

COOPER INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

consolidated results of operations and financial position SFAS No 142 is effective for fiscal years beginning after December 15, 2001 Cooper will adopt the statement effective January 1, 2002 Under SFAS No 142, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests Other intangible assets will continue to be amortized over their useful lives In 2002, Cooper will perform the first step of the required two-step impairment tests of goodwill and indefinite-lived intangible assets as of January 1, 2002 and has not yet determined what the effect of these tests will be on its consolidated results of operations and financial position

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* The statement is effective for fiscal years beginning after December 15, 2001 Cooper will adopt this statement effective January 1, 2002 This statement establishes a single accounting model for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired Additionally, the statement expands the definition of a discontinued operation from a segment of business to a component of an entity that has been disposed of or is classified as held for sale and can be clearly distinguished, operationally and for reporting purposes, from the rest of the entity The results of operations of a component classified as held for sale shall be reported in discontinued operations in the period incurred. Adoption of this statement will not have a significant effect on Cooper's consolidated results of operations and financial position

NOTE 2: NONRECURRING CHARGES

During the fourth quarter of 2001, Cooper committed to the consolidation or closure of certain Electrical Products segment facilities and recorded a provision for severance and other related costs of these announced actions of \$7.1 million In addition, the Company concluded during 2001 that various Electrical Products segment assets comprising \$8.5 million of net book value provided no future benefit to Cooper and were therefore fully impaired Also during the 2001 fourth quarter, Cooper recorded a charge of \$8.4 million to provide for the costs of assimilation of certain separate product lines rendered partially duplicative as a result of previous Electrical Products segment business acquisition activities The 2001 fourth quarter nonrecurring charge for the Electrical Products segment totals \$24.0 million.

During the fourth quarter of 2001, Cooper recorded a General Corporate nonrecurring charge of \$50.1 million Cooper concluded that the net book values of certain software, hardware and other technology investments should be fully impaired, in consideration of ongoing refinement and development of Company information and technology systems capabilities Also during the 2001 fourth quarter, Cooper provided for the costs associated with performing the Company's review of strategic alternatives

The nonrecurring charges for 2001 total \$74.1 million, or \$44.5 million after taxes (\$ 47 per diluted common share)

During the first quarter of 1999, Cooper completed a previously announced voluntary severance program and accrued an additional \$5.8 million primarily representing the voluntary severance program premium over the severance provided under Cooper's established policies Cooper also accrued \$1.5 million related to severance and other costs for facility closures announced during the first quarter of 1999 In addition, during 1999, Cooper reduced legal accruals by \$2.8 million related to the favorable settlement of certain litigation concerning lead in mini-blinds and reassessment of the required reserve Cooper also reached agreement and received \$0.8 million under an insurance policy related to the unsuccessful offer to acquire TLG plc in 1998 Since the original charge related to the litigation was included as a nonrecurring item in the Tools & Hardware segment and the costs related to TLG plc were reflected as a nonrecurring corporate item, the reversal of the accrual and the reimbursement of the expenses were reflected as nonrecurring items The net nonrecurring items for 1999 resulted in a \$3.7 million charge before income taxes and resulted in an after-tax charge of \$2.4 million (\$.02 per diluted common share)