

TEEKAY TANKERS LTD.  
Form 6-K  
November 14, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16 of**  
**the Securities Exchange Act of 1934**  
**Date of Report: November 6, 2014**  
**Commission file number 1-33867**

**TEEKAY TANKERS LTD.**  
**(Exact name of Registrant as specified in its charter)**

**4<sup>th</sup> Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda**  
**(Address of principal executive offices)**

Edgar Filing: TEEKAY TANKERS LTD. - Form 6-K

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes ☐ No ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes ☐ No ☒

**Item 1 Information Contained in this Form 6-K Report**

Attached as Exhibit 1 is a copy of an announcement of Teekay Tankers Ltd. dated November 6, 2014.

**SIGNATURE**

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

TEEKAY TANKERS LTD.

Date: November 6, 2014

By: /s/ Vincent Lok  
Vincent Lok  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**TEEKAY TANKERS LTD.**

**4th Floor, Belvedere Building, 69 Pitts Bay Road**

**Hamilton, HM 08, Bermuda**

**EARNINGS RELEASE**

**TEEKAY TANKERS LTD. REPORTS**

**THIRD QUARTER 2014 RESULTS**

**Highlights**

Reported third quarter 2014 adjusted net income attributable to shareholders of Teekay Tankers of \$2.6 million, or \$0.03 per share (excluding specific items which increased GAAP net income by \$3.3 million, or \$0.04 per share).

Generated third quarter 2014 Cash Available for Distribution (CAD) of \$0.19 per share, an increase of 90 percent from the same period of the prior year.

On August 1, 2014, completed the acquisition of a 50 percent interest in Teekay Corporation's commercial and technical management operations.

In October 2014, secured time charter-in contracts for two additional Aframax tankers, bringing the total in-chartered fleet to ten vessels.

In October 2014, Teekay Tankers invested approximately \$10 million to purchase an additional 935,130 shares of Tanker Investments Limited.

Hamilton, Bermuda, November 6, 2014 - Teekay Tankers Ltd. (*Teekay Tankers or the Company*) (NYSE: TNK) today reported adjusted net income attributable to its shareholders <sup>(1)</sup> of \$2.6 million, or \$0.03 per share, for the quarter ended September 30, 2014, compared to adjusted net loss attributable to its shareholders of \$4.0 million, or \$0.05 per share, for the same period in the prior year. The increase in adjusted net income attributable to its shareholders is primarily due to stronger spot tanker rates in the third quarter of 2014 compared to the same period in the prior year, an increase in fleet size due to the addition of six in-chartered vessels delivered during 2014 and higher equity income due to commercial and technical management fees earned through the Company's 50 percent interest in the conventional tanker commercial management and technical management operations purchased from Teekay Corporation on August 1, 2014. Adjusted net income attributable to its shareholders excludes a number of specific

items that had the net effect of increasing net income attributable to its shareholders by \$3.3 million, or \$0.04 per share, for the three months ended September 30, 2014 and increasing net loss attributed to its shareholders by \$10.6 million, or \$0.12 per share, for the three months ended September 30, 2013, as detailed in *Appendix A* to this release. Including these items, the Company reported, on a GAAP basis, net income attributable to its shareholders of \$5.9 million, or \$0.07 per share, for the quarter ended September 30, 2014, compared to a net loss attributable to its shareholders of \$14.6 million, or \$0.17 per share, for the quarter ended September 30, 2013. Net revenues <sup>(2)</sup> were \$50.6 million and \$39.0 million for the quarters ended September 30, 2014 and September 30, 2013, respectively.

For the nine months ended September 30, 2014, the Company reported adjusted net income attributable to its shareholders <sup>(1)</sup> of \$15.3 million, or \$0.18 per share, compared to adjusted net loss attributed to its shareholders of \$13.9 million, or \$0.17 per share, for the same period in the prior year. The increase in adjusted net income attributable to its shareholders is primarily due to stronger spot tanker rates for the first nine months of 2014 compared to the same period in the prior year, an increase in fleet size due to addition of six in-chartered vessels delivered during 2014, an increase in interest income recognized from the Company's investment in term loans, which concluded in March 2014, and higher equity income from the Company's equity accounted investments for the nine months ended September 30, 2014 as compared to the same period in the prior year. Adjusted net income attributable to its shareholders excludes a number of specific items that had the net effect of increasing net income attributable to its shareholders by \$21.5 million, or \$0.25 per share, and increasing the net loss attributable to its shareholders by \$8.4 million, or \$0.10 per share, for the nine month periods ended September 30, 2014 and September 30, 2013, respectively, as detailed in *Appendix A* to this release. Including these items, the Company reported, on a GAAP basis, net income attributable to its shareholders of \$36.9 million, or \$0.43 per share, for the nine months ended September 30, 2014, compared to net loss attributable to its shareholders of \$22.3 million, or \$0.27 per share, for the nine months ended September 30, 2013. Net revenues <sup>(2)</sup> were \$151.7 million and \$122.1 million for the nine months ended September 30, 2014 and September 30, 2013, respectively.

- (1) Adjusted net income (loss) attributable to shareholders of Teekay Tankers is a non-GAAP financial measure. Please refer to *Appendix A* to this release for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable financial measure under United States generally accepted accounting principles (GAAP) and for information about specific items affecting net income (loss) that are typically excluded by securities analysts in their published estimates of the Company's financial results.
- (2) Net revenues is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. Please refer to *Appendix C* included in this release for a reconciliation of this non-GAAP measure to the most directly comparable financial measure under GAAP.

During the third quarter of 2014, the Company generated \$16.2 million, or \$0.19 per share, of Cash Available for Distribution <sup>(3)</sup>, compared to \$8.7 million, or \$0.10 per share, in the third quarter of 2013 due to the reasons noted above. On October 3, 2014, Teekay Tankers declared a dividend of \$0.03 per share for the third quarter of 2014, which was paid on October 31, 2014 to all shareholders of record on October 17, 2014. Since the Company's initial public offering in December 2007, it has declared dividends in 28 consecutive quarters, which now total \$7.395 per share on a cumulative basis.

Crude spot tanker rates for the third quarter of 2014 reached their highest average for a third quarter since 2008, commented Kevin Mackay, Chief Executive Officer of Teekay Tankers. Stronger seasonal oil demand early in the quarter, an increase in long-haul crude tanker movements from the Atlantic to Pacific and an increase in oil purchases for onshore commercial and strategic storage were some of the key factors that combined to push average spot tanker rates higher during the quarter. Although rates weakened slightly in September, they rebounded again in October in part due to the completion of refinery turnarounds and an increase in global imports ahead of the winter season. Despite recent downward revisions in global economic growth forecasts, we believe that limited crude tanker fleet growth and a continued increase in long-haul crude tanker movements from the Atlantic to Pacific basins will continue to support a general firming of average spot tanker rates, while the impact of lower global oil prices, will result in a reduction in ship operating costs through reduced bunker fuel prices.

Given our positive spot tanker rate outlook, Teekay Tankers has continued to strategically increase its spot tanker exposure through new in-charter contracts at favourable rates and with option periods, Mr. Mackay continued. Last month, we secured two additional in-charter Aframax tankers, which will add over 1,175 days to our overall spot tanker exposure and bring our total in-chartered portfolio to ten vessels in time for what we expect will be a stronger winter tanker market. Combined with strong operating leverage and a low cash break-even rate, we believe Teekay Tankers is well-positioned to benefit from a sustained tanker market recovery.

- (3) Cash Available for Distribution (*CAD*) represents net income (loss), plus depreciation and amortization, unrealized losses from derivatives, non-cash items, CAD from equity accounted investments and any write-offs or other non-recurring items, less unrealized gains from derivatives and other non-cash items. Please refer to *Appendix B* to this release for a reconciliation of Cash Available for Distribution (a non-GAAP measure) as used in this release to the most directly comparable GAAP financial measure.

### **Summary of Recent Developments**

#### **New Time Charter-In Vessels**

In October 2014, Teekay Tankers secured time charter-in contracts for two additional Aframax vessels, which increased Teekay Tankers' total time charter-in fleet to ten vessels. The new time charter-in contracts have an average daily rate of \$18,000 and firm contract periods of six to 33 months, with extension options.

#### **Investment in Tanker Investments Ltd.**

In October 2014, Teekay Tankers acquired an additional 0.9 million common shares of Tanker Investments Ltd. (*TIL*) for a cost of approximately \$10 million. The additional investment increases Teekay Tankers' total ownership of TIL to 3.4 million, or approximately 9.3 percent adjusted for TIL's recent share repurchase program.

#### **Acquisition of Teekay Corporation's Commercial and Technical Operations**

On August 1, 2014, the Company completed the acquisition of a 50 percent interest in Teekay Tanker Operations Ltd., which owns Teekay's conventional tanker commercial and technical management operations, for an aggregate purchase price of approximately \$24 million (including \$7 million in net working capital). As consideration for this acquisition, the Company issued 4.2 million shares to Teekay Corporation (*Teekay*), which had a value of \$17 million, or \$4.03 per share, on the acquisition closing date, and paid Teekay approximately \$7 million in cash for the net working capital it assumed in connection with the purchase.

## **Tanker Market**

Crude tanker spot rates strengthened significantly during the third quarter of 2014, with rates achieving the highest average level for a third quarter since 2008. The increase in tanker rates was primarily due to a combination of stronger seasonal oil demand in July and August, an increase in long-haul crude movements from the Atlantic to Pacific and an increase in oil purchases for onshore commercial and strategic storage. These stronger tanker rates weakened towards the end of the third quarter due to the onset of seasonal refinery maintenance, but have since strengthened again in early October ahead of the peak winter demand season. The recent strength in tanker rates is in part due to the impact of lower global oil prices, which is having a positive impact on tanker rates in a number of ways:

Lower oil prices encourage stockpiling of crude oil, particularly in China where the government continues to fill the second stage of its Strategic Petroleum Reserve;

A contango price structure for crude oil futures encourages buying and could lead to floating storage of oil if the spread between the current and future oil price widens;

Lower oil and fuel prices, if sustained, could translate into higher oil demand over time; and

Reduced bunker prices are positive for tanker earnings by lowering voyage operating costs.

