, 2019, equity awards for up to 950,000 shares of common stock, subject to adjustment for future stock splits, stock dividends, expirations, forfeitures and similar events.

As amended, the Second Amended and Restated 2006 Directors Plan provides for annual grants of stock options and restricted stock to Non-Employee Directors on November 1 and November 15, respectively, of each fiscal year. Specifically, each Non-Employee Director may be awarded the right to purchase 2,000 restricted shares (2,200 shares in the case of the Chairman of the Board) of the Company's common stock for \$0.10 per share on each November 15. The restrictions on the restricted stock will lapse on the first anniversary of the date of grant. Each Non-Employee Director may also be awarded 6,500 options (7,150 options in the case of the Lead Director and/or the Chairman of the Board) to purchase common stock on each November 1. These options vest on the first anniversary of the date of grant. Options expire no more than 10 years after the grant date. In December 2008, the 2006 Directors Plan was also amended to allow discretionary granting of stock options and/or restricted stock with similar terms to the annual grant other than the specific share requirements. As of October 31, 2011, 355,566 shares remained available under the 2006 Directors Plan for future grants.

2007 Long-Term Incentive Plan (2007 LTIP)

In March 2007, the Company received stockholder approval of the 2007 LTIP and in October 2007, the Board of Directors amended the 2007 LTIP. In March 2009, the Company received stockholder approval of an amendment and restatement of the 2007 LTIP and in March 2011, the Company received stockholder approval of a further amendment and restatement of the 2007 LTIP.

The Second Amended and Restated 2007 LTIP is designed to increase Cooper's stockholder value by attracting, retaining and motivating key employees and consultants who directly influence our profitability. The Second Amended and Restated 2007 LTIP authorizes either Cooper's Board of Directors, or a designated committee thereof composed of two or more Non-Employee Directors, to grant to eligible individuals during the period ending December 31, 2017, specified equity awards including stock option, restricted stock units and performance share awards subject to adjustment for future stock splits, stock dividends, expirations, forfeitures and similar events.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

During fiscal 2011, the Company granted stock options, restricted stock units (RSUs) and performance share awards to employees under the Amended and Restated 2007 LTIP. Equity awards are granted at 100% of fair market value on the date of grant and expire no more than 10 years after the grant date. Stock options may become exercisable based on our common stock achieving certain price targets, specified time periods elapsing or other criteria designated by the Board or its authorized committee at their discretion. RSUs are nontransferable awards entitling the recipient to receive shares of common stock, without any payment in cash or property, in one or more installments at a future date or dates as determined by the Board of Directors or its authorized committee. For RSUs, legal ownership of the shares is not transferred to the employee until the unit vests, which is generally over a four-year period. Performance share awards are nontransferable awards entitling the recipient to receive a variable number of shares of common stock, without any payment in cash or property, in one or more installments at a future date or dates as determined by the Board of Directors or its authorized committee. Legal ownership of the shares is not transferred to the recipient until the award vests, and the number of shares distributed is dependent upon the achievement of certain performance targets over a specified period of time. As of October 31, 2011, 2,298,692 shares remained available under the Amended and Restated 2007 LTIP for future grants. The amount of available shares includes shares which may be distributed under performance share awards.

Share-Based Compensation

The compensation cost and related income tax benefit recognized in the Company's consolidated financial statements for share-based awards were as follows:

October 31,

(In millions)	2011	2010	2009
Selling, general and administrative expenses	\$ 12.4	\$ 8.6	\$ 10.4
Cost of sales	0.8	0.6	1.0
Research and development expense	0.7	0.4	0.6
Capitalized in inventory	0.8	0.6	1.0
Total compensation	\$ 14.7	\$ 10.2	\$ 13.0
Related income tax benefit	\$ 4.4	\$ 3.2	\$ 4.2

Cash received from exercises under all share-based payment arrangements for the fiscal years ended October 31, 2011, 2010 and 2009 was approximately \$82.0 million, \$11.1 million and \$1.1 million, respectively.

Details regarding the valuation and accounting for share-based awards follow.

Stock Options

The fair value of each stock option award granted is estimated on the date of grant using the Black-Scholes option valuation model and assumptions noted in the following table. The expected life of the awards is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. In determining the expected volatility, management considers implied volatility from

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

publicly-traded options on the Company's stock at the date of grant, historical volatility and other factors. The risk-free interest rate is based on the continuous rates provided by the U.S. Treasury with a term equal to the expected life of the option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

Years Ended October 31,	2011	2010	2009
Expected life	4.5 - 5.7 years	5.3 years	4.0 - 5.4 years
Expected volatility	40.2% - 41.3%	41.0%	33.6% - 40.1%
Risk-free interest rate	1.01% - 1.41%	2.26% - 2.43%	1.41% - 2.78%
Dividend yield	0.12%	0.21%	0.14%

The status of the Company's stock option plans at October 31, 2011, is summarized below:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at October 31, 2010	5,514,178	\$ 44.27		
Granted	241,379	\$ 54.81		
Exercised	(1,938,844)	\$ 43.28		
Forfeited or expired	(304,271)	\$ 63.09		
Outstanding at October 31, 2011	3,512,442	\$ 43.96	5.17	
Vested and exercisable at October 31, 2011	2,601,415	\$ 49.02	4.22	\$ 55,520,367

The weighted-average fair value of each option granted during fiscal 2011, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was \$21.15. The weighted-average fair value of each option granted during fiscal 2010, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was \$14.44. For the 2006 Directors Plan, the weighted-average fair value of options granted for fiscal 2011 and 2010 were \$18.96 and \$11.32, respectively. The expected requisite service period for options granted to employees in fiscal 2011 was generally 48 months. The total intrinsic value of options exercised during the year ended October 31, 2011 was \$53.1 million. The periodic adjustments of the forfeiture rate resulted in reductions in share-based compensation expense of \$1.9 million in fiscal 2011 and \$1.2 million in fiscal 2010. Directors' options and restricted stock grants are expensed on the date of grant as the 2006 Directors Plan does not contain a substantive future requisite service period.

Stock awards outstanding under the Company's current plans have been granted at prices which are either equal to or above the market value of the common stock on the date of grant. Options granted under the 2007 LTIP generally vest over three and one-half to five years based on market and service conditions and expire no later than either five or ten years after the grant date. Options granted under the 2006 Directors Plan generally vest in one year or upon achievement of a market condition and expire no later than ten years after the grant date. The Company

Edgar Filing: COOPER COMPANIES INC - Form 10-K

generally recognizes compensation expense ratably over the vesting period. As of October 31, 2011, there was \$7.2 million of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 2.7 years.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Restricted Stock Units**

RSUs granted under the 2007 LTIP have been granted at prices which are either equal to or above the market value of the stock on the date of grant and generally vest over four years. The fair value of restricted stock units is estimated on the date of grant based on the market price of our common stock. The Company recognizes compensation expense ratably over the vesting period. As of October 31, 2011, there was \$19.0 million of total unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a remaining weighted-average vesting period of 2.9 years.

The status of the Company's non-vested RSUs at October 31, 2011, is summarized below:

	Number of Shares	Weighted- Average Grant Date Fair Value Per Share
Non-vested RSUs at October 31, 2010	329,258	\$ 32.37
Granted	356,259	\$ 52.84
Vested and exercised	(95,871)	\$ 33.26
Forfeited or expired	(14,088)	\$ 38.03
Non-vested RSUs at October 31, 2011	575,558	\$ 44.77

Performance Units

Performance units are granted to selected executives and other key employees with vesting contingent upon meeting future reported earnings per share goals over a defined performance cycle, usually three years. Performance units, if earned, may be paid in cash or shares of common stock. The performance shares actually earned will range from zero to 150% of the target number of performance shares for performance periods ending in fiscal 2011 through fiscal 2013. Subject to limited exceptions set forth in the performance share plan, any shares earned will be distributed in the immediate subsequent fiscal period after the performance period. The fair value of performance unit awards is estimated on the date of grant based on the current market price of our common stock and the estimate of probability of award achievement. This estimate is reviewed each fiscal period and adjustments are recorded prospectively if it is determined that the estimate of probability of award achievement has changed.

