BAKKEN RESOURCES INC
Form 10-Q
November 18, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from ____________ to ____________

Commission File Number: 000-50344

BAKKEN RESOURCES, INC.

(Name of small business issuer in its charter)

Nevada	**26-2973652**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1425 Birch Ave. Suite A, Helena, MT 59601

(Address of principal executive offices, including zip code)

(406) 442-9444 **(406) 442-9444**

(Registrant s telephone number, including area code)

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

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

Large accelerated file	¨	Accelerated file	¨
Non-accelerated filer	¨	Smaller reporting company	þ

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

The number of shares of issuer's outstanding common stock as of November 14, 2011 was 56,267,500.

BAKKEN RESOURCES, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1.

FINANCIAL STATEMENTS

BAKKEN RESOURCES, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2011	**December 31, 2010**
ASSETS		
CURRENT ASSETS		
Cash	$1,170,729	$1,081,682
Accounts receivable	64,973	—
Prepaids	4,350	
Deferred financing costs	8,908	—
Total Current Assets	1,248,960	1,081,682
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $4,016 and $0	19,993	13,661
MINERAL RIGHTS AND LEASES, net of accumulated depletion of $2,712 and $0	1,896,288	1,649,000
Total Assets	$3,165,241	$2,744,343
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$—	$3,120
Accrued liabilities	23,724	19,438
Payroll liabilities	6,928	—
Related party payable	—	7,500
Convertible debt	300,000	
Current portion installment	120,000	120,000
Deferred Income	20,189	
Total Current Liabilities	470,841	150,058
Long-term portion installment	1,039,000	1,129,000
Total Liabilities	1,509,841	1,279,058
STOCKHOLDERS' EQUITY:		
Preferred stock, $.001 par value, 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $.001 par value, 100,000,000 shares authorized, 56,267,500 and 53,337,500 shares issued and outstanding	56,268	53,338
Additional paid-in capital, net of offering costs	2,465,717	1,623,587
Accumulated deficit	(866,585)	(211,640)

Total Stockholders' Equity	1,655,400	1,465,285
Total Liabilities and Stockholders' Equity	$3,165,241	$2,744,343

See accompanying notes to the unaudited consolidated financial statements.

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BAKKEN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	**2010**	**2011**	**2010**
REVENUES	$118,793	$—	$149,832	$—
OPERATING EXPRENSES:				
Distribution and advertising	—	—	1,160	—
Depreciation and depletion	2,825	250	6,728	750
Payroll	74,336	—	183,813	—
Professional fees	224,444	10,872	418,191	28,231
Royalty	—	—	—	200
General and administrative expenses	53,227	268	128,330	1,396
Total Operating Expenses	354,832	11,390	738,222	30,577
LOSS FROM OPERATIONS	(236,039)	(11,390)	(588,390)	(30,577)
OTHER INCOME (EXPENSES):				
Interest income	174	—	1,911	—
Other income	—	—	—	4,008
Interest expense	(29,887)	(131)	(68,466)	(328)
Total other income (expenses)	(29,713)	(131)	(66,555)	3,680
NET LOSS	$(265,752)	$(11,521)	$(654,945)	$(26,897)

NET LOSS PER COMMON SHARE - BASIC AND DILUTED:	$(0.00)	$(0.00)	$(0.01)	$(0.00)
Weighted average common shares outstanding - basic and diluted	56,195,761	6,157,500	55,432,299	5,924,533

See accompanying notes to the unaudited consolidated financial statements.

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BAKKEN RESOURCES, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2011

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balances - December 31, 2010	53,337,500	$53,338	$1,623,587	$(211,640)	$1,465,285
Common stock issued for cash, net of offering costs	3,080,000	3,080	723,920	—	727,000
Common stock returned to the Company and cancelled	(750,000)	(750)	750	—	—
Common stock issued for the exercise of warrants	300,000	300	9,700	—	10,000
Stock compensation			33,060		33,060
Common stock issued for services	300,000	300	74,700		75,000
Net loss	—	—	—	(654,945)	(654,945)

Balances – September 30, 2011	56,267,500	$56,268	$2,465,717	$(866,585)	$1,655,400

See accompanying notes to the unaudited consolidated financial statements.

BAKKEN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(654,945)	$(26,897)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and depletion expense	6,728	750
Amortization of deferred financing costs	12,092	
Common stock issued for services	75,000	
Accrued stock-based compensation	33,060	
Impairment loss	—	—
Changes in operating assets and liabilities:		
Accounts receivable	(64,973)	(1,972)
Prepaids	(4,350)	—
Accounts payable	(3,120)	10,990
Accounts payable - related party	(7,500)	
Accrued liabilities	11,214	(2,938)
Deferred income	20,189	—
NET CASH USED BY OPERATING ACTIVITIES	(576,605)	(20,067)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisition of mineral rights	(250,000)	
Cash paid for acquisition of property and equipment	(10,348)	—
NET CASH USED IN INVESTING ACTIVITIES	(260,348)	—

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party note payable		15,000
Payments made on related party note payable		(8,500)
Payments made on debt	(90,000)	—
Proceeds from convertible notes payable	300,000	—
Cash paid for debt financing costs	(21,000)	
Proceeds from the exercise of warrants	10,000	—
Proceeds from sale of common stock, net of offering costs	727,000	385,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	926,000	391,500
NET CHANGE IN CASH	89,047	371,433
Cash at beginning of period	1,081,682	3,855
Cash at end of period	$1,170,729	$375,288
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	$45,588	$164
Taxes paid	—	—
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Common stock returned to the Company and cancelled	750	

See accompanying notes to the unaudited consolidated financial statements.

BAKKEN RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 ORGANIZATION AND OPERATIONS

The Company was incorporated on June 6, 2008 in the state of Nevada as Multisys Language Systems, Inc. (Multisys). Multisys was organized to distribute interactive multimedia language education software. On November 26, 2010, Multisys acquired certain oil and gas production royalty rights on land in North Dakota. This option was exercised on November 26, 2010. On December 10, 2010, Multisys changed its name to Bakken Resources, Inc. (BRI).