Long Range 2 (LR2) product tanker spot rates also strengthened during the third quarter, with August rates averaging the highest level since December 2009. LR2 rates have been supported by high levels of Asian naphtha imports from the West coupled with an increase in long-haul product exports from new refineries in the Middle East and Asia. A reduction in global oil prices in recent weeks has also been positive for the LR2 trade, as lower naphtha prices in relation to liquefied petroleum gas (LPG) has led some petrochemical plants to process more naphtha instead of LPG.

The global tanker fleet grew by 4.9 million deadweight tonnes (*mdwt*), or 1.0 percent, in the first nine months of 2014. The majority of the fleet growth occurred in the product tanker sector while the crude tanker fleet grew by just 1.1 *mdwt*, or 0.3 percent. The global Very Large Crude Carrier (VLCC) fleet has grown by a net seven vessels, or 1.1 percent, in the first nine months of the year while the Suezmax and uncoated Aframax fleets have reduced in size by two vessels, or 0.4 percent, and 13 vessels, or 2.0 percent, respectively. Looking ahead, the Company forecasts 2.0 percent net global tanker fleet growth in 2015 with growth once again weighted towards the product tanker sector and another year of negative fleet growth for the Suezmax and uncoated Aframax sectors.

In October 2014, the International Monetary Fund lowered its outlook for global economic growth to 3.3 percent in 2014, from 3.7 percent, and reduced its 2015 outlook to 3.8 percent, from 4.0 percent. This downward revision has filtered through to global oil demand forecasts with expected demand growth of 0.9 million barrels per day (*mb/d*) in 2014 and 1.2 *mb/d* in 2015 compared to forecast growth of 1.2 *mb/d* and 1.4 *mb/d*, respectively, in previous forecasts (based on an average of forecasts from the International Energy Agency, the Energy Information Administration, and OPEC).

Despite this downward revision to oil demand forecasts, the tanker market outlook remains positive for the crude tanker sector due to a combination of a shrinking mid-size crude tanker fleet and a continued increase in tanker tonne-mile demand, as an increasing amount of crude oil moves long-haul from the Atlantic to Pacific basins, which is expected to drive an increase in tanker fleet utilization and spot tanker rates during the remainder of 2014 and 2015.



**4**

**- more -**

**Operating Results**

The following table highlights the operating performance of the Company's time-charter and spot vessels measured in net voyage revenue per revenue day, or time-charter equivalent (*TCE*) rates, before related-party pool management fees, related-party commissions and off-hire bunker expenses:

	Three Months Ended		
	September 30, 2014	June 30, 2014	September 30, 2013
<b>Time-Charter Out Fleet</b>			
Suezmax revenue days	184	182	134
Suezmax TCE per revenue day	\$ 20,373	\$ 20,166	\$ 20,448
Aframax revenue days	697	761	825
Aframax TCE per revenue day	\$ 17,848	\$ 17,628	\$ 17,542
MR revenue days	92	91	92
MR TCE per revenue day <sup>(i)</sup>	\$ 36,666	\$ 36,219	\$ 35,633
<b>Spot Fleet</b>			
Suezmax revenue days	730	727	716
Suezmax spot TCE per revenue day	\$ 21,134	\$ 16,089	\$ 13,799
Aframax revenue days	371	266	284
Aframax spot TCE per revenue day <sup>(ii)</sup>	\$ 22,105	\$ 15,540	\$ 13,583
LR2 revenue days	511	273	275
LR2 spot TCE per revenue day	\$ 17,232	\$ 13,340	\$ 12,488
MR revenue days	151	182	184
MR spot TCE per revenue day	\$ 13,365	\$ 11,656	\$ 15,067
VLCC revenue days		76	
VLCC spot TCE per revenue day		\$ 11,280	
<b>Total Fleet</b>			
Suezmax revenue days	914	909	850
Suezmax TCE per revenue day	\$ 20,980	\$ 16,906	\$ 14,845
Aframax revenue days	1,068	1,027	1,109
Aframax TCE per revenue day	\$ 18,410	\$ 17,087	\$ 16,528
LR2 revenue days	511	273	275
LR2 TCE per revenue day	\$ 17,232	\$ 13,340	\$ 12,488
MR revenue days	243	273	276
MR TCE per revenue day <sup>(i)</sup>	\$ 22,199	\$ 19,844	\$ 21,923
VLCC revenue days		76	
VLCC TCE per revenue day		\$ 11,280	

- (i) The charter rate on the Medium Range (*MR*) tanker includes approximately \$14,000 per day for the additional costs relating to Australian crew versus international crew.
- (ii) The combined average spot TCE rate for the Aframax tankers trading in both the Aframax Pool and on non-pool voyage charters was \$19,466 per day and \$15,462 per day for the three months ended September 30, 2014 and June 30, 2014, respectively. No Aframax tankers in the Company's fleet were traded in the non-pool voyage charters for the three months ended September 30, 2013.

5

- more -

**Teekay Tankers Fleet**

The following table summarizes the Company's fleet as of November 1, 2014 (including committed charter-in vessels to be delivered):

	<b>Owned Vessels</b>	<b>Chartered-in Vessels</b>	<b>Total</b>
<b>Fixed-rate:</b>			
Suezmax Tankers	2		2
Aframax Tankers	8		8
MR Product Tankers	1		1
VLCC Tanker <sup>(i)</sup>	1		1
<b>Total Fixed-Rate Fleet</b>	<b>12</b>		<b>12</b>
<b>Spot-rate:</b>			
Suezmax Tankers	8		8
Aframax Tankers <sup>(ii)</sup>	3	6	9
LR2 Product Tankers <sup>(iii)</sup>	3	4	7
MR Product Tankers	2		2
<b>Total Spot Fleet</b>	<b>16</b>	<b>10</b>	<b>26</b>
<b>Total Teekay Tankers Fleet</b>	<b>28</b>	<b>10</b>	<b>38</b>

(i) The Company's ownership interest in this vessel is 50 percent.

(ii) One Aframax tanker is currently in-chartered for a 12-month period ending in January 2015, with options to extend for up to an additional 24 months, one Aframax tanker is currently in-chartered for a 12-month period ending in June 2015, with an option to extend for up to an additional nine months, one Aframax tanker is currently in-chartered for an 18-month period ending March 2016, one Aframax tanker is currently in-chartered for a six-month period ending April 2015, with options to extend for up to an additional 12 months and one Aframax tanker is currently in-chartered for a 12-month period ending October 2015, with options to extend for up to an additional 12 months. We expect the remaining time charter-in Aframax vessels to deliver in the fourth quarter of 2014.

(iii) One LR2 product tanker is currently in-chartered for a 12-month period ending in June 2015, with an option to extend up to an additional 12 months, one LR2 product tanker is currently in-chartered for a 12-month period ending in July 2015, with an option to extend up to an additional six months and two LR2 product tankers are currently in-chartered for six month periods ending in February 2015 with options to extend up to an additional 12 months.

**Liquidity**

As of September 30, 2014, the Company had total liquidity of \$238.7 million (which consisted of \$46.4 million of cash and \$192.3 million in an undrawn revolving credit facility), compared to total liquidity of \$250 million as at June 30, 2014.

**Conference Call**

Edgar Filing: TEEKAY TANKERS LTD. - Form 6-K

The Company plans to host a conference call on Thursday, November 6, 2014 at 1:00 p.m. (ET) to discuss its results for the third quarter of 2014. An accompanying investor presentation will be available on Teekay Tankers website at [www.teekaytankers.com](http://www.teekaytankers.com) prior to the start of the call. All shareholders and interested parties are invited to listen to the live conference call by choosing from the following options:

By dialing (800) 505-9568 or (416) 204-9271, if outside of North America, and quoting conference ID code 3098883.

By accessing the webcast, which will be available on Teekay Tankers website at [www.teekaytankers.com](http://www.teekaytankers.com) (the archive will remain on the website for a period of 30 days).

The conference call will be recorded and available until Thursday, November 13, 2014. This recording can be accessed following the live call by dialing (888) 203-1112 or (647) 436-0148, if outside North America, and entering access code 3098883.

**6**

**- more -**

**About Teekay Tankers**

Teekay Tankers directly owns a fleet of 27 double-hull vessels, including 11 Aframax tankers, 10 Suezmax tankers, three Long Range 2 (*LR2*) product tankers, three Medium-Range (*MR*) product tankers and has contracted six time charter-in Aframax tankers and four time charter-in LR2 product tankers. Teekay Tankers' vessels are employed through a mix of short- or medium-term fixed-rate time charter contracts and spot tanker market trading, and its vessels are commercially and technically managed by a joint venture company in which Teekay Tankers and Teekay Corporation (NYSE: TK) each own a 50 percent interest. The Company also owns a Very Large Crude Carrier (*VLCC*) through a 50 percent-owned joint venture. In addition, Teekay Tankers owns a minority interest in Tanker Investments Ltd. (OSLO: TIL), which currently owns a fleet of 14 modern tankers. Teekay Tankers was formed in December 2007 by Teekay Corporation as part of its strategy to expand its conventional oil tanker business.

Teekay Tankers' common stock trades on the New York Stock Exchange under the symbol **TNK**.