The Company recognizes compensation expense ratably over the vesting period. As of October 31, 2011, there was \$6.2 million of total unrecognized compensation cost related to non-vested performance units, which is expected to be recognized over a remaining weighted-average vesting period of 1.8 years.

Performance units granted on February 10, 2009 vested on October 31, 2011 and met 150% of the target. Subject to the provisions of the plan, the Company expects to award 80,850 shares of common stock in the fiscal first quarter of 2012. The Company also granted performance unit awards on December 12, 2009 and December 13, 2010 with specific performance goals for each period ending on October 31, 2012 and October 31, 2013, respectively.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Note 9. Employee Benefits****Cooper's Retirement Income Plan**

Cooper's Retirement Income Plan (Plan), a defined benefit plan, covers substantially all full-time United States employees. Cooper's contributions are designed to fund normal cost on a current basis and to fund over 30 years the estimated prior service cost of benefit improvements (5 years for annual gains and losses). The unit credit actuarial cost method is used to determine the annual cost. Cooper pays the entire cost of the Plan and funds such costs as they accrue. Virtually all of the assets of the Plan are comprised of equities and participation in equity and fixed income funds.

The following table sets forth the Plan's benefit obligations and fair value of the Plan assets at October 31, 2011, and the funded status of the Plan and net periodic pension costs for each of the years in the three-year period ended October 31, 2011.

Retirement Income Plan

Years Ended October 31, (In thousands)	2011	2010	2009
Change in benefit obligation			
Benefit obligation, beginning of year	\$ 54,751	\$ 47,658	\$ 34,140
Service cost	4,749	3,969	3,574
Interest cost	2,973	2,670	2,736
Benefits paid	(1,440)	(1,228)	(1,069)
Curtailed (gain)	0	(594)	0
Actuarial loss	3,956	2,276	8,277
 Benefit obligation, end of year	 \$ 64,989	 \$ 54,751	 \$ 47,658
Change in plan assets			
Fair value of plan assets, beginning of year	\$ 33,444	\$ 26,399	\$ 24,598
Actual return on plan assets	1,474	4,509	(1,783)
Employer contributions	5,620	3,764	4,653
Benefits paid	(1,440)	(1,228)	(1,069)
 Fair value of plan assets, end of year	 \$ 39,098	 \$ 33,444	 \$ 26,399
Funded status at end of year	\$ (25,891)	\$ (21,307)	\$ (21,259)

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Years Ended October 31, (In thousands)	2011	2010	2009
Amounts recognized in the statement of financial position consist of:			
Noncurrent asset	\$ 0	\$ 0	\$ 0
Current liability	0	0	0
Noncurrent liabilities	(25,891)	(21,307)	(21,259)
Net amount recognized at year end	\$ (25,891)	\$ (21,307)	\$ (21,259)
Amounts recognized in accumulated other comprehensive income consist of:			
Net transition obligation	\$ 20	\$ 41	\$ 76
Prior service cost	77	102	155
Net loss	20,134	15,459	16,639
Accumulated other comprehensive income	\$ 20,231	\$ 15,602	\$ 16,870
Information for pension plans with accumulated benefit obligations in excess of plan assets			
Projected benefit obligation	\$ 64,989	\$ 54,751	\$ 47,658
Accumulated benefit obligation	\$ 57,388	\$ 47,866	\$ 40,749
Fair value of plan assets	\$ 39,098	\$ 33,444	\$ 26,399
Reconciliation of Prepaid (Accrued) Pension Cost			
Accrued pension cost at prior fiscal year end	\$ (5,706)	\$ (4,390)	\$ (5,320)
Net periodic benefit cost	5,574	5,080	3,191
Contributions made during the year	5,620	3,764	4,653
Adjustment due to change in measurement date	0	0	532
Accrued pension cost at fiscal year end	\$ (5,660)	\$ (5,706)	\$ (4,390)
Components of net periodic benefit cost and other amounts recognized in other comprehensive income			
Net periodic benefit cost:			
Service cost	\$ 4,748	\$ 3,969	\$ 3,063
Interest cost	2,973	2,670	2,346
Expected return on plan assets	(2,944)	(2,444)	(2,309)
Amortization of transitional (asset) or obligation	21	21	26
Amortization of prior service cost	24	24	30
Recognized actuarial loss	752	796	36
Curtailed loss	0	44	0
Net periodic pension cost	\$ 5,574	\$ 5,080	\$ 3,192

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Other changes in plan assets and benefit obligations recognized in other comprehensive income**

(In thousands)	2011	2010	2009
Net transition obligation	\$ 0	\$ 0	\$ 0
Prior service cost	0	0	0
Net loss	5,426	211	12,754
Amortizations of net transition obligation	(21)	(21)	(30)
Amortizations of prior service cost	(24)	(24)	(35)
Amortizations of net gain	(752)	(797)	(42)
Reduction in net transition obligation due to curtailment	(0)	(14)	0
Reduction in prior service cost due to curtailment	(0)	(29)	0
Reduction in net loss due to curtailment	(0)	(594)	0
Total recognized in other comprehensive income	\$ 4,629	\$ (1,268)	\$ 12,647
Total recognized in net periodic benefit cost and other comprehensive income	\$ 10,203	\$ 3,812	\$ 15,839

The estimated net loss, net transition obligation and prior service cost for the plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$1,125,888, \$20,788 and \$24,208, respectively.

Years Ended October 31,	2011	2010	2009
Weighted-average assumptions used in computing the net periodic pension cost and projected benefit obligation at year end:			
Discount rate for determining net periodic pension cost	5.50%	5.75%	7.00%
Discount rate for determining benefit obligations at year end	4.75%	5.50%	5.75%
Rate of compensation increase for determining expense	4.00%	4.00%	4.00%
Rate of compensation increase for determining benefit obligations at year end	4.00%	4.00%	4.00%
Expected rate of return on plan assets for determining net periodic pension cost	8.50%	9.00%	9.00%
Expected rate of return on plan assets at year end	8.50%	8.50%	9.00%
Measurement date for determining assets and benefit obligations at year end	10/31/2011	10/31/2010	10/31/2009

The discount rate enables us to state expected future cash flows at a present value on the measurement date. The discount rate used for the plan is based primarily on the yields of a universe of high quality corporate bonds or the spot rate of high quality AA-rated corporate bonds, with durations corresponding to the expected durations of the benefit obligations. A change in the discount rate will cause the present value of benefit obligations to change in the opposite direction. If a discount rate of 5.50%, which is similar to prior fiscal year, had been used, the projected benefit obligation would have been \$57.7 million, and the accumulated benefit obligation would have been \$51.4 million.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The expected rate of return on plan assets was determined based on a review of historical returns, both for this plan and for medium- to large-sized defined benefit pension funds with similar asset allocations. This review generated separate expected returns for each asset class listed below. These expected future returns were then blended based on this Plan's target asset allocation.

Plan Assets

Weighted-average asset allocations at year end, by asset category are as follows:

Years Ended October 31, Asset category	2011	2010	2009
Cash and cash equivalents	2.1%	4.1%	9.0%
Corporate common stock	19.0%	21.3%	20.8%
Equity mutual funds	41.1%	37.9%	37.3%
Balanced mutual funds	0.0%	0.0%	9.3%
Real estate funds	5.6%	5.0%	1.7%
Bond mutual funds	32.2%	31.7%	21.9%
Total	100.0%	100.0%	100.0%

The Plan invests in a diversified portfolio of assets intended to minimize risk of poor returns while maximizing expected portfolio returns. To achieve the long-term rate of return, plan assets will be invested in a mixture of instruments, including but not limited to, corporate common stock (may include the Company's stock), investment grade bond funds, cash, balanced funds, real estate funds, small or large cap equity funds and international equity funds. The allocation of assets will be determined by the investment manager, and will typically include 50% to 80% equities with the remainder invested in fixed income and cash. Presently, this diversified portfolio is expected to return roughly 8.5% in the long run.