Formation of Multisys Acquisitions, Inc.

On June 3, 2010, Multisys formed a wholly owned subsidiary, Multisys Acquisitions, Inc. in Nevada. On December 28, 2010, Multisys Acquisitions, Inc. changed its name to Bakken Development Corporation.

Formation of BR Metals, Inc.

On January 13, 2011, the Company formed BR Metals Corporation in Nevada. BR Metals Corporation will be a wholly owned subsidiary of the company and engage in the business of identifying, screening, evaluating, and acquiring precious metals properties in the Western United States.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America and with the rules and regulations of the Securities and Exchange Commission to Form 10-Q and Article 8 of Regulation S-X. These unaudited interim consolidated financial statements should be read in conjunction with the financial statements of the Company for the year ended December 31, 2010 and notes thereto contained in the information as part of the Company s Annual Report on Form 10-K filed with the SEC on April 15, 2011. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2010 as reported in the Form 10-K have been omitted. In the opinion of management, the unaudited interim consolidated financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are necman" SIZE="2">

Share-based compensation

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

During the fiscal first half of 2009, there were no significant changes in our estimates and critical accounting policies. Please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2008, for a more complete discussion of our estimates and critical accounting policies.

Certain prior period amounts have been reclassified to conform to the current period s presentation.

We have recorded a reclassification in our net sales and cost of sales in our Consolidated Statements of Income, revising the amounts originally reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008, and our Quarterly Reports on Form 10-Q for the periods ended January 31, 2008, April 30, 2008 and July 31, 2008. The reclassification, which does not impact our gross profit, conforms the prior period net sales and cost of sales to the current period s presentation, in which the gains and losses from derivatives designed as effective hedges are recorded in net sales and cost of sales, depending on the nature of the underlying transaction, as compared to previously, when these gains and losses were designated to be recorded in cost of sales.

We 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 foreign currency forward contracts and interest rate swap agreements are financially sound and that the credit risk of these contracts is not significant. See Note 6. Derivative Instruments and Fair Value Measurements.

New Accounting Pronouncements

On February 1, 2009, the Company adopted the required portions of Statement of Financial Accounting Standards (SFAS) No. 161, *Disclosures about Derivative Instruments* and *Hedging Activities* (SFAS 161), with no material impact to the consolidated condensed financial statements. SFAS 161 amends and expands the disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), with the intent of providing users of the financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedge items affect an entity s financial position, financial performance and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures above fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk related contingent features in derivative agreements. See Note 6 for disclosures of the Company s derivative instruments.

In April 2009, the Financial Standards Board (FASB) issued FASB Staff Position (FSP) FAS 157-4, *Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 provides guidance on how to determine the fair value of assets and liabilities when

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

the volume and level of activity for the asset/liability has significantly decreased. FSP 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP 157-4 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. FSP 157-4 is effective for the Company beginning in the fiscal third quarter of 2009. The Company does not expect a significant impact from the adoption of this statement on our consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosure about Fair Value of Financial Instruments* (FSP 107-1/APB 28-1). FSP 107-1/APB 28-1 requires interim disclosures regarding the fair values of financial instruments that are within the scope of FAS 107, *Disclosures about the Fair Value of Financial Instruments*. Additionally, FSP 107-1/APB 28-1 requires disclosure of the methods and significant assumptions used to estimate the fair value of financial instruments on an interim basis as well as changes of the methods and significant assumptions from prior periods. FSP 107-1/APB 28-1 is effective for the Company beginning in the fiscal third quarter of 2009. The Company is currently evaluating the impact the application of this FSP will have on its consolidated financial statements.

In April 2009, the FASB issued FSP FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (FSP 141(R)-1). FSP 141(R)-1 requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with SFAS No. 5, *Accounting for Contingencies,* and FASB Interpretation (FIN) No. 14, *Reasonable Estimation of the Amount of a Loss*. FSP 141(R)-1 eliminates the requirement to disclose an estimate of the range of outcomes of recognized contingencies at the acquisition date but requires that contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be treated as contingent consideration of the acquirer and should be initially and subsequently measured at fair value in accordance with Statement 141R. This FSP will be adopted by the Company in its consolidated financial statements for the fiscal year beginning on November 1, 2009.

Note 2. Acquisition and Restructuring Costs

Restructuring Costs

In the fiscal first quarter of 2009, CooperVision began a global restructuring plan to focus the organization on our most critical activities, refine our work processes and align costs with prevailing market conditions (Critical Activity restructuring plan). The restructuring plan involves the assessment of all locations activities, exclusive of direct manufacturing, and changes to streamline work processes. As a result of the Critical Activity restructuring plan, a number of positions are being eliminated across certain business functions and geographic regions. The Company anticipates the Critical Activity restructuring plan will be completed in our fiscal third quarter of 2009.

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

We estimate that the total restructuring costs under this plan will be approximately $3.8 million, primarily severance and benefit costs, and will be reported as cost of sales or restructuring costs in our Consolidated Statements of Income. In the six-month period ended April 30, 2009, we reported $0.6 million in cost of sales and $3.0 million in restructuring costs.

Restructuring costs:

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Payments	Balance at end of Period
		(In millions)		
Three-month period ended January 31, 2009	$	$ 3.6	$	$ 3.6
Three-month period ended April 30, 2009	$ 3.6	$	$ 1.0	$ 2.6

Accrued Acquisition Costs

When acquisitions are recorded, we accrue for the estimated direct costs in accordance with applicable accounting guidance including Emerging Issues Task Force (EITF) Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, of severance and plant/office closure costs of the acquired business. These estimated costs are based on management s assessment of planned exit activities. In addition, we also accrue for costs directly associated with acquisitions, including legal, consulting, deferred payments and due diligence.

Below is a summary of activity related to accrued acquisition costs for the six months ended April 30, 2009. Net additions include $0.8 million from a recent acquisition offset by a $1.9 million reduction to our accrued legal costs related to our acquisition of Ocular Sciences, Inc. based on a settlement agreement reached in our fiscal second quarter of 2009. This adjustment was included in the determination of net income as an increase for the three months ended April 30, 2009.