**For Investor Relations enquiries contact:**

Ryan Hamilton

Tel: +1 (604) 844-6654

Web site: [www.teekaytankers.com](http://www.teekaytankers.com)

7

- more -

## TEEKAY TANKERS LTD.

## SUMMARY CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of U.S. dollars, except share data)

	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30 2013	September 30, 2014	September 30, 2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Time charter revenues	19,986	20,533	20,600	62,001	67,488
Net pool revenues	31,648	20,518	18,879	82,329	50,470
Voyage charter revenues	1,836	3,382		6,214	4,283
Interest income from investment in term loans <sup>(1)</sup>				9,118	5,683
<b>Total revenues</b>	<b>53,470</b>	<b>44,433</b>	<b>39,479</b>	<b>159,662</b>	<b>127,924</b>
Voyage expenses	(2,872)	(3,612)	(483)	(7,923)	(5,845)
Vessel operating expenses	(22,935)	(23,585)	(21,859)	(69,314)	(69,745)
Time-charter hire expense	(6,309)	(1,112)	(1,216)	(8,473)	(5,153)
Depreciation and amortization	(12,451)	(12,425)	(11,935)	(37,378)	(35,720)
General and administrative expenses	(2,890)	(3,163)	(3,317)	(9,245)	(10,240)
Loss provision on investment in term loans			(10,399)		(14,910)
Gain (loss) on sale of vessels <sup>(2)</sup>		9,955		9,955	(71)
<b>Income (loss) from operations</b>	<b>6,013</b>	<b>10,491</b>	<b>(9,730)</b>	<b>37,284</b>	<b>(13,760)</b>
Interest expense	(2,042)	(2,274)	(2,440)	(6,663)	(7,555)
Interest income	49	60	71	247	95
Realized and unrealized gain (loss) on derivative instruments <sup>(3)</sup>	447	(3,614)	(2,492)	(1,523)	(510)
Equity income <sup>(4)</sup>	1,612	15	458	4,221	290
Other (expenses) income	(217)	(89)	(458)	3,317	(828)
<b>Net income (loss)</b>	<b>5,862</b>	<b>4,589</b>	<b>(14,591)</b>	<b>36,883</b>	<b>(22,268)</b>
Earnings (loss) per share attributable to shareholders of Teekay Tankers					
- Basic	0.07	0.05	(0.17)	0.44	(0.27)
- Diluted	0.07	0.05	(0.17)	0.43	(0.27)
Weighted-average number of total common shares outstanding					

Edgar Filing: TEEKAY TANKERS LTD. - Form 6-K

- Basic	86,429,215	83,676,425	83,591,030	84,584,086	83,591,030
- Diluted	86,828,810	83,966,874	83,591,030	84,942,563	83,591,030

- (1) In 2010, the Company invested in two term loans (*Loans*) secured by two 2010-built VLCC vessels. The borrowers under the Loans were in default on their interest payment obligations since the first quarter of 2013, and subsequently, in default of the repayment of the loan principal from the loan maturity date in July 2013. In late-March 2014, the Company took full ownership of the vessels held as collateral in satisfaction of the Loans and accrued interest and recorded the vessels at their fair value at that date. As a result, the Company recognized an additional \$9.1 million of interest income owing under the Loans for the three months ended March 31, 2014.
- (2) In early May 2014, the Company sold to Tanker Investments Limited (*TIL*) two wholly-owned subsidiaries, each of which owns one VLCC, for aggregate proceeds of \$154.0 million plus related working capital on closing of \$1.7 million. In the second quarter of 2014, the Company recognized a \$10.0 million gain on this transaction.
- (3) Includes realized losses relating to interest rate swaps that relate to the amounts actually paid of \$2.5 million, \$2.5 million, and \$2.5 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively, and \$7.5 million and \$7.4 million for the six months ended September 30, 2014, and September 30, 2013, respectively.

8

- more -



- (4) Included in equity income for the three months ended September 30, 2014 are the Company's proportionate share of earnings from its 6.5 percent interest (excluding an additional 0.9 million common shares acquired in October 2014) in Tanker Investments Ltd., which owns 14 conventional tankers, its 50 percent interest in High-Q Joint Venture, which owns one VLCC tanker, and its 50 percent interest in Teekay Tanker Operations Ltd, which owns Teekay's conventional tanker commercial and technical management operations. The total equity income of \$1.6 million includes \$0.4 million of the Company's proportionate share of items included in Appendix A to this release, related primarily to unrealized gains on derivative instruments and foreign exchange items.

**9**

**- more -**

## TEEKAY TANKERS LTD.

## SUMMARY CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

	As at September 30, 2014 (unaudited)		As at June 30, 2014 (unaudited)		As at December 31, 2013 (unaudited)	
ASSETS						
Cash	46,366		21,764		25,646	
Pool receivable from affiliates	18,669		13,699		10,765	
Accounts receivable	2,591		2,545		4,247	
Prepaid assets	12,957		12,036		10,361	
Investment in term loans					136,061	
Due from affiliates	36,674		33,197		27,991	
Vessels and equipment	838,139		841,013		859,308	
Loan to equity accounted investment	\$	225,271	\$	136,800	-0-	20,000
	2001	\$ 221,450	\$	122,240	-0-	20,000
	2000	\$ 215,000	\$	68,800	-0-	20,000
Robert S. Weiss	2002	\$ 307,200	\$	205,978	-0-	54,000
Executive Vice	2001	\$ 300,200	\$	181,021	-0-	54,000
President						
and Chief Financial Officer	2000	\$ 284,550	\$	171,854	-0-	54,000

(1) Consists of income associated with life insurance coverage in excess of \$50,000.

(2) Consists of contributions by the Company to a 401(k) account of \$1,000, \$1,000 and \$800 respectively in 2002, 2001, and 2000, and income associated with life insurance coverage in excess of \$50,000.

## OPTION GRANTS IN FISCAL YEAR ENDED OCTOBER 31, 2002

Name	Options Granted (5)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share (5)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)	
					5%(\$)	10%(\$)

Edgar Filing: TEEKAY TANKERS LTD. - Form 6-K

A. Thomas Bender	100,000(1)	13 %	\$ 22.44	3/25/12	\$ 1,411,240	\$ 3,576,358
	66,000(2)	9%	\$ 26.75	10/29/12	\$ 1,110,313	\$ 2,813,752
Gregory A. Fryling	40,000(2)	5%	\$ 26.75	10/29/12	\$ 672,917	\$ 1,705,304
Carol R. Kaufman	36,000(2)	5%	\$ 26.75	10/29/12	\$ 605,626	\$ 1,534,774
Nicholas J. Pichotta	20,000(2)	3%	\$ 26.75	10/29/12	\$ 336,459	\$ 852,652
Robert S. Weiss	54,000(2)	7%	\$ 26.75	10/29/12	\$ 908,438	\$ 2,302,161
All Stockholders as a Group	N/A	N/A	N/A	N/A	\$ 486,793,987(4)	\$ 1,233,631,540(4)

- (1) The option will become exercisable upon the earlier to occur of 1) December 31, 2004, provided the average of the Closing Prices during the 30 calendar days immediately preceding December 31, 2004 attains \$30.00, or 2) March 26, 2007.
- (2) The option will become exercisable when the average of the closing prices of a share of the Company's common stock on the New York Stock Exchange during 30 consecutive calendar days following the date of grant equals \$29.43 or until seven years have passed.
- (3) The dollar amounts under these columns are the results of calculations at the 5% and 10% annual appreciation rates set by the SEC for illustrative purposes and are not intended to forecast future financial performance or possible future appreciation in the price of the Company's common stock. Stockholders are cautioned against drawing any conclusions from the appreciation data shown, aside from the fact that optionees will only realize value from option grants if the price of the Company's common stock appreciates, which would benefit all stockholders commensurately.
- (4) Assumes a base market capitalization of \$774,046,981 computed on the basis of the number of shares outstanding and the average of the high and the low trading price of the Company's common stock on December 31, 2002.
- (5) Adjusted to reflect the two-for-one stock split effected in the form of a stock dividend on November 22, 2002.

**AGGREGATE OPTION EXERCISES IN FISCAL YEAR ENDED  
OCTOBER 31, 2002 AND FISCAL YEAR-END OPTION VALUES**

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year End Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year End Exercisable/Unexercisable
A. Thomas Bender	170,000	\$ 1,931,315	394,334/418,666	\$7,859,164/\$4,403,986
Gregory A. Fryling	52,000	\$ 491,660	0/80,000	\$0/\$0
Carol R. Kaufman	-0-	-0-	148,000/72,000	\$2,110,320/\$0
Nicholas J. Pichotta	-0-	-0-	0/40,000	\$0/\$0
Robert S. Weiss	46,000	\$ 606,855	407,334/238,666	\$7,301,134/\$1,511,986

**RETIREMENT INCOME PLAN**

The Company's Retirement Income Plan was adopted in December 1983. All U.S. employees of the Company and certain of its subsidiaries who work at least 1,000 hours per year are covered by the plan. For services performed after December 31, 1988, members are entitled to an annual retirement benefit equal to .6% of base annual compensation up to \$10,000 and 1.2% of base annual compensation which exceeds \$10,000 but is not in excess of the applicable annual maximum compensation permitted to be taken into account under Internal Revenue Service guidelines for each year of service. For service prior to January 1, 1989, members are entitled to an annual retirement benefit equal to .75% of base annual compensation up to the Social Security Wage Base in effect that year and 1.5% of base annual compensation in excess of the Social Security Wage Base for each year of service.

The estimated annual benefits payable under this plan upon retirement (at the normal retirement age of 65) for Messrs. Bender, Weiss, Pichotta, Fryling and Ms. Kaufman are approximately \$23,000, \$60,000, \$40,000, \$62,000 and \$41,000, respectively.

## CONTRACTS

The Company, either directly or through one of its subsidiaries, is party to employment agreements with A. Thomas Bender, Robert S. Weiss, Nicholas J. Pichotta, Gregory A. Fryling, and Carol R. Kaufman. The agreements with Messrs. Bender, Weiss, Pichotta and Fryling provide that if (i) the Company terminates the employee without Cause or (ii) the employee terminates his employment for Good Reason or following a Change of Control (as each term is defined in the respective agreements), the Company will pay Mr. Bender 200%, Mr. Weiss 150%, Mr. Pichotta 100% and Mr. Fryling 100% of his annual base salary, except that Mr. Weiss' payment would be reduced to 100% if the termination arises out of a Change of Control and Mr. Pichotta's payment could, in certain circumstances, increase to 150% following a Change of Control. In addition, they would receive a pro-rata share of any amounts that would have been payable to each of them under the Company's Incentive Payment Plan. The agreement with Ms. Kaufman provides for her to receive a payment equal to 100% of her annual base salary in the event that her employment is terminated in the 90 day period following a Change of Control (as defined in the agreement). All of the agreements provide that these employees would continue to participate in the Company's various insurance plans for periods ranging from twelve to twenty-four months.