Fair Value Measurement of Plan Assets

(In thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Cash and cash equivalents	\$ 811	\$ 811	\$ 0	\$ 0
Corporate common stock	7,436	7,436	0	0

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Equity mutual funds	16,057	16,057	0	0
Real estate funds	2,201	2,201	0	0
Bond mutual funds	12,593	12,593	0	0
Total	\$ 39,098	\$ 39,098	\$ 0	\$ 0

The Plan has an established process for determining the fair value of plan assets. Fair value is based upon quoted market prices, as Level 1 inputs, where available. For our investments in equity and bond

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

mutual funds, and real estate funds, fair value is based on observable, Level 1 inputs, as price quotes are available and the fair values of these funds were not impacted by liquidity restrictions or the fund status. Level 2 assets are those where price quotes are not readily available and the fair value would be determined based on other observable inputs. Level 3 assets are those where price quotes are not readily available and the fair value would be determined based on unobservable inputs.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Cash Flows**Contributions**

The Company contributions to the pension plan were \$5.6 million, \$3.8 million and \$4.7 million for fiscal 2011, 2010 and 2009, respectively. The Company closely monitors the funded status of the Plan with respect to legislative and accounting rules. The Company is expected to make contributions of about \$5.2 million during fiscal 2012.

Estimated Future Benefit Payments

Years	
(In thousands)	
2011 - 2012	\$ 1,657
2012 - 2013	1,877
2013 - 2014	2,138
2014 - 2015	2,423
2015 - 2016	2,742
2016 - 2021	18,677

In October 2007, we adopted the funded status provision of ASC 715, *Compensation - Retirement Benefits*, which required that we recognize the overfunded or underfunded status of the Plan as an asset or liability on our October 31, 2007 Consolidated Balance Sheet. Subsequent changes in the funded status are recognized through comprehensive income in the year in which they occur. ASC 715 also requires that for fiscal 2009 and future years, our assumptions used to measure annual pension expenses be determined as of the balance sheet date and all plan assets and liabilities be reported as of that date. For fiscal years ending October 31, 2008 and prior, the Plan used an August 31 measurement date, and all plan assets and obligations were generally reported as of that date.

Cooper's 401(k) Savings Plan

Cooper's 401(k) savings plan provides for the deferral of compensation as described in the Internal Revenue Code and is available to substantially all full-time United States employees. Employees who participate in the 401(k) plan may elect to have from 1% to 75% of their pre-tax salary or wages deferred and contributed to the trust established under the plan. Cooper's contributions on account of participating employees, net of forfeiture credits, were \$2.4 million, \$2.1 million and \$2.2 million for the years ended October 31, 2011, 2010 and 2009, respectively.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10. Financial Instruments

We operate multiple foreign subsidiaries that manufacture and/or sell our products worldwide. As a result, our earnings, cash flow and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables, sales transactions, capital expenditures and net investment in certain foreign operations. Our policy is to minimize, to the extent reasonable and practical, transaction, remeasurement and specified economic exposures with derivatives instruments such as foreign exchange forward contracts and cross currency swaps. The gains and losses on these derivatives are intended to at least partially offset the transaction gains and losses recognized in earnings. We do not enter into derivatives for speculative purposes. Under ASC 815, *Derivatives and Hedging*, all derivatives are recorded on the balance sheet at fair value. As discussed below, the accounting for gains and losses resulting from changes in fair value depends on the use of the derivative and whether it is designated and qualifies for hedge accounting.

Through the normal course of its business activities, the Company recognizes that it is exposed to foreign exchange risks. Our primary objective is to protect the United States dollar value of future cash flows and minimize the volatility of reported earnings while strictly adhering to accounting principles generally accepted in the United States. To meet this objective, business exposures to foreign exchange risks must be identified, measured and minimized using the most effective and efficient methods to eliminate, reduce or transfer such exposures.

Exposures are reduced whenever possible by taking advantage of offsetting payable and receivable balances and netting net sales against expenses, also referred to as natural hedges. We may employ the use of foreign currency derivative instruments to manage a portion of the remaining foreign exchange risk. While we designate our exposures under derivative accounting on a gross basis, foreign currency derivatives may be used to protect against an exposure value resulting from forecasted non-functional currency denominated net sales and expenses. Our risk management objectives and the strategies for achieving those objectives depend on the type of exposure being hedged.

The Company is also exposed to risks associated with changes in interest rates, as the interest rate on our Credit Agreement varies. To mitigate this risk, we may hedge portions of our variable rate debt by swapping those portions to fixed rates.

We only enter into derivative financial instruments with institutions with which we have an International Swap Dealers Association (ISDA) agreement in place. Our derivative financial instruments do not contain credit risk related contingent features such as call features or requirements for posting collateral. Although the Company and its counterparties have some right of set-off, all foreign exchange derivatives are displayed gross in the fair value tabular disclosure and accounted for as such in our Consolidated Balance Sheet. We adjust our foreign exchange forward contracts and cross currency swaps for credit risk on a per derivative basis. However, when applicable, we record interest rate derivatives as net on our Consolidated Balance Sheet, in accordance with derivative accounting, but gross in the fair value tabular disclosure. When we net or set-off our interest rate derivative obligations, only the net asset or liability position will be credit affected. For the years ending October 31, 2011 and 2010, all of our interest rate derivatives were in a liability position and, therefore, were not set-off in the Consolidated Balance Sheet. Since ISDA agreements are signed between the Company and each respective financial institution, netting is permitted on a per institution

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

basis only. On an ongoing basis, the Company monitors counterparty credit ratings. We consider our credit non-performance risk to be minimal because we award and disperse derivatives business between multiple commercial institutions that have at least an investment grade credit rating.

Cash Flow Hedging

The Company is exposed to the effects of foreign exchange movements. From time to time, we may choose to manage enterprise risk by locking in all or a portion of the anticipated cash flows that are linked to accounting exposures such as nonfunctional currency intercompany payables/receivables, through derivative instruments. To execute this strategy, we may hedge the specific identified foreign exchange risk exposure, thereby locking in the rate at which these forecasted transactions will be recorded and ultimately reduce earnings volatility related to the enterprise risk.

Cash flow hedge accounting allows for the gains or losses on the change in fair value of the derivatives related to forecasted transactions to be recorded in Other Comprehensive Income (Loss) (OCI) until the underlying forecasted transaction occurs. However, this accounting treatment is limited to hedging specific transactions that can be clearly defined and specifically create risk to functional currency cash flow.

All sales and expenses with unrelated third parties not denominated in USD subject the Company to economic risk. We typically designate and document qualifying foreign exchange forward contracts related to certain forecasted intercompany sales and purchases associated with third party transactions, as cash flow hedges.

To manage foreign currency exposure related to forecasted foreign currency denominated sales and purchases of product, the Company may enter into foreign currency forward contracts. Typical currencies traded are those which represent the largest risk for the Company, including but not limited to the British pound sterling, euro and Japanese yen. In fiscal 2011 and 2010, the Company did not enter into such forward contracts.

The effective portion of cash flow hedge contracts gains or losses resulting from changes in fair value of hedges is initially reported as a component of accumulated OCI in stockholders' equity until the underlying hedged item is reflected in our Consolidated Statements of Income, at which time the effective amount in OCI is reclassified to either net sales or cost of sales in our Consolidated Statements of Income. As of October 31, 2011, there were no cash flow hedges outstanding.