Description	Balance October 31, 2008	Net Additions	Payments	Balance April 30, 2009
		(In thousands)		
Severance	$ 2,683	$	$ 552	$ 2,131
Plant shutdown, legal and other	3,635	(1,054)	817	1,764
	$ 6,318	$ (1,054)	$ 1,369	$ 3,895

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 3. Inventories

	April 30, 2009	October 31, 2008
	(In thousands)	
Raw materials	$ 50,343	$ 45,377
Work-in-process	8,023	8,399
Finished goods	229,830	229,678
	$ 288,196	$ 283,454

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.

Note 4. Intangible Assets

Goodwill

	CVI	CSI	Total
		(In thousands)	
Balance as of November 1, 2007	$ 1,081,291	$ 208,293	$ 1,289,584
Net reductions during the year ended October 31, 2008	(409)	(542)	(951)
Translation	(36,820)	(114)	(36,934)
Balance as of October 31, 2008	1,044,062	207,637	1,251,699
Net additions during the six-month period ended April 30, 2009	288	(10)	278
Translation	(7,044)	32	(7,012)
Balance as of April 30, 2009	$ 1,037,306	$ 207,659	$ 1,244,965

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Other Intangible Assets

	As of April 30, 2009		As of October 31, 2008	
	Gross Carrying Amount	Accumulated Amortization & Translation	Gross Carrying Amount	Accumulated Amortization & Translation
	(In thousands)			
Trademarks	$ 2,907	$ 900	$ 2,907	$ 821
Technology	90,769	39,887	90,337	36,006
Shelf space and market share	87,866	26,576	87,177	22,909
Licenses, distribution rights and other	17,485	7,904	17,178	7,276
	199,027	$ 75,267	197,599	$ 67,012
Less accumulated amortization and translation	75,267		67,012	
Other intangible assets, net	$ 123,760		$ 130,587	

We estimate that amortization expense will be about $15.9 million per year in the five-year period ending October 31, 2013.

Note 5. Debt

	April 30, 2009	October 31, 2008
	(In thousands)	
Short-term:		
Overdraft and other credit facilities	$ 47,214	$ 43,013
Long-term:		
Senior unsecured revolving line of credit	$ 499,000	$ 511,400
7.125% senior notes	339,000	350,000
Capital lease and other	10,379	381
	$ 848,379	$ 861,781

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 wrote off about $0.2 million of unamortized costs related to the Senior Notes and recorded a gain on the repurchase in other income on our Consolidated Statements of Income. The Company paid the aggregate purchase price from borrowings under its $650 million revolving line of credit.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 6. Derivative Instruments and Fair Value Measurements

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 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 SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), 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.

The Company recognizes that through the normal course of its business activities, the Company is exposed to foreign exchange risks. Our primary objective is to protect the USD 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 revenues against expenses, also referred to as natural hedges. Management employs the use of foreign currency derivative instruments to manage a portion of the remaining foreign exchange risk. Foreign currency derivatives may be used to protect against exposures resulting from forecasted non-functional currency denominated revenues 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 Senior Unsecured Revolving Line of Credit varies with the London Interbank Offered Rate. To mitigate this risk, we hedge portions of our variable rate debt by swapping those portions to fixed rates.

The Company only enters into derivative financial instruments with institutions that have an International Swap Dealers Association agreement in place. Our derivative financial instruments do not contain credit risk related contingent features or requirements to post collateral. On an ongoing basis, the Company monitors counterparty credit ratings. The Company considers 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.

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Cash Flow Hedging

The Company is exposed to the effects of foreign exchange movements. Our strategy is to minimize enterprise risk by locking in all or a portion of the anticipated cash flows that are linked to accounting exposures such as non-functional currency intercompany payables/receivables, through derivative instruments. To execute this strategy, we 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.

SFAS 133 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 (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 forecasted cost of sales, and certain intercompany sales and purchases associated with third party transactions, as cash flow hedges. To reduce foreign currency exposure related to forecasted foreign currency denominated sales and purchases of product, the Company entered into foreign currency forward contracts of approximately $250 million in the fiscal second quarter of 2009, none in the first quarter, $147 million in the fiscal fourth quarter of 2008, $307 million in the fiscal third quarter of 2008, and $16 million in the fiscal second quarter of 2008. These derivatives were accounted for as cash flow hedges under SFAS 133 and were expected to be effective through their maturities.

Typical currencies traded are those which represent the largest risk for the Company, including but not limited to the British pound sterling, euro, Japanese yen and Canadian dollar. Hedge amounts vary by currency but typically fall below $10.0 million per month per currency. Hedges for each currency mature monthly to correspond with the payment cycles of the hedged relationships. To maintain a layered hedged position, additional hedges are placed consistently throughout the year.

Each month during any given period, adjustments are made to the existing hedges by matching them with the actual cash flows that occurred in that month. Each hedge, therefore, will require that compensating trades be adjusted to match the actual flows of the underlying exposure.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

As of April 30, 2009, all outstanding cash flow hedging derivatives had maturities of less than 24 months. For such hedges, the effective portion of the contracts gains or losses resulting from changes in fair value of these hedges is initially reported as a component of accumulated OCI in stockholder s 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. Over the next twelve months, we expect to reclassify losses of approximately $11.5 million to our Consolidated Statements of Income.

We record any ineffectiveness and any excluded components of the hedge immediately to other income or expense in our Consolidated Statements of Income. We calculate hedge effectiveness at a minimum each fiscal quarter. Monthly, we evaluate hedge effectiveness prospectively and retrospectively, excluding time value, using regression as well as other timing and probability criteria required by SFAS 133. 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 the cash flow hedges are reclassified at that time from OCI to other income or expense in our Consolidated Statements of Income.