## COMPENSATION OF DIRECTORS

Each director who is not also an employee of the Company (a Non-Employee Director) receives a stipend of \$25,000 per annum. The Vice-Chairman of the Board receives a stipend of \$30,625 per annum. Each Non-Employee Director serving as a chairman of a committee of the Board receives an additional stipend ranging from \$1,000 to \$2,000 per annum. Each Non-Employee Director receives meeting fees ranging from \$250 to \$1,000 per meeting, depending on duration, and up to \$1,000 per day for other days substantially spent on affairs of the Company. Directors who are also employees of the Company receive no additional compensation.

In addition, each November each Non-Employee Director of the Company receives 1,000 shares of restricted stock and an option to purchase shares of stock, with an exercise price equal to 100% of the fair market value of the common stock of the Company on the date of grant. The options granted in November 2002 entitled each Non-Employee Director to purchase up to 30,000 shares of the Company's common stock (32,500 shares in the case of the Non-Employee Vice-Chairman of the Board). Restrictions will generally be removed from the restricted stock when its fair market value appreciates 10% from the date of grant or five years have passed; the options generally will become exercisable when the fair market value of the common stock appreciates 10% from the date of grant or five years have passed.

Prior to November 2002, restricted stock grants were made annually having a value of \$7,500 (\$9,375 in the case of a Non-Employee Chairman of the Board). Restrictions were generally removed from restricted stock and options vested when the fair market value appreciated 20% from the date of grant or five years had passed.

## REPORT OF THE ORGANIZATION AND COMPENSATION COMMITTEE

### *Scope of the Committee; Members*

The Company's Organization and Compensation Committee (the Committee) is comprised of three Non-Employee Directors: Mr. Kalkstein (Chairman), Mr. Press and Dr. Rubenstein.

The charter of the Committee provides that the Committee will review and approve all aspects of the compensation paid to the Company's Chief Executive Officer, the four other most highly paid executive officers and any other employees identified as 16(a) reporting persons, all salaries and salary increases for executives whose annual base salary is \$250,000 or greater and all agreements providing for the payment of benefits following a change of control of the Company or severance following a

termination of employment. The charter also calls for the Committee to review and approve the terms of each incentive compensation and bonus program in effect and the aggregate amounts which can be awarded thereunder each year. The members of the Committee also administer the Company's Long Term Incentive Plans.

***Executive Compensation for Fiscal 2002***

The Committee's philosophy regarding compensation of executive officers emphasizes performance-based compensation and the belief that executives should be compensated at competitive levels that are sufficient to attract and retain highly talented employees.

In keeping with the goal of enhancing the Company's profitability and continuing to build stockholder value, the Company's long-term compensation programs are designed to reward growth in stockholder value, as well as to reward long-term service to the Company. The value of awards under such plans is primarily dependent upon increases in the price of the Company's common stock over a period of up to ten years. Generally, the plans require employees to remain employed by the Company in order to receive their awards.

The level of annual compensation for individual executive officers is based upon a number of factors. The Committee considers a combination of the individual executive officer's performance and the performance of the Company and the individual business that the executive was responsible for, the scope of the executive's responsibility, and the current compensation package in place for that executive. The Committee also considers other published compensation data covering the medical device industry, and industry in general, to assess whether the salary ranges in place for its executive officers are competitive. Increases in an executive's annual base salary are dependent on his or her performance, company-wide or a particular subsidiary's financial results and on general levels of wage and price inflation.

In making awards under the 2002 Incentive Payment Plan (the "IPP"), primary consideration was given to the performance of the Company or the subsidiary for which the executive officer worked. Participation levels under the Company's 2002 IPP were set at percentages of base salaries previously assigned to designated positions within the corporate structure, modified to reflect the recommendations of the Company's Chief Executive Officer. IPP awards are paid with respect to each fiscal year when the operating businesses or the parent company as a consolidated entity (depending upon the executive's employer) meet specified performance targets. In fiscal 2002, performance targets for executives employed by an operating subsidiary were tied to the attainment by that business of specified levels of net revenue, operating income and cash flow. For executives employed by the parent company, performance targets were tied to the attainment of certain levels of consolidated net revenue, net income and cash flow. In addition, a portion of each individual's award was granted on a discretionary basis by his or her division head or the Chief Executive Officer, or in the case of the five most highly paid executive officers, by the Committee, following an assessment of each individual's performance.

Long term incentive awards are made under the Company's LTIP, based on recommendations submitted to the Committee by the Company's Chief Executive Officer or, with respect to awards to the Chief Executive Officer, based on his contribution to the success of the Company, taking into consideration competitive grant levels and total options granted as a percentage of shares outstanding. Each grant is designed to align the interests of the executives with those of the stockholders. In fiscal 2002, awards consisted of grants of stock options having exercise prices equal to 100% of the fair market value of the Company's common stock on the date of grant. The exercisability and future value of these options is directly linked to increases in the price of the Company's common stock, thereby linking long-term compensation to increased stockholder value and continuing service to the Company.

***CEO Compensation for Fiscal 2002***

Mr. Bender's base salary of \$443,600 represents his salary for serving as the Company's President and Chief Executive Officer.

Mr. Bender's 2002 bonus consisted of \$325,175 paid under the IPP. Mr. Bender was eligible to participate in the IPP at a level equal to 50% of the \$436,475 salary paid to him in fiscal 2002, with such level subject to increase or decrease depending on achievement of certain specified financial targets. The determination of Mr. Bender's actual IPP payment depended upon both the Company's ability to meet targeted net revenue, net income and cash flow levels and on the Committee's discretion. Based solely on the Company's financial performance, Mr. Bender was entitled to receive a bonus of \$127,669. An additional \$197,506 was awarded to Mr. Bender by the Committee under the discretionary component of the IPP based on its belief that Mr. Bender's performance in fiscal 2002 contributed to the overall growth and improvement in each of the Company's operations.

***Tax Considerations***

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally provides that publicly held companies may not deduct compensation paid to certain of its top executive officers to the extent such compensation exceeds \$1 million per officer in any year. However, pursuant to regulations issued by the Treasury Department, certain limited exemptions to Section 162(m) apply with respect to qualified performance-based compensation. The Company's 2001 Long-Term Incentive Plan ( 2001 LTIP ) was designed to assure that any compensation deemed paid in connection with the exercise of stock options granted under that plan will qualify as performance-based compensation. The Committee intends that awards made under the 2001 LTIP, will be eligible for the performance-based exception, and eligible as a federal income tax deduction for the Company.

**THE ORGANIZATION AND COMPENSATION COMMITTEE**  
**MICHAEL H. KALKSTEIN (Chairman)**  
**DONALD PRESS**  
**ALLAN E. RUBENSTEIN, M.D.**

**REPORT OF THE AUDIT AND FINANCE COMMITTEE**

The Audit and Finance Committee (the "Audit Committee") is comprised of three independent directors and operates under a written charter adopted by the Board of Directors. The members of the Audit Committee are Messrs. Rosenberg (Chairman) and Kalkstein, and Dr. Zinberg.

The primary function of the Audit Committee is to provide advice with respect to the Company's financial matters and to assist the Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting, tax and legal compliance. The Audit Committee's primary duties and responsibilities are to:

- a. Periodically assess the integrity of the Company's financial reporting process and systems of internal control regarding accounting;
- b. Periodically assess the independence and performance of the Company's outside auditors, and;
- c. Provide an avenue of communication among the outside auditors, management and the Board of Directors.

Management is responsible for the Company's internal controls and the financial reporting process. The outside auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee held five meetings during fiscal 2002. During each of these meetings, the Audit Committee reviewed and discussed the Company's financial statements with management and KPMG LLP ("KPMG"), its outside auditors.

The Audit Committee reviewed and discussed the audited financial statements of the Company for the fiscal year ended October 31, 2002 with the Company's management and management represented to the Audit Committee that the Company's financial statements were prepared in accordance with Generally Accepted Accounting Principles. The Audit Committee discussed with KPMG matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

The Audit Committee received the written disclosures and the letter from KPMG required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and the Audit Committee discussed with KPMG their independence from the Company. It considered the non-audit services provided by KPMG and determined that the services provided are compatible with maintaining KPMG's independence. The total fees paid to KPMG for the last two fiscal years are as follows:

	<b>Fiscal Year Ended October 31, 2002</b>	<b>Fiscal Year Ended October 31, 2001</b>
<i>Audit Fees:</i> Professional services rendered for the audit of the company's annual financial statements and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for the last two fiscal years.	\$ 640,000	\$ 535,000
<i>Audit Related Fees:</i> Professional services rendered for international audits and work related to acquisitions, review of registration statements and issuances of consents.	\$ 189,400	\$ 51,100
<i>All Other Fees:</i> Consisting primarily of tax consulting services.	\$ 822,800	\$ 544,100



Based on the Audit Committee's discussions with management and the independent accountants, the Audit Committee's review of the representation of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2002 for filing with the Securities and Exchange Commission.

**THE AUDIT AND FINANCE COMMITTEE**

**STEVEN ROSENBERG (Chairman)**

**MICHAEL H. KALKSTEIN**

**STANLEY ZINBERG, M.D.**

**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, formerly Standard & Poor's Medical Products & Supplies Index, for the five-year period ended October 31, 2002. The graph assumes that the value of the investment in the Company and in each index was \$100 on October 31, 1997 and assumes that all dividends were reinvested.

**COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN**

	<b>The Cooper Companies, Inc.</b>	<b>S&amp;P SmallCap 600</b>	<b>S&amp;P Health Care</b>
10/31/97	100	100	100
10/31/98	66	89	138
10/31/99	70	100	140
10/31/00	100	125	205
10/31/01	135	117	174
10/31/02	149	112	168

**PROPOSAL 2 RATIFICATION OF APPOINTMENT OF AUDITORS**

The Board of Directors has appointed the firm of KPMG LLP, independent certified public accountants, to audit and opine upon the consolidated financial statements of the Company for the fiscal year ending October 31, 2003, such appointment to continue at the pleasure of the Board of Directors and to be subject to ratification by the stockholders. KPMG LLP has served as auditors of the Company since the Company's incorporation in 1980. The stockholders are asked to ratify such appointment.