We calculate hedge effectiveness prospectively and retrospectively, excluding time value, on a monthly basis using regression as well as other timing and probability criteria required by derivative accounting. We record any ineffectiveness and any excluded components of the hedge immediately to other income or expense in our Consolidated Statement of Income. In the event the underlying forecasted transaction does not occur within the designated hedge period, or it becomes probable that the forecasted transaction will not occur, the related gains and losses on

Edgar Filing: COOPER COMPANIES INC - Form 10-K

the cash flow hedges are immediately reclassified from OCI to other income or expense in our Consolidated Statement of Income. In fiscal 2011 and 2010, no ineffectiveness was recorded.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Rollforward of Other Comprehensive Income (Loss)**

Year Ended October 31, (In thousands)	2011	2010
Beginning balance of unrealized gain (loss) on derivative instruments	\$ 1,753	\$ (2,308)
Change in unrealized losses on derivative instruments	0	1,208
Reclassification adjustment for (gain) loss, realized on derivative instruments in income:		
Revenue	(24)	5,289
Cost of sales	(1,729)	(2,438)
Other	0	2
Ending balance of unrealized gain (loss) on derivative instruments	\$ 0	\$ 1,753

Balance Sheet Hedges

We may manage the foreign currency risk associated with nonfunctional currency assets and liabilities using foreign exchange forward contracts with maturities of less than 24 months and cross currency swaps with maturities up to 36 months. As of October 31, 2011 and 2010, all outstanding balance sheet hedging derivatives had maturities of less than 12 months. The change in fair value of these derivatives is recognized in other income or expense.

Monthly adjustments to the cash flow hedging program explained above require nondesignated hedges to be placed when cash flow hedges are utilized faster or earlier than planned. This occurs regularly, and hedge amounts tend to be less than \$5.0 million dollars per affected relationship.

Other common exposures hedged are intercompany payables and receivables between entities. Such obligations are generally short-term in nature, often outstanding for less than 90 days. These types of exposures are hedged monthly and are typically less than \$10.0 million per hedge.

These derivative instruments do not subject the Company to material balance sheet risk due to exchange rate movements because gains and losses on these derivatives are intended to offset gains and losses on the nonfunctional currency assets and liabilities being hedged.

Interest Rate Swaps

Edgar Filing: COOPER COMPANIES INC - Form 10-K

The Company may enter into floating-to-fixed interest rate swaps to fix the floating rate debt under our Credit Agreement. These interest rate swaps hedge variable interest payments by exchanging variable rate interest risk for a fixed interest rate. On May 3, 2007, the Company entered into four floating-to-fixed interest rate swaps. These interest rate swaps with notional values totaling \$250.0 million, served to fix the floating rate debt for terms between 30 and 48 months with fixed rates between 4.94% to 4.96%. As of October 31, 2011, all of these interest rate swaps had expired.

On March 10, 2011, the Company entered into five floating-to-fixed interest rate swaps. These interest rate swaps with notional values totaling \$200.0 million, serve to fix the floating rate debt for terms between 26 and 38 months with fixed rates between 1.27% and 1.78%. We qualified and designated these swaps as cash flow hedges and recorded the offset of the cumulative fair market value (net of tax effect) to accumulated OCI in our Consolidated Condensed Balance Sheet.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Effectiveness testing of the hedge relationship and measurement to quantify ineffectiveness is performed at a minimum each fiscal quarter using the hypothetical derivative method. The outstanding swaps have been and are expected to remain highly effective for the life of the swap. Effective amounts are reclassified to interest expense as the related hedged expense is incurred. The fair value of the outstanding swap is recorded in our Consolidated Balance Sheet and presented in the table below. Excluded from this table are liabilities of \$0.3 million and \$1.3 million that were recorded and attributable to accrued interest as of October 31, 2011 and 2010, respectively. We expect to reclassify \$2.0 million from OCI to interest expense in our Consolidated Statements of Income over the next 12 months and \$2.6 million thereafter.

Fair Value Hedging

From time to time, we designate and document foreign exchange forward contracts related to firm commitments for third party royalty payments as fair value hedges. In accordance with policy, these derivatives are employed to eliminate, reduce or transfer selected foreign currency risks that meet the accounting definition of a firm commitment. Fair value hedges are evaluated for effectiveness at a minimum each fiscal quarter and any ineffectiveness is recorded in other income and expense in our Consolidated Statements of Income. The critical terms of the forward contract and the firm commitments are matched at inception and subsequent prospective forward contract effectiveness is measured by comparing the cumulative change in the fair value of the forward contract to the cumulative change in value of the specified firm commitment, including time value. The derivative fair values are recorded in our Consolidated Balance Sheet and recognized currently in earnings; this is offset by the effective gains and losses on the change in value of the firm commitment which is recorded in accrued liabilities in our Consolidated Balance Sheet. In fiscal 2011 and 2010, the Company did not designate any derivatives as fair value hedges.

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Outstanding Derivative Instruments**

Our outstanding net foreign exchange forward contracts and interest rate swap agreements as of October 31, 2011, are presented in the table below. Weighted average forward rates are quoted using market conventions.

Foreign Exchange Hedge Instruments (Currency in thousands)	Net Notional Value	Weighted Average Rate	Gain (Loss) Fair Value
Balance sheet foreign exchange hedges:			
AUD purchased	AUD 820	1.0403	\$17
CAD purchased	CAD 5,650	1.0054	\$69
CAD sold	CAD 2,600	1.0051	(\$29)
CHF purchased	CHF 685	0.8804	\$9
EUR purchased	EUR 10,050	1.3904	\$45
EUR sold	EUR 17,900	1.3775	(\$38)
GBP purchased	GBP 14,016	1.6080	\$81
GBP sold	GBP 10,400	1.5974	(\$167)
HKD purchased	HKD 3,000	7.7664	\$0
HUF sold	HUF 32,700	213.1420	\$4
JPY purchased	JPY 451,263	76.0030	(\$142)
JPY sold	JPY 900,800	76.0730	\$283
SEK purchased	SEK 1,000	6.5280	\$1
SEK sold	SEK 11,500	6.5605	(\$23)
TWD purchased	TWD 10,000	29.6000	(\$4)
Interest Rate Swap Agreements			
Cash flow interest rate hedges:			
	Summary Notional Value	Fixed Rate	Gain (Loss) Fair Value
Agreements expiring December 14, 2013	\$ 40,000	0.012680	(\$657)
Agreements expiring March 14, 2014	\$ 40,000	0.013930	(\$824)
Agreements expiring June 14, 2014	\$ 40,000	0.015385	(\$ 1,027)
Agreements expiring September 14, 2014	\$ 40,000	0.016518	(\$ 1,200)
Agreements expiring December 14, 2014	\$ 40,000	0.017775	(\$ 1,391)

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The fair value of derivative instruments in our Consolidated Balance Sheet as of October 31, 2011, was as follows:

Fair Values of Derivative Instruments				
Derivative Assets		Derivative Liabilities		
Balance		Balance		
Sheet		Sheet		
Location	Fair Value	Location	Fair Value	Fair Value
(In millions)				
Derivatives designated as hedging instruments under ASC 815				
Interest rate contracts	Prepaid expense and other current assets	\$ 0	Other current liabilities	\$ 0
Interest rate contracts	Other assets	0	Accrued pension liability and other	4.6
Foreign exchange contracts	Prepaid expense and other current assets	0	Other current liabilities	0
Foreign exchange contracts	Other assets	0	Accrued pension liability and other	0
Total derivatives designated as hedging instruments under ASC 815		\$ 0		\$ 4.6
Derivatives not designated as hedging instruments under ASC 815				
Foreign exchange contracts	Prepaid expense and other current assets	\$ 0.5	Other current liabilities	\$ 0.4
Foreign exchange contracts	Other assets	0	Accrued pension liability and other	0
Total derivatives not designated as hedging instruments under ASC 815		\$ 0.5		\$ 0.4
Total derivatives		\$ 0.5		\$ 5.0