Balance Sheet Hedges

We manage the foreign currency risk associated with non-functional 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 April 30, 2009, all outstanding balance sheet hedging derivatives had maturities of less than 24 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 non-designated 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 a few million dollars per affected relationship.

Other common exposures hedged are intercompany related borrowings 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 non-functional currency assets and liabilities being hedged.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Interest Rate Swaps

On January 31, 2007, the Company refinanced its syndicated bank credit facility with a $650 million syndicated Senior Unsecured Revolving Line of Credit (Revolver) and $350 million aggregate principal amount of 7.125% Senior Notes. As part of this new debt structure, the Company terminated an interest rate swap with a notional value of $125 million on January 30, 2007. This interest rate swap was set to mature on February 9, 2009, and the Company settled the interest rate swap and received $1.1 million from the counterparty. As a result of the termination of the interest rate swap, the Company realized a gain of approximately $1.0 million. The Company amortizes this gain from OCI to interest expense over the original life of the interest rate swap. During the fiscal first half of 2009, approximately $33 thousand of effective gains were amortized from OCI to interest expense related to the termination of the swap. Of which, $3 thousand of effective gains was amortized from OCI to interest expense in the fiscal second quarter of 2009. Effective amounts are amortized to interest expense as the related hedged expense is incurred.

On May 3, 2007, we terminated two floating-to-fixed interest rate swaps with notional values of $125 million that were set to mature on February 7, 2008. As a result of these swap terminations, the Company realized a gain of approximately $2.4 million to be amortized from OCI to interest expense over the original life of these two interest rate swaps. During fiscal 2008, approximately $0.8 million of effective gains related to the termination of these swaps were amortized from OCI to interest expense, bringing the remaining effective amount in OCI to zero.

Concurrent with these interest rate swap terminations and maturities, the Company reset its fixed rate debt structure under the Revolver to extend maturities by entering into four new interest rate swaps on May 3, 2007. These new interest rate swaps with notional values totaling $250 million, serve to fix the floating rate debt under the Revolver for terms between 30 and 48 months with fixed rates between 4.94% to 4.96%.

On September 19, 2007, the Company entered into an additional floating-to-fixed interest rate swap with a notional value of $25 million and a maturity of September 21, 2009. This swap serves to fix $25 million of floating rate debt under the Revolver at a rate of 4.53%.

On October 22, 2008, the Company entered into three additional floating-to-fixed interest rate swaps. These new interest rate swaps with notional values totaling $175 million, serve to fix the floating rate debt under the Revolver for terms between 16 and 24 months with fixed rates between 2.40% and 2.53%.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

All eight outstanding interest rate swaps hedge variable interest payments related to the Company s $650 million credit facility by exchanging variable rate interest risk for a fixed interest rate. The Company has qualified and designated these swaps under SFAS 133 as cash flow hedges and records the offset of the cumulative fair market value (net of tax effect) to OCI in our Consolidated Balance Sheet.

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 swaps have been and are expected to remain highly effective for the life of the hedges. Effective amounts are reclassified to interest expense as the related hedged expense is incurred. No material ineffectiveness was recognized on the eight outstanding interest rate swaps during the current fiscal year. As of April 30, 2009, the fair value of the eight outstanding swaps, approximately $15.2 million, was recorded as a liability, and the effective offset was recorded in OCI in our Consolidated Balance Sheet. We expect to reclassify $12.0 million from OCI to interest expense in our Consolidated Statements of Income over the next 12 months.

The fair value of derivative instruments in our Consolidated Balance Sheet as of April 30, 2009, 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 SFAS 133				
Interest rate contracts	Prepaid expense and other current assets	$	Other current liabilities	$ 2.6
Interest rate contracts	Other assets		Accrued pension liability and other	12.6
Foreign exchange contracts	Prepaid expense and other current assets	13.2	Other current liabilities	12.1
Foreign exchange contracts	Other assets	2.1	Accrued pension liability and other	1.5
Total derivatives designated as hedging instruments under SFAS 133		$ 15.3		$ 28.8
Derivatives not designated as hedging instruments under SFAS 133				
Foreign exchange contracts	Prepaid expense and other current assets	$ 3.7	Other current liabilities	$ 0.9
Foreign exchange contracts	Other assets	0.1	Accrued pension liability and other	
Total derivatives not designated as hedging instruments under SFAS 133		$ 3.8		$ 0.9
Total derivatives		$ 19.1		$ 29.7

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

The Effect of Derivative Instruments on the Consolidated Statement of Income

For the Six Months Ended April 30, 2009

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2009	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain Reclassified from Accumulated OCI into Income (Effective Portion) 2009	Location of Gain or (Loss) Recognized in Income on Derivative Ineffectiveness	Amount of Gain or (Loss) Recognized in Income Due to Ineffectiveness 2009	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 2009
			(In millions)				
Interest rate contracts	$ (10.4)	Interest expense	$ (5.5)	Other income/ (expense)	$	Other income/ (expense)	$
Foreign exchange contracts	(12.5)	Net sales	$ 15.9	Other income/ (expense)	$ (0.1)	Other income/ (expense)	$ 1.1
Foreign exchange contracts		Cost of sales	$ (17.4)	Other income/ (expense)	$	Other income/ (expense)	$
Total	$ (22.9)		$ (7.0)		$ (0.1)		$ 1.1

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Derivatives Not Designated as Hedging Instruments Under SFAS 133	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative 2009 (In millions)	
Interest rate contracts	Interest income/(expense)	$	
Foreign exchange contracts	Foreign currency gain/(loss)		(1.5)
Total		$	(1.5)

On November 1, 2008, the Company adopted the required portions of SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 applies to all assets and liabilities that are being measured and reported at fair value. SFAS 157 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, and SFAS 157 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. This Statement 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.

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, which 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 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 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, credit risk at commonly quoted intervals. Mid-market pricing is used as a practical expedient for fair value measurements.