The Board of Directors expects that one or more representatives of KPMG LLP will be present at the Annual Meeting and will be provided an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

**PROPOSAL 3 AMENDMENT OF 2001 LONG TERM INCENTIVE PLAN**

***General***

The 2001 Long Term Incentive Plan (the "2001 LTIP" or the "Plan"), was originally adopted by the Company's Board of Directors on December 14, 2000 and approved by the stockholders of the Company on March 28, 2001. The original 2001 LTIP generally provided for awards of stock options, stock appreciation rights, restricted or deferred stock awards, stock purchase rights, phantom stock units and long term performance awards, for up to 700,000 shares through December 31, 2004. On November 22, 2002 the Board of Directors adjusted this amount to 1,400,000 in connection with the Company's two-for-one stock split.

The Board of Directors is recommending the amendment and restatement of the 2001 LTIP to (i) increase the number of shares subject to the Plan by 3,300,000 to a total of 4,700,000, (ii) extend the term of the Plan to December 31, 2006 and (iii) eliminate certain unused features of the plan that allow grants of restricted or deferred stock awards, stock purchase rights, phantom stock units and long term performance awards.

***Purpose***

The Board of Directors believes that the proposed Amended and Restated 2001 LTIP, by providing flexibility in the granting of stock options, provides the Company with the necessary equity award opportunities to attract, retain, and motivate key employees of the Company and its subsidiaries and affiliates. Additionally, the Board believes it is in the best interests of the stockholders to eliminate the deferred stock awards, stock purchase rights, phantom stock and long term performance awards from the Plan, as such awards can have an increased dilutive effect on stockholder value and result in a higher expense to the Company than stock options. As a result, the Amended and Restated Plan will reduce the potential overall expense of the awards granted under the Plan without limiting the ability to continue to offer competitive awards.

As it was initially adopted (and taking into account the two-for-one stock split), the 2001 LTIP allowed for up to 1,400,000 shares to be issued as stock options under the plan. As of December 31, 2002, 1,399,000 shares have been issued under the Plan, leaving 1,000 outstanding for issuance. The Board of Directors feels that it is important to the Company's profitability and increased stockholder value to be able to continue to offer these incentives, and that the remaining number of shares for issue is insufficient to maintain a competitive incentive program. Therefore it is necessary to increase the available number of options to ensure that this program can continue.

***Summary***

The full text of the Amended and Restated 2001 LTIP (the "Amended Plan") is set forth in the attached Exhibit A. The following general description of certain features of the Amended Plan is qualified in its entirety by reference to the 2001 LTIP.

*Administration.* The Amended Plan is administered by the Board of Directors or, if the Board delegates its power and authority to administer the plan to a committee of the Board, such committee. Any such committee shall consist solely of two or more directors appointed by and holding office at the pleasure of the Board, each of whom is a Non-Employee Director of the Company, as defined in Rule 16b-3 under the Exchange Act. As used herein, the term the Committee will refer to the above described committee or to the Board of Directors, as the case may be.

The Committee has full power to select, from among the officers, consultants and other key employees eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to any participants and to determine the specific terms of each grant, subject to the provisions of the Amended Plan.

*Eligibility.* Officers, consultants and other key employees of the Company and its subsidiaries and affiliates (but excluding members of the Committee and any person who serves only as a director) who are responsible for or contribute to the management, growth and/or profitability of the business of the Company and/or its subsidiaries and affiliates are eligible to be granted stock options and/or stock appreciation rights under the Amended Plan. At present, approximately 100 people are eligible to participate in the Plan.

*Shares subject to the Plan.* If approved, the Amended and Restated 2001 LTIP would authorize the Committee to grant to eligible participants of the Company and its subsidiaries and affiliates, through December 31, 2006, stock options, and/or stock appreciation rights, for up to 4,700,000 shares of Common Stock, subject to adjustment for future stock splits, stock dividends and similar events. The maximum number of shares with respect to which an employee may be granted options under this Plan during any fiscal year is 500,000 shares. Options, and stock appreciation rights under the Amended and Restated 2001 LTIP which expire unexercised or are forfeited are not counted in applying the aggregate share authorization described above.

*Stock Options.* The Amended Plan permits the granting of stock options that either qualify as incentive stock options under Section 422(b) of the Internal Revenue Code ( Incentive Stock Options or ISOs ) or do not so qualify ( Non-Qualified Stock Options or NQSOs ). The option exercise price for each share covered by an option shall be determined by the Committee, but shall be at least 100% of the Fair Market Value of a share of Common Stock as of the date of grant in the case of ISOs or at least 85% of the Fair Market Value as of the date of grant in the case of NQSOs. The term of each option will be fixed by the Committee but may not exceed ten years from the date of grant. The Committee will determine at what time or times each option may be exercised. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Committee.

The option exercise price of options granted under the Amended Plan must be paid in full by check or other instrument acceptable to the Committee or, if the Committee so determines, by delivery of Common Stock, valued at Fair Market Value on the exercise date.

As used herein, the term Fair Market Value means, as of any given date, unless otherwise determined by the Committee in good faith, the closing price, regular way, of the Common Stock on the New York Stock Exchange ( NYSE ) as reported in the Wall Street Journal or, if no such sale of Common Stock occurs on the NYSE on that date, the Fair Market Value of the Common Stock as determined by the Committee in good faith. Such closing price on January 31, 2003 was [\$ ].

Under the Amended Plan, in the event of termination of employment or an optionee's consultancy by reason of normal retirement at or after age 65, approved early retirement, long-term disability, or death, an option may thereafter be exercised (to the extent it was then exercisable) for a period of three years (or such shorter period as the Committee shall determine at grant), subject to the stated term of the option. If an optionee's employment or consultancy is terminated by reason of normal retirement at or after age 65, approved early retirement or long-term disability and thereafter dies while the option is still exercisable, the option will in general be exercisable for twelve months (or such shorter period as

the Committee shall determine at grant) following death, subject to the stated term of the option. The Committee may at or after the grant date provide for acceleration of the exercisability of options upon termination of employment or consultancy by reason of normal retirement, approved early retirement, disability or death.

If an optionee's employment or consultancy terminates for any reason other than normal retirement at or after age 65, approved early retirement, disability or death, his options will thereupon terminate, except that if an optionee's employment is involuntarily terminated without Cause as defined in the 2001 LTIP, his options may be exercised, to the extent then exercisable, for three months (unless otherwise determined by the Committee) following termination, subject to the stated term of the option.

The Amended Plan also permits the Committee at any time to offer to buy out, for a payment in cash or stock an option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

To qualify as ISOs, options must meet additional Federal tax requirements. Under current law these requirements include limits on the value of ISOs that become exercisable annually with respect to any optionee, and a shorter exercise period and a higher minimum exercise price in the case of certain large stockholders.

*Stock Appreciation Rights.* The Committee may also grant non-transferable stock appreciation rights (SARs) separately or in conjunction with options. SARs granted in association with an option will entitle the holder upon exercise to receive an amount in any combination of cash or Common Stock (as determined by the Committee) equal in value to the excess of the Fair Market Value of the shares covered by such right over the aggregate exercise price of the related option for such shares. SARs awarded with no associated option will entitle the holder upon exercise to receive an amount in cash equal in value to the excess, if any, of the Fair Market Value of a number of shares specified in the award at the date of exercise of the SARs over the Fair Market Value of such number of shares at the date of grant of the SARs. SARs granted in association with an option will terminate upon the termination or exercise of the related option and the exercise of SARs will result in the cancellation of the related option.

*Adjustment for Stock Dividends, Mergers, etc.* The Committee is authorized to make appropriate substitution or adjustments in connection with outstanding awards under the Amended Plan in the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or similar event. In addition, in the event of any merger or other corporate transaction or event which results in shares of Common Stock being purchased for cash, or being exchanged for or converted into cash or the right to receive cash, the Committee, in its sole discretion, and on such terms and conditions as it deems appropriate, may provide that any outstanding award under the Amended Plan shall be converted into the right to receive an amount of cash equal to the amount of cash, if any, that would have been received, in the event of such merger or corporate transaction or event, if such award had been fully exercisable or payable, or vested and had been exercised or paid immediately prior to such merger or other corporate transaction or event to the extent of the cash value thereof, and, upon such conversion, such award (including any such award which under the terms of such merger or other corporate transaction or event, would have no cash value) shall be cancelled.

*Amendment and Termination.* The Board may amend, alter or discontinue the 2001 LTIP at any time, but such amendment, alteration or discontinuation shall not adversely affect any outstanding award without the consent of each affected participant. In addition, the Board may not, without the prior approval of the stockholders, make any amendment which would (a) increase the number of shares reserved for grants under the 2001 LTIP, (b) change the class of employees eligible to receive awards (c) extend the maximum term for awards, or (d) otherwise materially alter the terms of the Plan. The Committee may amend the terms of any award or option theretofore granted, retroactively or prospectively, but no such amendment shall impair the rights of the holder of any award without the

holder's consent. The Committee may accelerate any award or option or waive any conditions or restrictions pertaining to such award or option at any time.

*Federal Income Tax Aspects:*

THE TAX CONSEQUENCES OF THE AMENDED PLAN UNDER CURRENT FEDERAL LAW ARE SUMMARIZED IN THE FOLLOWING DISCUSSION WHICH DEALS WITH THE GENERAL TAX PRINCIPLES APPLICABLE TO THE AMENDED PLAN, AND IS INTENDED FOR GENERAL INFORMATION ONLY. ALTERNATIVE MINIMUM TAX AND STATE, LOCAL AND FOREIGN INCOME TAXES ARE NOT DISCUSSED, AND MAY VARY DEPENDING ON INDIVIDUAL CIRCUMSTANCES AND FROM LOCALITY TO LOCALITY.

*Incentive Stock Options.* No taxable income is realized by the optionee upon the grant or exercise of an ISO. If Common Stock is issued to an optionee pursuant to the exercise of an ISO, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the transfer of such shares to such optionee, then (a) upon sale of such shares, any amount realized in excess of the option price will be taxed to such optionee as a long-term capital gain and any loss sustained will be a long-term capital loss, and (b) no deduction will be allowed to the Company or the subsidiary employing the optionee for federal income tax purposes. The exercise of an ISO will give rise to an item of adjustment that may result in alternative minimum tax liability for the optionee.