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The fair value of derivative instruments in our Consolidated Balance Sheet as of October 31, 2010, was as follows:

		Fair Values of Derivative Instruments			
		Derivative Assets		Derivative Liabilities	
		Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In millions)			
Derivatives designated as hedging instruments under ASC 815					
Interest rate contracts	Prepaid expense and other current assets		\$ 0	Other current liabilities	\$ 1.3
Interest rate contracts	Other assets		0	Accrued pension liability and other	0
Foreign exchange contracts	Prepaid expense and other current assets		0	Other current liabilities	0
Foreign exchange contracts	Other assets		0	Accrued pension liability and other	0
Total derivatives designated as hedging instruments under ASC 815			\$ 0		\$ 1.3
Derivatives not designated as hedging instruments under ASC 815					
Foreign exchange contracts	Prepaid expense and other current assets		\$ 1.2	Other current liabilities	\$ 1.4
Foreign exchange contracts	Other assets		0	Accrued pension liability and other	0
Total derivatives not designated as hedging instruments under ASC 815			\$ 1.2		\$ 1.4
Total derivatives			\$ 1.2		\$ 2.7

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The Effect of Derivative Instruments on the Consolidated Statement of Income

For the Year Ended October 31, 2011

Derivatives in	Amount of Gain or (Loss) Recognized in 2011	Location of Gain or (Loss) Reclassified into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2011	Location of Gain or (Loss) Recognized in Income on Derivative Ineffectiveness (In millions)	Amount of Gain or (Loss) Recognized in Income Due to Ineffectiveness 2011	Location of Gain or (Loss) Recognized in Income and Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income and Excluded from Effectiveness Testing 2011
ASC 815							
Cash Flow Hedging Relationships							
Interest rate contracts	\$ (6.2)	Interest expense	\$ (2.9)	Other income	\$ 0	Other income	\$ 0
Foreign exchange contracts	0	Net sales	0	Other income	0	Other income	0
Foreign exchange contracts	0	Cost of sales	1.7	Other income	0	Other income	0
Total	\$ (6.2)		\$ (1.2)		\$ 0		\$ 0

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The Effect of Derivative Instruments on the Consolidated Statement of Income

For the Year Ended October 31, 2010

Derivatives in	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2010	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2010	Location of Gain or (Loss) Recognized in Income on Derivative Ineffectiveness (In millions)	Amount of Gain or (Loss) Recognized in Income Due to Ineffectiveness 2010	Location of Gain or (Loss) Recognized in Income and Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income and Excluded from Effectiveness Testing 2010
ASC 815							
Cash Flow Hedging							
Relationships							
Interest rate contracts	\$ (1.1)	Interest expense	\$ (10.2)	Other income	\$ 0	Other income	\$ 0
Foreign exchange contracts	1.2	Net sales	(5.3)	Other income	0	Other income	0
Foreign exchange contracts	0	Cost of sales	2.4	Other income	0	Other income	0
Total	\$ 0.1		\$ (13.1)		\$ 0		\$ 0

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative 2011 (In millions)
Under ASC 815		
Interest rate contracts	Interest income (expense)	\$ 0
Foreign exchange contracts	Other (expense) income	(1.1)
Total		\$ (1.1)

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative 2010 (In millions)
Under ASC 815		
Interest rate contracts	Interest income (expense)	\$ 0
Foreign exchange contracts	Other (expense) income	(6.2)
Total		\$ (6.2)

Note 11. Fair Value Measurements

As of October 31, 2011 and 2010, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, lines of credit, accounts payable and other current liabilities approximates fair value due to the short-term nature of such instruments and the ability to obtain financing on similar terms. The fair value of our long-term debt, consisting primarily of our credit agreement, approximated the carrying value at October 31, 2011 and 2010.

ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), applies to all assets and liabilities that are being measured and reported at fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. An asset's or liability's level is based on the lowest level of input that is significant to the fair value measurement. ASC 820 requires that assets and liabilities carried at fair value be valued and disclosed in one of the following three levels of the valuation hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The Company has derivative assets and liabilities that may include interest rate swaps, cross currency swaps and foreign currency forward contracts. The impact of the counterparty's creditworthiness when in an asset position and the Company's creditworthiness when in a liability position has also been factored into the fair value measurement of the derivative instruments. Both the counterparty and the Company are expected to continue to perform under the contractual terms of the instruments.

We may use interest rate swaps to maintain our desired mix of fixed-rate and variable-rate debt. The swaps exchange fixed and variable rate payments without exchanging the notional principal amount of the debt. The Company has elected to use the income approach to value the derivatives using

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount assuming that participants are motivated, but not compelled to transact. Level 2 inputs are limited to quoted prices for similar assets or liabilities in active markets, specifically euro dollar futures contracts up to three years, and inputs other than quoted prices that are observable for the asset or liability – specifically LIBOR cash and swap rates and credit risk at commonly quoted intervals. Mid-market pricing is used as a practical expedient for fair value measurements.

We may use foreign exchange forward contracts to minimize, to the extent reasonable and practical, our exposure to the impact of foreign currency fluctuations. The Company has elected to use the income approach to value the derivatives, using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount assuming that participants are motivated but not compelled to transact. Level 2 inputs for the valuations are limited to quoted prices for similar assets or liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability – specifically LIBOR cash rates, credit risk at commonly quoted intervals, foreign exchange spot rates and forward points. Mid-market pricing is used as a practical expedient for fair value measurements.

The following table sets forth the Company's financial assets and liabilities that were measured at fair value on a recurring basis using Level 2 inputs during fiscal years 2011 and 2010, within the fair value hierarchy at October 31:

(In thousands)	2011	2010
Assets:		
Foreign exchange contracts	\$ 527	\$ 1,210
Liabilities:		
Interest rate swaps	\$ 4,631	\$ 1,280
Foreign exchange contracts	419	1,455
	\$ 5,050	\$ 2,735

Note 12. Commitments and Contingencies**Lease Commitments**

Total minimum annual rental obligations under noncancelable operating leases (substantially all real property or equipment) in force at October 31, 2011, were payable as follows:

(In thousands)

2012	\$ 31,627
2013	19,890
2014	14,862
2015	13,256
2016	22,092
2017 and thereafter	54,654
	\$ 156,381

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Aggregate rental expense for both cancelable and noncancelable contracts amounted to \$31.7 million, \$28.8 million and \$27.7 million in 2011, 2010 and 2009, respectively.

Legal Proceedings

On April 28, 2011, Rembrandt Vision Technologies, L.P. filed a lawsuit against CooperVision, Inc. in the United States District Court for the Eastern District of Texas alleging that CooperVision infringes U.S. Patent No. 5,712,327 entitled Soft Gas Permeable Contact Lens Having Improved Clinical Performance, which was issued on January 28, 1998, to Sing-Hsiung Chang and Mei-Zyh Chang. The complaint alleged that CooperVision's infringing conduct includes, but is not limited to, making, using, selling or offering to sell silicone hydrogel contact lenses. The complaint sought an unspecified amount of damages, including treble damages, attorneys' fees and costs and an injunction preventing any alleged infringement. On October 27, 2011, Rembrandt dismissed its complaint in Texas and filed a complaint with the same allegations in the Middle District of Florida. On December 2, 2011, CooperVision and Rembrandt entered into a settlement of the litigation. Pursuant to the settlement agreement, CooperVision agreed to make a single lump-sum payment of \$10.0 million to Rembrandt, and Rembrandt granted a covenant not to sue under the 327 patent (and related domestic and foreign patents) to CooperVision and its suppliers, resellers, marketing partners and certain related individuals and entities. The parties also exchanged releases relating to the claims asserted in the litigation. The case will be dismissed with prejudice as part of the settlement.