We use foreign exchange forward contracts to minimize, to the extent reasonable and practical, our exposure to the impact of changing foreign currency fluctuations. The Company has elected to use the income approach to value the derivatives, using observable Level 2 market

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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 during the fiscal first half of 2009, within the fair value hierarchy at April 30, 2009:

	Level 2 (In thousands)
Assets:	
Foreign exchange contracts	$ 19,070
Liabilities:	
Interest rate swaps	$ 15,207
Foreign exchange contracts	14,531
	$ 29,738

Note 7. Earnings Per Share

	Three Months Ended April 30,		**Six Months Ended April 30,**	
	2009	**2008**	**2009**	**2008**
	(In thousands, except per share amounts)			
Net income	$ 24,649	$ 11,241	$ 48,522	$ 18,118
Add interest charge applicable to convertible debt, net of tax		523		1,046
Income for calculating diluted earnings per common share	$ 24,649	$ 11,764	$ 48,522	$ 19,164
Basic:				
Weighted average common shares	45,170	44,989	45,155	44,965
Basic earnings per common share	$ 0.55	$ 0.25	$ 1.07	$ 0.40
Diluted:				
Weighted average common shares	45,170	44,989	45,155	44,965
Effect of dilutive stock options	353	161	49	204
Shares applicable to convertible debt		2,590		2,590
Diluted weighted average common shares	45,523	47,740	45,204	47,759

Diluted earnings per common share	$ 0.54	$ 0.25	$ 1.07	$ 0.40

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

The following table sets forth stock options to purchase Cooper s common stock, restricted stock units and common shares applicable to convertible debt that are not included in the diluted net income per share calculation because to do so would be antidilutive for the periods presented:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2009	2008	2009	2008
	(In thousands, except exercise prices)			
Numbers of stock option shares excluded	4,514	4,228	4,579	4,058
Range of exercise prices	$24.40-$80.51	$35.69-$80.51	$22.08-$80.51	$37.90-$80.51
Number of restricted stock units excluded	330	264	330	264

Note 8. Share-Based Compensation Plans

The Company has several share-based compensation plans that are described in the Company s Annual Report on Form 10-K for the fiscal year ended October 31, 2008. The compensation and related income tax benefit recognized in the Company s consolidated financial statements for share-based awards were as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2009	2008	2009	2008
	(In millions)			
Selling, general and administrative expense	$ 4.0	$ 1.8	$ 7.0	$ 7.0
Cost of sales	0.2	0.4	0.6	0.8
Research and development expense	0.2	0.2	0.4	(0.2)
Capitalized in inventory	0.2	0.4	0.6	0.8
Total compensation expense	$ 4.6	$ 2.8	$ 8.6	$ 8.4
Related income tax benefit	$ 1.6	$ 0.6	$ 2.8	$ 2.3

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 9. Income Taxes

Cooper s effective tax rate (ETR) (provision for income taxes divided by pretax income) for the fiscal first half of 2009 was 19.3%. GAAP requires that the projected fiscal year ETR, plus any discrete items, be included in the year-to-date results. The ETR used to record the provision for income taxes for the six-month period ended April 30, 2008, was 28.8%. The decrease in the 2009 ETR reflects the shift in the geographic mix of income during the period.

The Company adopted the provisions of FIN 48 on November 1, 2007. Under FIN 48, the Company recognizes 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. As a result, in fiscal 2008, the Company reduced its net liability for unrecognized tax benefits by $5.3 million, which was accounted for as an increase to retained earnings. As of November 1, 2008, the Company had total gross unrecognized tax benefits of $19.4 million. If recognized, $16.7 million of unrecognized tax benefits would impact the Company s effective tax rate. For the six-month period ended April 30, 2009, there were no material changes to the total amount of unrecognized tax benefits. The Company historically classified unrecognized tax benefits in current taxes payable. As a result of our adoption of FIN 48, unrecognized tax benefits were reclassified to long-term income taxes payable.

Interest and penalties of $2.1 million have been reflected as a component of the total liability as of November 1, 2008. It is the Company s policy to recognize as additional income tax expense, the items of interest and penalties directly related to income taxes.

Included in the balance of unrecognized tax benefits at November 1, 2008, is $2 million to $3.8 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 is comprised of transfer pricing and other items.

As of April 30, 2009, the tax years for which the Company remains subject to U.S. Federal income tax assessment upon examination are 2005 through 2007. The Company remains subject to income tax examinations in other major tax jurisdictions including the United Kingdom, France, Germany and Australia for the tax years 2004 through 2007.

Note 10. Employee Benefits

Cooper s Retirement Income Plan (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 continue to be comprised of equity and fixed income funds.

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In October 2007, we adopted the funded status provision of SFAS No. 158, which requires that we recognize the overfunded or underfunded status of our defined benefit postretirement 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. SFAS No. 158 also requires that for fiscal years ending after December 15, 2008, our assumptions used to measure our 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 Company s defined benefit postretirement plan used an August 31 measurement date, and all plan assets and obligations were generally reported as of that date.

Cooper s results of operations for the three and six months ended April 30, 2009 and 2008 reflect the following pension costs.

	Three Months Ended April 30,		Six Months Ended April 30,	
	2009	2008	2009	2008
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 766	$ 750	$ 1,532	$ 1,501
Interest cost	586	509	1,172	1,018
Expected returns on assets	(577)	(593)	(1,154)	(1,187)
Amortization of prior service cost	8	8	15	15
Amortization of transition obligation	6	6	13	13
Recognized net actuarial loss	9		18	
Net periodic pension cost	$ 798	$ 680	$ 1,596	$ 1,360

The Company contributed to the pension plan $0.9 million and $1.4 million for the three and six months ended April 30, 2009, respectively, and expects to contribute an additional $3.7 million in fiscal 2009. No pension contributions were made during the first half of 2008.

Note 11. Cash Dividends

We paid a semiannual dividend of approximately $1.4 million or 3 cents per share on February 5, 2009, to stockholders of record on January 19, 2009.