If Common Stock acquired upon the exercise of an ISO is disposed of prior to the expiration of either holding period described above, generally (a) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the Fair Market Value of the shares at exercise (or, if less, the amount realized on the disposition of the shares) over the option price paid for such shares and (b) the Company or the subsidiary employing the optionee will be entitled to deduct such amount. Any further gain (or loss) realized by the participant will be taxed as short-term or long-term capital gain (or loss), as the case may be, and will not result in any deduction by the Company.

Subject to certain exceptions for disability or death, if an ISO is exercised more than three months following the termination of the optionee's employment, the option will generally be taxed as a Non-Qualified Stock Option.

*Non-Qualified Stock Options.* With respect to Non-Qualified Stock Options, (a) no income is realized by the optionee at the time the option is granted; (b) generally, at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price paid for the shares and the Fair Market Value of the shares on the date of exercise, and the Company or the subsidiary employing the optionee is entitled to a tax deduction in the same amount; and (c) at disposition, appreciation (or depreciation) after the date of exercise is treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

*Other Information.* The amount of additional grants that may be made in fiscal year 2003 under the Amended and Restated 2001 LTIP cannot be determined. The following table lists the grants that have been made to the individuals or groups identified below under the 2001 LTIP for fiscal year 2002:

**NEW PLAN BENEFITS**  
**Amended and Restated 2001 Long-Term Incentive Plan**

Name and Position	Year of Grant	Dollar Value (1)	Number of Shares
A. Thomas Bender President and Chief Executive Officer	2002	\$ 22.44 \$ 26.75	100,000 66,000
Robert S. Weiss Executive Vice President and Chief Financial Officer	2002	\$ 26.75	54,000
Gregory A. Fryling Chief Operating Officer of CooperVision, Inc.	2002	\$ 26.75	40,000
Carol R. Kaufman Vice President of Legal Affairs, Secretary, and Chief Administrative Officer	2002	\$ 26.75	36,000
Nicholas J. Pichotta President and Chief Executive Officer of CooperSurgical, Inc.	2002	\$ 26.75	20,000
All current executive officers	2002	\$ 26.75	388,000
All current non-employee directors	2002	\$ 0	-0-
All other employees including current non-executive officers	2002	\$ 26.75	368,000

(1) 100% of Fair Market Value on the date of grant.

**EQUITY COMPENSATION PLAN INFORMATION**

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (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 security holders(1)	3,378,776	\$ 21.46	723,330
Equity compensation plans not approved by security holders	-0-	\$ 0	-0-
<b>Total</b>	<b>3,378,776</b>	<b>\$ 21.46</b>	<b>723,330</b>

(1) Includes information with respect to the 1996 Long Term Incentive Plan for Non-Employee Directors (the "Directors Plan"), which was originally approved by stockholders on March 27, 1996 and originally provided for the issuance of up to 430,000 shares of common stock (split adjusted). The Directors Plan has subsequently been amended from time to time without shareholder approval to increase the number of shares available for issuance thereunder. Currently, up to 439,830 shares of common stock may be issued pursuant to the Directors Plan.

A copy of the Amended and Restated 2001 LTIP is attached as Exhibit A.

***Board Recommendation and Vote Required for Approval:***

The Board of Directors unanimously recommends a vote FOR the adoption of the Amended and Restated 2001 Long Term Incentive Plan.

Approval of the Amended and Restated 2001 Long Term Incentive Plan requires the affirmative vote of the majority of the outstanding shares of common stock.

**PROPOSAL 4 AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION**

***General:***

The Board recommends that the stockholders approve an amendment to Article IV(a) of the Restated Certificate of Incorporation, which authorizes an increase from 40,000,000 to 70,000,000 in the number of shares of common stock that the Company may issue.

***Purpose:***

The Board of Directors believes that it is in the best interests of the Company and its stockholders to have additional common stock authorized which would be available for issuance for general corporate purposes, including raising capital to support business expansion, stock splits, stock dividends, acquisitions or other developments which might make its issuance desirable. For example, the Company believes that stock splits or stock dividends broaden the market for, and the liquidity of, the Company's common stock. In that connection, the Company effected a two-for-one stock split as a stock dividend on November 22, 2002, issuing 15,444,124 shares of common stock. As a result, the Company has [30,906,248] shares of common stock outstanding as of the record date for the Annual Meeting, in addition to 440,830 reserved for issuance pursuant to the Company's stock option plans, leaving [5,033,146] authorized shares (including 657,953 treasury shares) available for issuance. If the proposal to amend the LTIP is approved by stockholders, an additional 3,300,000 shares will be reserved for issuance under that plan, and the number of authorized shares remaining available for issuance, including treasury shares, will be [1,733,146]. If authorization of an increase in the common stock is postponed until a specific need arises, the delay and expense incident to obtaining approval of the stockholders at that time could impair the Company's ability to meet its objectives. The Company does not now have any agreement, understanding, arrangement or commitment which would result in the issuance of any of the additional shares to be authorized and no assurance can be given at this time that additional shares will, or as to the circumstances under which such shares might, in fact be issued. No further action or authorization by the stockholders would be necessary prior to the issuance of the additional shares unless applicable laws or regulations or the rules of any stock exchange on which the Company's securities may then be listed requires such approval.

The holders of any of the additional shares of common stock issued in the future would have the same rights and privileges as the holders of the shares of common stock currently authorized and outstanding. Those rights do not include preemptive rights with respect to the future issuance of any additional shares.

As stated above, the Company has no immediate plans, arrangements, commitments, or understanding with respect to the issuance of any additional shares of common stock authorized by the proposed amendment. However, the increased authorized shares could be used to make a takeover attempt more difficult by using the shares to make a counter-offer for the shares of a bidder or by selling shares to dilute the voting power of the bidder. As of this date, the Board is unaware of any effort to accumulate the Company's shares or to obtain control of the Company by means of a merger, tender offer, solicitation in opposition to management, or otherwise.



***Text of Amendment:***

The amendment authorizing the increase in the authorized shares of common stock will amend Article IV(a) of the Company's Restated Certificate of Incorporation. If the amendment is approved, Article IV(a) will read in its entirety as follows:

(a) Number of Shares. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 71,000,000 consisting of (i) 70,000,000 shares of common stock ( "common stock" ), each share having a par value of \$.10 and (ii) 1,000,000 shares of Preferred Stock ( "Preferred Stock" ), each share having a par value of \$.10.

***Board Recommendation and Vote Required for Approval:***

Approval of this amendment (Proposal 4 on the proxy card) requires the affirmative vote of the majority of the outstanding shares of common stock.

The Board of Directors unanimously recommends a vote FOR amending the Restated Certificate of Incorporation to increase the number of authorized shares of common stock.

**OTHER MATTERS**

The Board of Directors of the Company knows of no other matters to be presented at the Annual Meeting, but if any such matters properly come before the Annual Meeting, it is intended that the persons holding the accompanying proxy will vote in accordance with their best judgment.

**RECOMMENDATIONS**

The Board of Directors of the Company unanimously recommends that the stockholders vote FOR the election of the nominees for director named in this Proxy Statement, FOR ratification of the appointment of KPMG LLP as independent certified public accountants of the Company for fiscal 2003, FOR the adoption of the Amended and Restated 2001 Long Term Incentive Plan, and FOR the adoption of the Restated Certificate of Incorporation to increase the number of authorized shares of common stock.

When a proxy in the form enclosed with this Proxy Statement is returned properly executed, the shares will be voted as indicated or, if no directions are indicated, the shares will be voted in accordance with the recommendations of the Board of Directors.

### STOCKHOLDER NOMINATIONS AND PROPOSALS

Stockholder proposals for presentation at the 2004 Annual Meeting of Stockholders must be received at the Company's principal executive offices on or before October 10, 2003. The Nominating Committee or, if none exists, the Board of Directors will consider suggestions from stockholders for nominees for election as directors at the 2004 Annual Meeting of Stockholders. For a stockholder to nominate any person for election as a director at the 2004 Annual Meeting of Stockholders the person making such nomination must be a stockholder entitled to vote and such nomination must be made pursuant to timely notice. The Company's By-laws provide that stockholders desiring to nominate a director or bring any other business before the stockholders at the 2004 Annual Meeting of Stockholders must notify the Secretary of the Company in writing not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to March 25, 2004 (or, if the date of the 2004 annual meeting is more than 30 days before or more than 70 days after March 25, 2004, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to the meeting and not later than the close of business on the later of the 90th day prior to the meeting or the 10th day following the date on which public disclosure of the date of the meeting is first made by the Company) and, with respect to nominations for directors, if the number of directors to be elected at the 2004 Annual Meeting of Stockholders is increased and there is no public announcement by the Company naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to March 25, 2004, notice will also be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to the Secretary at the principal executive offices of the Company not later than the close of business on the 10th day following the day on which such public announcement is first made by the Company. Such notice must set forth certain information specified in the Company's By-laws.

By Order of the Board of Directors

A. THOMAS BENDER  
*Chairman of the Board of Directors*

**EXHIBIT A**

**THE COOPER COMPANIES, INC.**

**AMENDED & RESTATED**

**2001 LONG TERM INCENTIVE PLAN**

**SECTION 1. PURPOSE; DEFINITIONS.**

The Cooper Companies, Inc. 2001 Long Term Incentive Plan (the "Plan") was originally adopted and approved by the stockholders of the Company on March 28, 2001. The following is an amendment and restatement of the Plan in order to (i) increase the number of shares available for issuance under the Plan, (ii) extend the term of the Plan and (iii) eliminate certain forms of equity grants which were available under the original Plan. The purpose of the Plan is to enable the Company to attract, retain and reward key employees and consultants to the Company and its Subsidiaries and Affiliates, and strengthen the mutuality of interests between such key employees, consultants and the Company's stockholders, by offering such key employees and consultants performance-based incentive equity interests in the Company.