On November 28, 2011, Harold Greenberg filed a lawsuit in the United States District Court for the Northern District of California, Case No. C11-05697 PJH, against the following defendants: the Company; Robert S. Weiss, its President, Chief Executive Officer and a director; Eugene J. Midlock, its Senior Vice President and Chief Financial Officer; and Albert G. White, III, its Vice President of Investor Relations, Treasurer and Chief Strategic Officer. Mr. Greenberg seeks to represent a class of persons who purchased the Company's common stock between March 4, 2011 and November 15, 2011.

The lawsuit alleges that the defendants violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 by, among other things, failing to disclose alleged problems at the Company's manufacturing plants in Puerto Rico and the United Kingdom, allegedly making material misstatements with an intent to deceive investors concerning the recall of the Company's Avaira Toric and Avaira Sphere contact lenses and the expected financial impact of the recalls, and allegedly making false projections of future financial results. The lawsuit seeks unspecified damages.

The lawsuit has only recently been filed and there has been no discovery or other proceedings in the case. Accordingly, the Company is not in a position to assess whether any loss or adverse effect on the Company's financial condition is probable or remote or to estimate the range of potential loss, if any.

In fiscal 2010, the Company settled a consolidated securities class action lawsuit titled In re Cooper Companies, Inc. Securities Litigation in the United States District Court for the Central District of California, Case No. SACV-06-169 CJC, against the Company, A. Thomas Bender, its Chairman of the Board and a director, Robert S. Weiss, its Chief Executive Officer and a director, and Gregory A. Fryling, CooperVision's

former President and Chief Operating Officer. On May 4, 2010, the Company

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

announced that it reached an agreement in principle and recorded a charge in our fiscal second quarter of 2010 to settle the consolidated class action lawsuit for \$27.0 million, which we funded into escrow in our fiscal fourth quarter of 2010. The Court granted final approval of the proposed settlement on December 13, 2010.

Note 13. Business Segment Information

Cooper is organized by business unit for management reporting with operating income, as presented in our financial reports, the primary measure of segment profitability. We do not allocate costs from corporate functions to the segments' operating income. Items below operating income are not considered when measuring the profitability of a segment. We use the same accounting policies to generate segment results as we do for our consolidated results. Our two business segments—CooperVision and CooperSurgical—comprise Cooper's operations.

Total net sales include sales to customers as reported in our Consolidated Statements of Income and sales between geographic areas that are priced at terms that allow for a reasonable profit for the seller. Operating income (loss) is total net sales less cost of sales, research and development expenses, selling, general and administrative expenses, restructuring costs and amortization of intangible assets. Corporate operating loss is principally corporate headquarters expense. Loss on extinguishment of debt; other income (expense), net and interest expense are not allocated to individual segments. Neither of our business segments relies on any one major customer.

Identifiable assets are those used in continuing operations except cash and cash equivalents, which we include as corporate assets. Long-lived assets are property, plant and equipment.

The following table presents a summary of our business segment net sales:

(In thousands)	2011	2010	2009
CooperVision net sales by category:			
Toric soft lens	\$ 339,184	\$ 292,732	\$ 258,174
Multifocal soft lens	74,741	71,603	70,863
Single-use sphere soft lens	243,624	207,250	185,521
Non single-use sphere and other eye care products	463,589	398,898	394,969
Total CooperVision net sales	1,121,138	970,483	909,527
CooperSurgical net sales	209,697	188,034	170,894
Total net sales	\$ 1,330,835	\$ 1,158,517	\$ 1,080,421

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Information by business segment for each of the years in the three-year period ended October 31, 2011 follows:

(In thousands)	CooperVision	CooperSurgical	Corporate & Eliminations	Consolidated
2011				
Net sales from non-affiliates	\$ 1,121,138	\$ 209,697	\$ 0	\$ 1,330,835
Operating income (loss)	\$ 207,485	\$ 52,420	\$ (32,349)	\$ 227,556
Other loss, net				(963)
Interest expense				(17,342)
Loss on extinguishment of debt				(16,487)
Income before income taxes				\$ 192,764
Identifiable assets	\$ 2,206,068	\$ 354,020	\$ 64,430	\$ 2,624,518
Depreciation expense	\$ 74,146	\$ 3,264	\$ 210	\$ 77,620
Amortization expense	\$ 14,245	\$ 6,284	\$ 0	\$ 20,529
Capital expenditures	\$ 97,131	\$ 6,287	\$ 247	\$ 103,665
2010				
Net sales from non-affiliates	\$ 970,483	\$ 188,034	\$ 0	\$ 1,158,517
Operating income (loss)	\$ 171,345	\$ 47,064	\$ (28,497)	\$ 189,912
Other loss, net				(1,068)
Interest expense				(36,668)
Litigation settlement charges				(27,750)
Income before income taxes				\$ 124,426
Identifiable assets	\$ 2,141,685	\$ 328,931	\$ 54,402	\$ 2,525,018
Depreciation expense	\$ 72,717	\$ 2,913	\$ 315	\$ 75,945
Amortization expense	\$ 12,361	\$ 5,695	\$ 0	\$ 18,056
Capital expenditures	\$ 69,793	\$ 3,871	\$ 93	\$ 73,757
2009				
Net sales from non-affiliates	\$ 909,527	\$ 170,894	\$ 0	\$ 1,080,421

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Operating income (loss)	\$ 138,311	\$ 39,555	\$ (28,010)	\$ 149,856
Other income, net				7,292
Interest expense				(44,143)
Gain on extinguishment of debt				1,823
Income before income taxes				\$ 114,828
Identifiable assets	\$ 2,184,856	\$ 304,927	\$ 62,124	\$ 2,551,907
Depreciation expense	\$ 70,538	\$ 3,874	\$ 330	\$ 74,742
Amortization expense	\$ 12,239	\$ 5,621	\$ 0	\$ 17,860
Capital expenditures	\$ 89,223	\$ 4,533	\$ 150	\$ 93,906

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Information by geographical area by country of domicile for each of the years in the three-year period ended October 31, 2011, follows:

(In thousands)	United States	Europe	Rest of World, Other Eliminations & Corporate	Consolidated
2011				
Sales to unaffiliated customers	\$ 627,438	\$ 392,152	\$ 311,245	\$ 1,330,835
Sales between geographic areas	172,618	304,585	(477,203)	0
Net sales	\$ 800,056	\$ 696,737	\$ (165,958)	\$ 1,330,835
Operating income	\$ 37,113	\$ 18,703	\$ 171,740	\$ 227,556
Long-lived assets	\$ 373,211	\$ 226,665	\$ 9,329	\$ 609,205
2010				
Sales to unaffiliated customers	\$ 568,786	\$ 345,970	\$ 243,761	\$ 1,158,517
Sales between geographic areas	143,951	300,948	(444,899)	0
Net sales	\$ 712,737	\$ 646,918	\$ (201,138)	\$ 1,158,517
Operating income	\$ 57,776	\$ (4,935)	\$ 137,071	\$ 189,912
Long-lived assets	\$ 357,200	\$ 227,780	\$ 8,907	\$ 593,887
2009				
Sales to unaffiliated customers	\$ 515,720	\$ 342,690	\$ 222,011	\$ 1,080,421
Sales between geographic areas	122,741	269,123	(391,864)	0
Net sales	\$ 638,461	\$ 611,813	\$ (169,853)	\$ 1,080,421
Operating income	\$ 70,058	\$ (1,898)	\$ 81,696	\$ 149,856
Long-lived assets	\$ 375,349	\$ 218,974	\$ 8,245	\$ 602,568

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Note 14. Selected Quarterly Financial Data (Unaudited)**