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Notes to Consolidated Condensed Financial Statements, Continued

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Note 12. Contingencies

Legal Proceedings

In re The Cooper Cos., Inc., Securities Litigation

On February 15, 2006, Alvin L. Levine filed a putative securities class action lawsuit 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 John D. Fruth, a former director. On May 19, 2006, the Court consolidated this action and two related actions under the heading *In re Cooper Companies, Inc. Securities Litigation* and selected a lead plaintiff and lead counsel pursuant to the provisions of the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4.

The lead plaintiff filed a consolidated complaint on July 31, 2006. The consolidated complaint was filed on behalf of all purchasers of the Company s securities between July 28, 2004, and December 12, 2005, including persons who received Company securities in exchange for their shares of Ocular Sciences, Inc. (Ocular) in the January 2005 merger pursuant to which the Company acquired Ocular. In addition to the Company, Messrs. Bender, Weiss, and Fruth, the consolidated complaint named as defendants several of the Company s other current officers and directors and former officers. On July 13, 2007, the Court granted Cooper s motion to dismiss the consolidated complaint and granted the lead plaintiff leave to amend to attempt to state a valid claim.

On August 9, 2007, the lead plaintiff filed an amended consolidated complaint. In addition to the Company, the amended consolidated complaint names as defendants Messrs. Bender, Weiss, Fruth, Steven M. Neil, the Company s former Executive Vice President and Chief Financial Officer, and Gregory A. Fryling, CooperVision s former President and Chief Operating Officer.

The amended consolidated complaint purports to allege violations of Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 by, among other things, contending that the defendants made misstatements concerning the Biomedics® product line, sales force integration following the merger with Ocular, the impact of silicone hydrogel lenses and financial projections. The amended consolidated complaint also alleges that the Company improperly accounted for assets acquired in the Ocular merger by improperly allocating $100 million of acquired customer relationships and manufacturing technology to goodwill (which is not amortized against earnings) instead of to intangible assets other than goodwill (which are amortized against earnings), that the Company lacked appropriate internal controls and issued false and misleading Sarbanes-Oxley Act certifications.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

On October 23, 2007, the Court granted in-part and denied in-part Cooper and the individual defendants motion to dismiss. The Court dismissed the claims relating to the Sarbanes-Oxley Act certifications and the Company s accounting of assets acquired in the Ocular merger. The Court denied the motion as to the claims related to alleged false statements concerning the Biomedics product line, sales force integration, the impact of silicone hydrogel lenses and the Company s financial projections. On November 28, 2007, the Court dismissed all claims against Mr. Fruth. On December 3, 2007, the Company and Messrs. Bender, Weiss, Neil and Fryling answered the amended consolidated complaint. On April 8, 2008, the Court granted a motion by Mr. Neil for judgment on the pleadings as to him. A February 17, 2010, trial date has been set and discovery has commenced. On January 6, 2009, the Court granted plaintiffs motion for class certification. The certified class consists of those persons who purchased or otherwise acquired Cooper common stock between July 28, 2004 and November 21, 2005. The Company intends to defend this matter vigorously.

In re Cooper Companies, Inc. Derivative Litigation

On March 17, 2006, Eben Brice filed a purported shareholder derivative complaint in the United States District Court for the Central District of California, Case No. 8:06-CV-00300-CJC-RNB, against several current and former officers and directors of the Company. The Company is named as a nominal defendant. Since the filing of the first purported shareholder derivative lawsuit, three similar purported shareholder derivative suits were filed in the United States District Court for the Central District of California. All four actions have been consolidated under the heading In re Cooper Companies, Inc. Derivative Litigation and the Court selected a lead plaintiff and lead counsel.

On September 11, 2006, plaintiffs filed a consolidated amended complaint. The consolidated amended complaint names as defendants Messrs. Bender, Weiss, Fruth and Fryling. It also names as defendants current directors Michael Kalkstein, Moses Marx, Steven Rosenberg, Stanley Zinberg, Allan Rubenstein, and one former director. The Company is a nominal defendant. The complaint purports to allege causes of action for breach of fiduciary duty, insider trading, breach of contract, and unjust enrichment, and largely repeats the allegations in the class action securities case, described above. Under the existing scheduling order, the Company has until September 12, 2009, to respond to the consolidated amended complaint.

In addition to the derivative action pending in federal court, three similar purported shareholder actions were filed in the Superior Court for the State of California for the County of Alameda. These actions have been consolidated under the heading In re Cooper Companies, Inc. Shareholder Derivative Litigation, Case Nos. RG06260748. A consolidated amended complaint was filed on September 18, 2006. The consolidated amended complaint names as defendants the same individuals that are the defendants in the federal derivative action. In addition, the complaint names Mr. Fryling, current officers Carol R. Kaufman, John J. Calcagno, Paul L. Remmell, Jeffrey Allan McLean, and Nicholas J. Pichotta and a former officer. The Company is a nominal defendant. On November 29, 2006, the Superior Court for the County of Alameda entered an order staying the consolidated action pending the resolution of the federal derivative action.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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Both the state and federal derivative actions are derivative in nature and do not seek damages from the Company.

Bausch & Lomb Incorporated Litigation

On October 5, 2004, Bausch & Lomb Incorporated (Bausch & Lomb) filed a lawsuit against Ocular Sciences, Inc. in the U.S. District Court for the Western District of New York alleging that its Biomedics toric soft contact lens and its private label equivalents infringe Bausch & Lomb s U.S. Patent No. 6,113,236 relating to toric contact lenses having optimized thickness profiles. The complaint seeks an award of damages, including multiple damages, attorneys fees and costs and an injunction preventing the alleged infringement. Following an order on claim construction, the parties reached a settlement resolving all claims on February 25, 2009. Pursuant to this settlement, Bausch & Lomb dismissed its complaint with prejudice and provided CVI a perpetual and fully paid up royalty-free license to the 236 patent.