For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) **Affiliate** means any entity other than the Company and its Subsidiaries that is designated by the Board as a participating employer under the Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.
- (b) **Board** means the Board of Directors of the Company.
- (c) **Code** means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- (d) **Committee** shall mean the Board or, if the Board delegates its power and authority to administer this Plan to a committee of the Board described in this Section 2 of the Plan, such committee.
- (e) **Company** means The Cooper Companies, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.
- (f) **Disability** means disability as determined under procedures established by the Committee for purposes of this Plan.
- (g) **Early Retirement** means retirement with the express consent for purposes of this Plan of the Company at or before the time of such retirement, from consulting or active employment with the Company and any Subsidiary or Affiliate pursuant to the early retirement provisions of the applicable pension plan of such entity.
- (h) **Fair Market Value** means, as of any given date, unless otherwise determined by the Committee in good faith, the closing price of the Stock on the New York Stock Exchange as reported in the *Wall Street Journal* or, if no such sale of Stock occurs on the New York Stock Exchange on such date, the fair market value of the Stock as determined by the Committee in good faith.
- (i) **Grant** means an instrument or agreement evidencing an option, or SAR, granted hereunder, which may, but need not be, acknowledged by the recipient thereof.
- (j) **Incentive Stock Option** or **ISO** means any Stock Option intended to be and designated as an **Incentive Stock Option** within the meaning of Section 422 of the Code.

- (k) **Non-Employee Director** shall have the meaning set forth in Rule 16b-3 as promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, or any successor definition adopted by the Commission.
- (l) **Non-Qualified Stock Option** or **NQSO** means any Stock Option that is not an Incentive Stock Option.
- (m) **Normal Retirement** means retirement from consulting or active employment with the Company and any Subsidiary or Affiliate on or after age 65.
- (n) **Plan** means this 2001 Long Term Incentive Plan, as hereinafter amended from time to time.
- (o) **Retirement** means Normal or Early Retirement.
- (p) **Stock** means the Common Stock, \$0.10 par value per share, of the Company.
- (q) **Stock Appreciation Right** or **SAR** means the right pursuant to an award granted under Section 6 below to (a) surrender to the Company all (or a portion) of a Stock Option in exchange for an amount in any combination of cash or Common Stock equal to the difference between (i) the Fair Market Value, as of the date such Stock Option (or such portion thereof) is surrendered, of the shares of Stock covered by such Stock Option (or such portion thereof), subject, where applicable, to the pricing provisions in Section 6(b)(ii), and (ii) the aggregate exercise price of such Stock Option (or such portion thereof) or (b) to receive from the Company an amount of cash based upon the excess, if any, of the Fair Market Value of a number of shares of Stock specified in such award at the time of exercise of the right over the Fair Market Value of such number of shares of Stock on the date the right was granted.
- (r) **Stock Option** or **Option** means any option to purchase shares of Stock (including Restricted Stock and Deferred Stock, if the Committee so determines) granted pursuant to Section 5 below.
- (s) **Subsidiary** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50%, or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

In addition, the term **Cause** shall have the meaning set forth in Section 5(i) below.

## **SECTION 2. ADMINISTRATION.**

The Plan shall be administered by the Board or, if the Board delegates its power and authority to administer this Plan to a committee of the Board, such committee. Any such committee shall consist solely of two or more directors appointed by and holding office at the pleasure of the Board, each of whom is a **Non-Employee Director** of the Company as defined in Rule 16b-3 and an **outside director** for purposes of Section 162(m) of the Code. If the Board delegates its power and authority to administer this Plan to a committee, the members of such committee shall serve at the pleasure of the Board, such committee members may resign at any time by delivering written notice to the Board and vacancies in the committee may be filled by the Board.

The Committee shall have full authority to grant, pursuant to the terms of the Plan, to officers, consultants and other key employees eligible under Section 4: (i) Stock Options, and/or (ii) Stock Appreciation Rights.

In particular, the Committee shall have the authority:

- (i) to select the officers, consultants and other key employees of the Company and its Subsidiaries and Affiliates to whom Stock Options, and/or Stock Appreciation Rights, may from time to time be granted hereunder;

- (ii) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, and/or Stock Appreciation Rights, or any combination thereof, are to be granted hereunder to one or more eligible employees;
- (iii) to determine the number of shares, if applicable, to be covered by each such award granted hereunder;
- (iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Stock Option or other award and/or the shares of Stock relating thereto, based in each case on such factors as the Committee shall determine, in its sole discretion);
- (v) to determine whether and under what circumstances a Stock Option may be settled in cash under Section 5(k) instead of Stock;
- (vi) to determine whether, to what extent and under what circumstances Option grants and/or Stock Appreciation Rights and/or other cash awards made by the Company are to be made, and operate, on a tandem basis vis a vis other awards under the Plan and/or cash awards made outside of the Plan, or on an additive basis;
- (vii) to determine whether, to what extent and under what circumstances Stock and other amounts, payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period); and
- (viii) to interpret the Plan and remedy any inconsistencies and ambiguities herein and between any agreement evidencing an award thereunder.

The Committee shall have the authority to adopt, alter and repeal such rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan.

All decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Company and Plan participants.

### **SECTION 3. STOCK SUBJECT TO PLAN.**

The total number of shares of Stock reserved and available for distribution pursuant to stock options or other awards relating to Stock made under the Plan shall be 4,700,000 shares. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. The maximum number of shares with respect to which an employee may be granted options under this Plan during any fiscal year is 500,000.

Subject to Section 6(b)(iv) below, if any shares of Stock that have been optioned cease to be subject to a Stock Option, such shares shall again be available for distribution in connection with future awards under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure affecting the Stock, such substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, in the number and option price of shares subject to outstanding Options granted under the Plan, and in the number of shares and base price subject to outstanding Stock Appreciation Rights granted under the Plan, as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number. Such adjusted option price shall also be

used to determine the amount payable by the Company upon the exercise of any Stock Appreciation Right associated with any Stock Option. In addition, the Committee, in its sole discretion, shall determine the amount of cash to which the recipient of a Stock Appreciation Right not associated with an Option shall be entitled upon exercise so that there will be no increase or decrease in the cash to which the recipient shall be entitled upon exercise by reason of such event. In addition, in the event of any merger or other corporate transaction or event which results in shares of Stock being purchased for cash, or being exchanged for or converted into cash or the right to receive cash, the Committee, in its sole discretion, and on such terms and conditions as it deems appropriate, may provide that any Stock Option, or Stock Appreciation Right, shall be converted into the right to receive an amount of cash equal to the amount of cash, if any, that would have been received, in the event of such merger or corporate transaction or event, if such Stock Option, or Stock Appreciation Right, had been fully exercisable or payable, or vested and had been exercised or paid immediately prior to such merger or other corporate transaction or event to the extent of the cash value thereof, and, upon such conversion, such Stock Option, or Stock Appreciation Right, (including any such Stock Option, or Stock Appreciation Right, which, under the terms of such merger or other corporate transaction or event, would have no cash value) shall be cancelled.

#### **SECTION 4. ELIGIBILITY.**

Officers, consultants and other key employees of the Company and its Subsidiaries and Affiliates (but excluding members of the Committee and any person who serves only as a director) who are responsible for or contribute to the management, growth and/or profitability of the business of the Company and/or its Subsidiaries and Affiliates are eligible to be granted awards under the Plan.

#### **SECTION 5. STOCK OPTIONS.**

Stock Options may be granted alone, in addition to or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options.

The Committee shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights); provided, however that Incentive Stock Options shall only be granted to an individual who, at the time of grant, is an employee of the Company or a Subsidiary.

Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) *Option Price.* The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant but shall not be less than 85% of Fair Market Value as determined by the Committee; provided, however, that in the case of an Incentive Stock Option, the option price shall not be less than 100% of Fair Market Value as of the date of grant.

(b) *Option Term.* The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten years after the date the Option is granted. Additionally, no Incentive Stock Option may be granted after January 1, 2011.

(c) *Exercisability.* Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at or after grant, provided, however, that, except as provided in Section 5(f), (g) and (h), unless otherwise determined by the

Committee at or after grant, no Stock Option shall be exercisable prior to the first anniversary date of the granting of the Option. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time at or after grant in whole or in part, based on such factors as the Committee shall determine, in its sole discretion.

(d) *Method of Exercise.* Subject to whatever installment exercise provisions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of shares to be purchased.

Such notice shall be accompanied by payment in full of the purchase price, either by check, note or such other instrument as the Committee may accept. Except as otherwise prohibited by law, as determined by the Committee, in its sole discretion, at or after grant, payment in full or in part may also be made (i) in the form of Stock subject to an award (based, in each case, on the Fair Market Value of the Stock on the date the option is exercised, as determined by the Committee); provided, however, that, in the case of an Incentive Stock Option, the right to make a payment in the form of already owned shares may be authorized only at the time the option is granted; or (ii) through the delivery of a notice that the optionee has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price, provided that payment of such proceeds is made to the Company prior to the delivery of any shares of Stock by the Company.

No shares of Stock shall be issued until full payment therefore has been made. An optionee shall generally have the rights to dividends or other rights of a stockholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 8(a).

(e) *Transferability of Options.* Except as otherwise determined by the Committee in its sole discretion and set forth in the applicable Stock Option agreement, no Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee; provided, however, NQSOs held by a participant may be transferred to such family members or family trusts as the Committee in its sole discretion shall approve, unless otherwise restricted from such transfer under the terms of the Grant.

(f) *Termination by Death.* Subject to Section 5(j), if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised, to the extent such option was exercisable at the time of death or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee), by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of three years (or such other period as the Committee may specify at grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) *Termination by Reason of Disability.* Subject to Section 5(j), if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee), for a period of three years (or such other period as the Committee may specify at grant) from the date of such termination of employment or consultancy or until the expiration of the stated term of such Stock Option, whichever period is the shorter;

provided, however, that, if the optionee dies within such three-year period (or such other period as the Committee shall specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(h) *Termination by Reason of Retirement.* Subject to Section 5(j), if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of such Retirement or on such accelerated basis as the Committee may determine at or after grant (or as may be, determined in accordance with procedures established by the Committee), for a period of three years (or such other period as the Committee may specify at grant) from the date of such termination of employment or consultancy or the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that, if the optionee dies within such three-year period (or such other period as the Committee may specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, the option will thereafter be treated as a Non-Qualified Stock Option.