(In thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2011*				
Net sales	\$ 293,229	\$ 325,301	\$ 351,396	\$ 360,909
Gross profit	\$ 176,606	\$ 201,762	\$ 202,802	\$ 223,634
Income before income taxes	\$ 41,028	\$ 39,720	\$ 49,136	\$ 62,880
Provision for income taxes	1,813	4,360	4,919	6,242
Net income	\$ 39,215	\$ 35,360	\$ 44,217	\$ 56,638
Basic earnings per share	\$ 0.85	\$ 0.76	\$ 0.93	\$ 1.19
Diluted earnings per share	\$ 0.83	\$ 0.73	\$ 0.90	\$ 1.15
2010				
Net sales	\$ 260,258	\$ 289,271	\$ 295,635	\$ 313,353
Gross profit	\$ 149,763	\$ 163,493	\$ 175,986	\$ 187,481
Income before income taxes**	\$ 24,426	\$ 2,472	\$ 43,652	\$ 53,876
Provision for (benefit from) income taxes	4,003	(1,984)	3,925	5,679
Net income	\$ 20,423	\$ 4,456	\$ 39,727	\$ 48,197
Basic earnings per share	\$ 0.45	\$ 0.10	\$ 0.87	\$ 1.06
Diluted earnings per share	\$ 0.44	\$ 0.10	\$ 0.86	\$ 1.03

* During the fiscal third quarter of 2011, we recorded an immaterial out-of-period adjustment related to CooperVision's acquisition of certain assets of Asahikasei Aime Co., Ltd. (Aime), to reduce the amount of recorded goodwill and reverse the \$6.1 million gain on settlement of preexisting relationship reported in our fiscal first quarter of 2011. As discussed in Note 1, the Company determined that it incorrectly applied the guidance in ASC 805, *Business Combinations*, relating to the settlement of preexisting relationships due to our interpretation of specific language in the underlying contract. There is no impact on our fiscal 2011 results as the error and its correction were both recorded in the twelve month period ended October 31, 2011.

The Company has adjusted its reported results in its Consolidated Statements of Income for the fiscal first and third quarters of 2011 as follows:

2011 First Quarter

(In thousands)	As Reported	Adjustment	As Adjusted
----------------	-------------	------------	-------------

Edgar Filing: COOPER COMPANIES INC - Form 10-K

Income before income taxes	\$ 47,108	\$ (6,080)	\$ 41,028
Provision for income taxes	1,813	0	1,813
Net income	\$ 45,295	\$ (6,080)	\$ 39,215

Table of Contents**THE COOPER COMPANIES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****2011 Third Quarter**

(In thousands)	As Reported	Adjustment	As Adjusted
Income before income taxes	\$ 43,056	\$ 6,080	\$ 49,136
Provision for income taxes	4,919	0	4,919
Net income	\$ 38,137	\$ 6,080	\$ 44,217

** During the fiscal second quarter of 2010, we recorded a \$27.0 million charge related to the settlement of the consolidated securities class action lawsuit.

Table of Contents

Item 9. *Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

The Company has established and currently maintains disclosure controls and procedures designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In conjunction with the close of each fiscal quarter, the Company conducts a review and evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer, based upon their evaluation as of October 31, 2011, the end of the fiscal period covered in this report, concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements, errors or fraud.

Management assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2011, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on this assessment, management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, concluded that the Company's internal control over financial reporting was effective as of October 31, 2011.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal control over financial reporting as of October 31, 2011, as stated in their report in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's fiscal quarter ended October 31, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

Item 9B. *Other Information.*

In line with the previously disclosed final voting results for our 2011 Annual Meeting of Stockholders and the Board's previously disclosed recommendation, Cooper will submit an advisory vote to its stockholders on our compensation program for named executive officers on an annual basis.

Table of Contents

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

The information required by this item is incorporated by reference to the subheadings, Proposal 1 Election of Directors, Executive Officers of the Company, Ownership of the Company Section 16(a) Beneficial Ownership Reporting Compliance, Corporate Governance The Board of Directors, Corporate Governance Ethics and Business Conduct Policy, Corporate Governance Board Committees The Audit Committee and Report of the Audit Committee of the Company's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held in March 2012 (the 2012 Proxy Statement).

Item 11. *Executive Compensation.*

The information required by this item is incorporated by reference to the subheadings Compensation Committee Report, Compensation Discussion and Analysis, Executive Compensation Tables and Director Compensation of the 2012 Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

See Item 5. Market for Registrant's Common Equity and Related Stockholder Matters Equity Compensation Plan Information. Additional information required by this item is incorporated by reference to the subheadings Securities Held by Management and Principal Securityholders of the Ownership of the Company section of the 2012 Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required by this item is incorporated by reference to the subheadings Corporate Governance Related Party Transactions, Proposal 1 Election of Directors and Corporate Governance The Board of Directors of the 2012 Proxy Statement.

Item 14. *Principal Accounting Fees and Services.*

The information required by this item is incorporated by reference to Report of the Audit Committee section of the 2012 Proxy Statement.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. Financial Statements

The following financial statements are filed as a part of this report:

Report of KPMG LLP, Independent Registered Public Accounting Firm
Consolidated Financial Statements:
Statements of Income for the years ended October 31, 2011, 2010 and 2009
Balance Sheets as of October 31, 2011 and 2010
Statements of Cash Flows for the years ended October 31, 2011, 2010 and 2009
Statements of Stockholders' Equity and Comprehensive Income (Loss) for the years ended October 31, 2011, 2010 and 2009
Notes to Consolidated Financial Statements

2. Financial Statement Schedules of the Company.

Schedule Number	Description
Schedule II	Valuation and Qualifying Accounts

(b) *Exhibits.*

The exhibits listed on the accompanying Exhibit Index are filed as part of this report.

All other schedules which are included in the applicable accounting regulations of the Securities and Exchange Commission are not required here because they are not applicable.

Table of Contents

SCHEDULE II

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended October 31, 2011

(In thousands)	Balance Beginning of Year	Additions Charged to Costs and Expenses	(Deductions) Recoveries/ Other⁽¹⁾	Balance at End of Year
Allowance for doubtful accounts:				
Year Ended October 31, 2011	\$ 4,238	\$ 2,282	\$ (1,694)	\$ 4,826
Year Ended October 31, 2010	\$ 4,690	\$ 1,467	\$ (1,919)	\$ 4,238
Year Ended October 31, 2009	\$ 4,541	\$ 1,306	\$ (1,157)	\$ 4,690

⁽¹⁾ Consists of additions representing allowances and recoveries, less deductions representing receivables written off as uncollectible.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on December 16, 2011.

THE COOPER COMPANIES, INC.

By: */s/* ROBERT S. WEISS
Robert S. Weiss
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the dates set forth opposite their respective names.

Signature	Capacity	Date
<i>/s/</i> ROBERT S. WEISS (Robert S. Weiss)	President, Chief Executive Officer and Director	December 16, 2011
<i>/s/</i> A. THOMAS BENDER (A. Thomas Bender)	Chairman of the Board	December 16, 2011
<i>/s/</i> ALLAN E. RUBENSTEIN, M.D. (Allan E. Rubenstein)	Vice Chairman of the Board and Lead Director	December 16, 2011
<i>/s/</i> EUGENE J. MIDLOCK (Eugene J. Midlock)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	December 16, 2011
<i>/s/</i> GREG W. MATZ (Greg W. Matz)	Vice President of Finance	December 16, 2011
<i>/s/</i> RODNEY E. FOLDEN (Rodney E. Folden)	Vice President and Corporate Controller (Principal Accounting Officer)	December 16, 2011
<i>/s/</i> MICHAEL H. KALKSTEIN (Michael H. Kalkstein)	Director	December 16, 2011
<i>/s/</i> JODY S. LINDELL (Jody S. Lindell)	Director	December 16, 2011
<i>/s/</i> DONALD PRESS	Director	December 16, 2011

Edgar Filing: COOPER COMPANIES INC - Form 10-K

(Donald Press)

/s/ STEVEN ROSENBERG

Director

December 16, 2011

(Steven Rosenberg)

/s/ STANLEY ZINBERG, M.D.