Note 13. Financial Information for Guarantor and Non-Guarantor Subsidiaries

On January 31, 2007, the Company issued $350 million aggregate principal amount of 7.125% Senior Notes due 2015 (Senior Notes), of which $339 million are outstanding at April 30, 2009. The Senior Notes are guaranteed by certain of our direct and indirect subsidiaries. The Senior Notes represent our general unsecured obligations; senior in right of payment to all of our existing and any future subordinated indebtedness; pari passu in right of payment with all of our existing and any future unsecured indebtedness that is not by its terms expressly subordinated to the Senior Notes; effectively junior in right of payment to our existing and future secured indebtedness to the extent of the value of the collateral securing that indebtedness; unconditionally guaranteed by all of our existing and future domestic subsidiaries, other than any excluded domestic subsidiaries; and structurally subordinated to indebtedness of our subsidiaries that are not subsidiary guarantors.

Presented below are the Consolidating Condensed Statements of Operations for the three and six months ended April 30, 2009 and 2008, the Consolidating Condensed Balance Sheets as of April 30, 2009 and October 31, 2008 and the Consolidating Condensed Statements of Cash Flows for the six months ended April 30, 2009 and 2008 for The Cooper Companies, Inc. (Parent Company), the guarantor subsidiaries (Guarantor Subsidiaries) and the subsidiaries that are not guarantors (Non-Guarantor Subsidiaries).

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Operations

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Three Months Ended April 30, 2009					
Net sales	$	$ 129,879	$ 173,926	$ (43,211)	$ 260,594
Cost of sales		59,665	98,410	(46,538)	111,537
Gross profit		70,214	75,516	3,327	149,057
Operating expenses	5,214	45,989	56,647		107,850
Operating income (loss)	(5,214)	24,225	18,869	3,327	41,207
Interest expense	10,527		303		10,830
Other income (expense), net	7,513	(4,427)	(2,826)		260
Income (loss) before income taxes	(8,228)	19,798	15,740	3,327	30,637
Provision for (benefit from) income taxes	(5,191)	8,146	3,033		5,988
Net income (loss)	$ (3,037)	$ 11,652	$ 12,707	$ 3,327	$ 24,649

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Six Months Ended April 30, 2009					
Net sales	$	$ 247,855	$ 326,561	$ (62,680)	$ 511,736
Cost of sales		112,622	171,638	(63,715)	220,545
Gross profit		135,233	154,923	1,035	291,191
Operating expenses	13,384	90,239	113,580		217,203
Operating income (loss)	(13,384)	44,994	41,343	1,035	73,988
Interest expense	21,748		539		22,287
Other income (expense), net	17,604	(9,623)	423		8,404
Income (loss) before income taxes	(17,528)	35,371	41,227	1,035	60,105
Provision for (benefit from) income taxes	(9,697)	14,823	6,457		11,583
Net income (loss)	$ (7,831)	$ 20,548	$ 34,770	$ 1,035	$ 48,522

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Operations

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Three Months Ended April 30, 2008					
Net sales	$	$ 122,668	$ 178,748	$ (42,168)	$ 259,248
Cost of sales		51,621	97,019	(39,400)	109,240
Gross profit		71,047	81,729	(2,768)	150,008
Operating expenses	5,847	51,086	64,759	(150)	121,542
Operating income (loss)	(5,847)	19,961	16,970	(2,618)	28,466
Interest expense	11,685		385		12,070
Other (expense) income, net	6,465	(3,398)	(3,519)	2	(450)
Income (loss) before income taxes	(11,067)	16,563	13,066	(2,616)	15,946
Provision for (benefit from) income taxes	(5,252)	7,460	2,497		4,705
Net income (loss)	$ (5,815)	$ 9,103	$ 10,569	$ (2,616)	$ 11,241

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Six Months Ended April 30, 2008					
Net sales	$	$ 238,406	$ 336,667	$ (73,053)	$ 502,020
Cost of sales		106,183	164,822	(61,875)	209,130
Gross profit		132,223	171,845	(11,178)	292,890
Operating expenses	15,155	99,475	130,129	(286)	244,473
Operating income (loss)	(15,155)	32,748	41,716	(10,892)	48,417
Interest expense	22,427		749		23,176
Other income (expense), net	11,870	(5,601)	(6,076)	(1)	192
Income (loss) before income taxes	(25,712)	27,147	34,891	(10,893)	25,433
Provision for (benefit from) income taxes	(13,866)	14,061	7,120		7,315
Net income (loss)	$ (11,846)	$ 13,086	$ 27,771	$ (10,893)	$ 18,118

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Balance Sheets

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
April 30, 2009					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 882	$ 358	$ 3,232	$	$ 4,472
Trade receivables, net		64,714	91,695		156,409
Inventories		151,190	183,452	(46,446)	288,196
Deferred tax asset	941	20,791	3,908		25,640
Other current assets	2,721	5,650	41,700	(256)	49,815
Total current assets	4,544	242,703	323,987	(46,702)	524,532
Property, plant and equipment, net	1,525	97,498	489,367		588,390
Goodwill	116	669,125	575,724		1,244,965
Other intangibles, net		73,516	50,244		123,760
Deferred tax asset	59,731	(35,473)	2,184		26,442
Other assets	1,683,356	18,917	12,637	(1,676,668)	38,242
	$ 1,749,272	$ 1,066,286	$ 1,454,143	$ (1,723,370)	$ 2,546,331
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Short-term debt	$	$ 907	$ 46,307	$	$ 47,214
Other current liabilities	15,681	41,742	107,403		164,826
Total current liabilities	15,681	42,649	153,710		212,040
Long-term debt	838,000		10,379		848,379
Deferred tax liability			12,974		12,974
Intercompany and other liabilities	(62,219)	(147,024)	253,620		44,377
Total liabilities	791,462	(104,375)	430,683		1,117,770
Stockholders equity	957,810	1,170,661	1,023,460	(1,723,370)	1,428,561
	$ 1,749,272	$ 1,066,286	$ 1,454,143	$ (1,723,370)	$ 2,546,331