(i) *Other Termination.* Unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at or after grant, if an optionee's employment by or consultancy with the Company and any Subsidiary or Affiliate terminates for any reason other than death, Disability or Normal or Early Retirement, the Stock Option shall thereupon terminate, except that such Stock Option may be exercised for the lesser of three months or the balance of such Stock Option's term if the optionee is involuntarily terminated by the Company and any Subsidiary or Affiliate without Cause. For purposes of this Plan, Cause means the conviction of, or plea of nolo contendere to a felony by the participant, or a participant's willful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any Subsidiary or Affiliate.

(j) *Incentive Stock Options.* Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the optionee(s) affected, to disqualify any Incentive Stock Option under such Section 422.

To the extent required for incentive stock option status under Section 422(b)(7) of the Code (taking into account applicable Internal Revenue Service regulations and pronouncements), the Plan shall be deemed to provide that the aggregate Fair Market Value (determined as of the time of grant) of the stock with respect to which Incentive Stock Options are exercisable for the first time by the optionee during any calendar year under the Plan and/or any other stock option plan of the Company or any Subsidiary or parent corporation (within the meaning of Section 424 of the Code) after 1986 shall not exceed \$100,000. If the aggregate Fair Market Value exceeds \$100,000, then those options in excess of \$100,000 will not be treated as ISOs. Those shares not treated as ISOs will be taxed at ordinary income rates on exercise. If Section 422 is hereafter amended to delete the requirement now in Section 422(b)(7) that the plan text expressly provide



for the \$100,000 limitation set forth in Section 422(b)(7), then this paragraph of Section 5(j) shall no longer be operative.

(k) *Buyout Provisions.* The Committee may at any time offer to buyout for a payment in cash any Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

(l) *10% Stockholders.* No Incentive Stock Option may be granted under this Plan to any employee who, at the time the Incentive Stock Option is granted, owns, or is considered as owning, within the meaning of Section 422 of the Internal Revenue Code, shares possessing more than ten percent (10%) of the total combined voting power or value of all classes of stock of the Company, a Subsidiary or a parent corporation (within the meaning of Section 424 of the Code) unless the option price under such Option is at one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the date such Option is granted and the duration of such Option is no more than five (5) years.

## **SECTION 6. STOCK APPRECIATION RIGHTS.**

(a) *Grant and Exercise.* Stock Appreciation Rights may be granted separately or in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Stock Option.

A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares, covered by a related Stock Option.

A Stock Appreciation Right may be exercised by a recipient, subject to Section 6(b), in accordance with the procedures established by the Committee for such purpose. Upon such exercise, the recipient shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options relating to exercised Stock Appreciation Rights shall no longer be exercisable to the extent that the related Stock Appreciation Rights have been exercised.

(b) *Terms and Conditions.* Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(i) Stock Appreciation Rights awarded with no associated Stock Option shall be exercisable in accordance with their terms and Stock Appreciation Rights granted in association with Stock Options shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan. The exercise of Stock Appreciation Rights held by recipients who are subject to Section 16(b) of the Exchange Act shall comply with Rule 16b-3 thereunder, to the extent applicable.

(ii) Upon the exercise of a Stock Appreciation Right granted in association with a Stock Option, a recipient shall be entitled to receive an amount in cash and/or shares of Stock, as the Committee in its sole discretion shall determine, equal in value to the excess of the Fair Market Value of one share of Stock over the option price per share specified in the associated Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised. Upon the exercise of a Stock Appreciation Right awarded with no associated Stock Option, a recipient shall be entitled to receive an amount in cash equal in value to the

excess, if any, of the Fair Market Value of a number of shares of Stock specified in the award at the date of exercise of the Stock Appreciation Right over the Fair Market Value of such number of shares of Stock at the date of grant of the Stock Appreciation Right. When payment is to be made in shares, the number of shares to be paid shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise. When payment is to be made in cash to a recipient subject to Section 16(b) of the Exchange Act, such amount shall be calculated on the basis of the closing price of the stock on the New York Stock Exchange during the applicable period referred to in Rule 16b-3(e) under the Exchange Act to the extent applicable.

(iii) Stock Appreciation Rights shall not be transferable by the recipient thereof otherwise than by will or by the laws of descent and distribution, and all Stock Appreciation Rights shall be exercisable, during the recipient's lifetime, only by the recipient.

(iv) Upon the exercise of a Stock Appreciation Right, any Stock Option or part thereof to which such Stock Appreciation Right is associated shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 of the Plan on the number of shares of Stock to be issued under the Plan.

#### **SECTION 7. AMENDMENTS AND TERMINATION.**

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under a Stock Option, or Stock Appreciation Right, theretofore granted, without the optionee's or participant's consent, or which, without the approval of the Company's stockholders, would:

- (a) except as expressly provided in this Plan, increase the total number of shares reserved for the purpose of the Plan;
- (b) change the employees or class of employees eligible to participate in the Plan;
- (c) extend the maximum option period under Section 5(b) of the Plan; or
- (d) otherwise materially alter the terms of the Plan.

The Committee may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3 above, no such amendment shall impair the rights of any holder without the holder's consent. The Committee may also substitute new Stock Options for previously granted Stock Options (on a one for one or other basis), including previously granted Stock Options having higher option exercise prices. Except for adjustments permitted under Section 3 of the Plan, there will be no repricing of underwater stock options (stock options whose exercise price is greater than market price) without first obtaining stockholder approval.

Subject to the above provisions, the Board shall have broad authority to amend the Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments.

#### **SECTION 8. GENERAL PROVISIONS.**

(a) The Committee may require each person purchasing shares pursuant to a Stock Option to represent to and agree with the Company in writing that the optionee is acquiring the shares for investment and without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

The Committee may condition the exercise of an Option or the issuance and delivery of Stock upon the listing, registration or qualification of the Stock upon a securities exchange or under applicable securities laws.

All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The making of an award under this Plan shall not confer upon any employee of the Company or any Subsidiary or Affiliate any right to continued employment with the Company or a Subsidiary or Affiliate, as the case may be, nor shall it interfere in any way with the right of the Company or a Subsidiary or Affiliate to terminate the employment of any of its employees at any time.

(d) No later than the date as of which an amount first becomes includable in the gross income of the participant for Federal income tax purposes with respect to any award under the Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations may be settled with Stock, including Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements and the Company and its Subsidiaries or Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(e) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

#### **SECTION 9. EFFECTIVE DATE OF PLAN.**

The Plan was originally effective January 1, 2001; and approved by the holders of a majority of the shares of the Company's Common Stock on March 28, 2001. This Amendment and Restatement of the Plan is effective as of January 1, 2003, subject to approval by the holders of a majority of the shares of the Company's Common Stock at the first meeting of stockholders to be held in 2003. Any grants made under the Plan prior to such approval shall be effective when made (unless otherwise specified by the Committee at the time of grant), but shall be conditioned on, and subject to, such approval of the Plan by such stockholders. Notwithstanding any other provision of the Plan to the contrary, no Option, or Stock Appreciation Right may be exercised until such approval.

#### **SECTION 10. TERM OF PLAN.**

No Stock Option or Stock Appreciation Right, shall be granted pursuant to this Amended and Restated Plan on or after December 31, 2006, but awards granted prior to such date may extend beyond that date.

---

**NOTICE OF  
ANNUAL MEETING  
OF STOCKHOLDERS  
AND  
PROXY STATEMENT**

---

**Meeting Date**

**March 25, 2003**

Please date, sign and mail your  
proxy card back as soon as possible.

Annual Meeting of Stockholders  
THE COOPER COMPANIES, INC.

March 25, 2003

- Please Detach and Mail in the Envelope Provided -

x Please mark your  
votes as in this  
example.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR  
ITEMS ONE, TWO, THREE AND FOUR.

	FOR all nominees except as noted on the line below ..	WITHHELD from all nominees ..	
1. ELECTION OF EIGHT DIRECTORS (check one box only)			Nominees: A. Thomas Bender Michael H. Kalkstein Moses Marx Donald Press Steven Rosenberg Allan E. Rubenstein, M.D. Robert S. Weiss Stanley Zinberg, M.D.

(Instruction: To withhold authority to vote for any individual nominee(s), write that  
nominee's name(s) on the line below:)

2. Ratification of the appointment of KPMG LLP as independent certified public accountants of The Cooper Companies, Inc. for the fiscal year ending October 31, 2003.	FOR ..	AGAINST ..	ABSTAIN ..
3. The amendment and restatement of the Company's 2001 Long Term Incentive Plan.	..	..	..
4. The amendment of the Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock from 40,000,000 to 70,000,000 shares.	..	..	..
5. In their discretion, the proxies are authorized to vote for the election of such substitute nominee(s) for directors as such proxies may select in the event that any nominee(s) named above become unable to serve, and on such other matters as may properly come before the Meeting or any adjournments or postponements thereof.			

THIS PROXY WILL REVOKE ALL PRIOR PROXIES SIGNED BY YOU.

PLEASE COMPLETE, SIGN, DATE AND MAIL THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

MARK HERE FOR ADDRESS CHANGE  
AND NOTE BELOW ..

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

NOTE: Please date this proxy and sign your name exactly as it appears herein. In the case of joint ownership, each joint owner must sign. If signing as an executor, trustee, guardian, attorney or in any other representative capacity or as an officer of a corporation, please indicate your full title as such.

---

**THE COOPER COMPANIES, INC.**

**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS, MARCH 25, 2003**

**SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned stockholder of The Cooper Companies, Inc., a Delaware corporation, hereby appoints CAROL R. KAUFMAN, ROBERT S. WEISS and STEPHEN C. WHITEFORD, and each of them, proxies, with full power of substitution, to vote all of the shares of common stock of The Cooper Companies, Inc. which the undersigned is entitled to vote at the Annual Meeting of Stockholders of The Cooper Companies, Inc. to be held at the New York Marriott East Side, 525 Lexington Avenue, New York, NY on March 25, 2003 at 10:00 a.m., eastern standard time, and at any adjournments or postponements thereof, as set forth on the reverse, and in their discretion upon any other business that may properly come before the meeting.

THIS PROXY WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ITEMS 1, 2, 3 AND 4 AND WILL GRANT DISCRETIONARY AUTHORITY PURSUANT TO ITEM 5.

Please MARK the proxy card, fill in the DATE and SIGN on the reverse side and return promptly in the enclosed envelope.

---