Director

December 16, 2011

(Stanley Zinberg)

120

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Description of Document	Location of Exhibit in Sequential Number System
3.1	- Second Restated Certificate of Incorporation filed with the Delaware Secretary of State, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated January 13, 2006	
3.2	- Amended and Restated By-Laws, The Cooper Companies, Inc., dated December 14, 2010, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 15, 2010	
4.1	- Amended and Restated Rights Agreement, dated as of October 29, 2007, between the Company and American Stock Transfer & Trust Company, as Rights Agent, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 30, 2007	
4.2	- Indenture, dated as of January 31, 2007, by and among The Cooper Companies, Inc., the Subsidiary Guarantors listed on the signatures pages thereto, and HSBC Bank USA, National Association, including the form of 7.125% Senior Notes due 2015, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 6, 2007	
4.3	- Registration Rights Agreement, dated as of January 31, 2007, by and among The Cooper Companies, Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc. and KeyBanc Capital Markets, a division of McDonald Investments, Inc., incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on February 6, 2007	
10.1	- Severance Agreement entered into as of August 21, 1989, by and between Robert S. Weiss and the Company, incorporated by reference to Exhibit 10.28 to Amendment No. 1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1992	
10.2	- Severance Agreement entered into as of April 26, 1990, by and between Nicholas J. Pichotta and the Company incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for fiscal year ended October 31, 1995	
10.3	- The Cooper Companies, Inc. Change in Control Severance Plan, dated May 21, 2007, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2007	
10.4	- Change in Control Agreement entered into as of June 8, 2007, by and between The Cooper Companies, Inc. and Eugene J. Midlock, incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007	

Table of Contents

Exhibit Number	Description of Document	Location of Exhibit in Sequential Number System
10.5	- Change in Control Agreement dated as of June 8, 2007, by and between The Cooper Companies, Inc. and John A. Weber, incorporated by reference to Exhibit 10.6 to the Company's Annual Report on form 10-K for the fiscal year ended October 31, 2008	
10.6	- Change in Control Agreement dated as of June 8, 2007, by and between The Cooper Companies, Inc. and Carol R. Kaufman, incorporated by reference to Exhibit 10.2 to the Company's Annual Report on form 10-K for the fiscal year ended October 31, 2009	
10.7	- Change in Control Agreement dated as of June 1, 2010, by and between The Cooper Companies, Inc. and Gregory W. Matz	
10.8	- 1996 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Appendix A to the Company's Proxy Statement for its 1996 Annual Meeting of Stockholders	
10.9	- Amendment No. 1 to 1996 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., dated October 10, 1996, incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1996	
10.10	- Amendment No. 2 to 1996 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., dated October 29, 1997, incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1997	
10.11	- Amendment No. 3 to 1996 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., dated October 29, 1999, incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2001	
10.12	- Amendment No. 4 to 1996 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., dated October 24, 2000, incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2001	
10.13	- Amendment No. 5 to the 1996 Long-term Incentive Plan for Non-employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2001	
10.14	- Amendment No. 6 to the 1996 Long-term Incentive Plan for Non-employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 4.15 to the Company's Registration Statement on form S-8 dated November 21, 2002	
10.15	- Amendment No. 7 to the 1996 Long-term Incentive Plan for Non-employee Directors of The Cooper Companies, Inc. dated November 4, 2002, incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2002	

Table of Contents

Exhibit Number	Description of Document	Location of Exhibit in Sequential Number System
10.16	- Amendment No. 8 to 1996 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc. dated October 29, 2003, incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2003	
10.17	- Amendment No. 9 to 1996 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc. dated November 9, 2005, incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2006	
10.18	- Form of Non-Qualified Stock Option Agreement Pursuant to The Cooper Companies, Inc. 1996 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to the Company's Current Report on Form 8-K dated December 13, 2004	
10.19	- Form of Restricted Stock Agreement Pursuant to The Cooper Companies, Inc. 1996 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to the Company's Current Report on Form 8-K dated December 13, 2004	
10.20	- The Second Amended and Restated 2006 Long Term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to the Company's Proxy Statement filed February 2, 2011	
10.21	- Amendment No. 1 to the Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc.	
10.22	- Form of Non-Qualified Stock Option Agreement Pursuant to The Cooper Companies, Inc. 2006 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007	
10.23	- Form of Restricted Stock Agreement Pursuant to The Cooper Companies, Inc. 2006 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007	
10.24	- Second Amended and Restated 2001 Long-Term Incentive Plan, incorporated by reference to Appendix 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2006	
10.25	- Form of Incentive Stock Option Agreement Pursuant to The Cooper Companies, Inc. 2001 Long Term Incentive Plan, incorporated by reference to the Company's Current Report on Form 8-K dated December 13, 2004	
10.26	- The Second Amended and Restated 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to the Company's Proxy Statement filed February 2, 2011	

Table of Contents

Exhibit Number	Description of Document	Location of Exhibit in Sequential Number System
10.27	- Form of Non-Qualified Stock Option Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007	
10.28	- Form of UK Tax Approved Stock Option Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.33 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007	
10.29	- Form of Deferred Stock Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007	
10.30 ^(a)	- License Agreement dated as of November 19, 2007, by and among CIBA Vision AG, CIBA Vision Corporate and CooperVision, Inc., incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008	
10.31	- Lease Contract dated as of November 6, 2003, by and between The Puerto Rico Industrial Development Company and Ocular Sciences Puerto Rico, Inc., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 11, 2005	
10.32	- First Supplement and Amendment to Lease Contract dated as of December 30, 2003, by and between The Puerto Rico Industrial Development Company and Ocular Sciences Puerto Rico, Inc., incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 11, 2005	
10.33	- Assignment of Lease Agreement dated as of June 29, 2004, by and among Ocular Sciences Puerto Rico, Inc., Ocular Sciences Cayman Islands Corporation and The Puerto Rico Industrial Development Company, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated January 11, 2005	
10.34	- Credit Agreement, dated as of January 12, 2011, among The Cooper Companies, Inc., CooperVision International Holding Company LP, the lenders from time to time party thereto, KeyBank National Association, as a bookrunner, a lead arranger, and sole administrative agent, swing line lender and LC issuer, J.P. Morgan Securities LLC, as a lead arranger, bookrunner and syndication agent, Citigroup Global Markets Inc., as a lead arranger, bookrunner and syndication agent, Bank of America, N.A., as a lead arranger and documentation agent, and Wells Fargo Bank, National Association, as lead arranger and documentation agent, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed March 4, 2011	

Table of Contents

Exhibit Number	Description of Document	Location of Exhibit in Sequential Number System
10.35	- The Cooper Companies, Inc. 2011 Incentive Payment Plan, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on December 15, 2010	
10.36	- Form of Long Term Performance Share Award Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 13, 2009	
11 ^(b)	- Calculation of earnings per share	
21	- Subsidiaries	
23	- Consent and Report on Schedule of Independent Registered Public Accounting Firm	
31.1	- Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	
31.2	- Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	
32.1	- Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350	
32.2	- Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350	
101	The following materials from the Company's Annual Report on Form 10-K for the year ended October 31, 2011, formatted in Extensible Business Reporting Language (XBRL), pursuant to Rule 406T of Regulation S-T: (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss), (v) related notes to consolidated financial statements and (vi) Schedule II Valuation and Qualifying Accounts	

^(a) The agreement received confidential treatment from the Securities and Exchange Commission with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Commission.

^(b) The information required in this exhibit is provided in Note 6, Earnings Per Share, in this report.