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Balance Sheets

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
October 31, 2008					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 20	$ (846)	$ 2,770	$	$ 1,944
Trade receivables, net		65,185	93,973		159,158
Inventories		150,464	180,716	(47,726)	283,454
Deferred tax asset	1,440	22,038	2,859		26,337
Other current assets	2,141	6,445	46,553		55,139
Total current assets	3,601	243,286	326,871	(47,726)	526,032
Property, plant and equipment, net	1,635	94,353	506,666		602,654
Goodwill	116	669,135	582,448		1,251,699
Other intangibles, net		77,872	52,715		130,587
Deferred tax asset	57,944	(34,277)	1,978		25,645
Other assets	1,684,549	18,570	24,548	(1,676,668)	50,999
	$ 1,747,845	$ 1,068,939	$ 1,495,226	$ (1,724,394)	$ 2,587,616
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Short-term debt	$ 709	$ 1,682	$ 40,622	$	$ 43,013
Other current liabilities	19,074	43,856	149,464		212,394
Total current liabilities	19,783	45,538	190,086		255,407
Long-term debt	861,400		381		861,781
Deferred tax liability		1	15,195		15,196
Intercompany and other liabilities	(95,367)	(124,219)	257,742		38,156
Total liabilities	785,816	(78,680)	463,404		1,170,540
Stockholders equity	962,029	1,147,619	1,031,822	(1,724,394)	1,417,076
	$ 1,747,845	$ 1,068,939	$ 1,495,226	$ (1,724,394)	$ 2,587,616

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Cash Flows

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Six Months Ended April 30, 2009					
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ (9,027)	$ 37,396	$ 40,370	$	$ 68,739
Cash flows from investing activities:					
Purchase of property, plant and equipment	(3)	(10,751)	(43,307)		(54,061)
Acquisitions of businesses, net of cash acquired	(435)	(813)	(2,457)		(3,705)
Intercompany (investments in subsidiaries)	33,644			(33,644)	
Net cash (used in) provided by investing activities	33,206	(11,564)	(45,764)	(33,644)	(57,766)
Cash flows from financing activities:					
Net proceeds (repayments) of short-term debt	(707)	(775)	5,685		4,203
Intercompany proceeds (repayments)		(23,853)	(9,791)	33,644	
Net proceeds (repayments) of long-term debt	(21,360)		9,998		(11,362)
Dividends on common stock	(1,355)				(1,355)
Excess tax benefit from share-based compensation arrangements	135				135
Proceeds from exercise of stock options	(30)				(30)
Net cash provided by (used in) financing activities	(23,317)	(24,628)	5,892	33,644	(8,409)
Effect of exchange rate changes on cash and cash equivalents			(36)		(36)
Net increase in cash and cash equivalents	862	1,204	462		2,528
Cash and cash equivalents at the beginning of the period	20	(846)	2,770		1,944
Cash and cash equivalents at the end of the period	$ 882	$ 358	$ 3,232	$	$ 4,472

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Cash Flows

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Six Months Ended April 30, 2008					
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ (39,229)	$ (16,428)	$ 67,149	$	$ 11,492
Cash flows from investing activities:					
Purchase of property, plant and equipment	(18)	(11,525)	(65,331)		(76,874)
Acquisitions of businesses, net of cash acquired	(97)	(1,398)	(1,567)		(3,062)
Intercompany (investment in subsidiaries)	(35,090)		(1)	35,091	
Net cash (used in) provided by investing activities	(35,205)	(12,923)	(66,899)	35,091	(79,936)
Cash flows from financing activities:					
Net (repayments) proceeds of short-term debt		(235)	(7,025)		(7,260)
Intercompany proceeds (repayments)		28,849	6,242	(35,091)	
Net proceeds from long-term debt	71,600				71,600
Dividends on common stock	(1,349)				(1,349)
Excess tax benefit from share-based compensation arrangements	1,758				1,758
Proceeds from exercise of stock options	2,372				2,372
Net cash provided by (used in) financing activities	74,381	28,614	(783)	(35,091)	67,121
Effect of exchange rate changes on cash and cash equivalents			8		8
Net decrease in cash and cash equivalents	(53)	(737)	(525)		(1,315)
Cash and cash equivalents at the beginning of the period	83	489	2,654		3,226
Cash and cash equivalents at the end of the period	$ 30	$ (248)	$ 2,129	$	$ 1,911

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 14. Business Segment Information

Cooper uses operating income, as presented in our financial reports, as the primary measure of segment profitability. We do not allocate costs from corporate functions to segment 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.

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.

Segment information:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2009	2008	2009	2008
	(In thousands)			
Net sales to external customers:				
CooperVision net sales:				
Spherical soft lens	$ 129,552	$ 133,258	$ 253,434	$ 252,323
Toric soft lens	65,393	73,359	127,997	143,837
Multifocal soft lens	14,601	13,724	28,534	26,451
Other eye care products and other	8,272	(2,523)	19,061	(1,505)
Total CooperVision net sales	217,818	217,818	429,026	421,106
CooperSurgical net sales	42,776	41,430	82,710	80,914
Total net sales to external customers	$ 260,594	$ 259,248	$ 511,736	$ 502,020
Operating income (loss):				
CVI	$ 35,348	$ 26,319	$ 66,989	$ 49,047
CSI	11,073	7,994	20,383	14,525
Corporate	(5,214)	(5,847)	(13,384)	(15,155)
Total operating income	41,207	28,466	73,988	48,417
Interest expense	10,830	12,070	22,287	23,176
Other income (expense), net	260	(450)	8,404	192
Income before income taxes	$ 30,637	$ 15,946	$ 60,105	$ 25,433

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Concluded

(Unaudited)

	April 30, 2009	October 31, 2008
	(In thousands)	
Identifiable assets:		
CVI	$ 2,170,704	$ 2,214,609
CSI	314,115	312,145
Headquarters	61,512	60,862
Total	$ 2,546,331	$ 2,587,616

Geographic information:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2009	2008	2009	2008
	(In thousands)			
Net sales to external customers by country of domicile:				
United States	$ 128,995	$ 123,594	$ 245,257	$ 237,177
Europe	80,958	84,170	162,874	164,322
Rest of world	50,641	51,484	103,605	100,521
Total	$ 260,594	$ 259,248	$ 511,736	$ 502,020