

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

A summary of the status of Cooper's fixed stock option plans for officers and employees as of December 31, 2001 and activity during the three years ended December 31, 2001 is presented below

	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,810,497	\$43 28	2,748,601	\$45 94	2,144,104	\$46 52
Granted	1,740,000	\$45 19	1,425,800	\$37 94	1,018,700	\$43 52
Exercised	(625,260)	\$42 33	(6,500)	\$39 06	(286,492)	\$39 82
Canceled	(184,579)	\$44 09	(357,404)	\$42 57	(127,711)	\$50 13
Outstanding at end of year	<u>4,740,658</u>	<u>\$44 07</u>	<u>3,810,497</u>	<u>\$43 28</u>	<u>2,748,601</u>	<u>\$45 94</u>
Options exercisable at end of year	1,866,391		1,608,117		1,128,905	
Options available for grant at end of year	5,116,955		1,916,174		3,289,602	

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Shares Outstanding At 12/31/01	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Exercisable At 12/31/01	Weighted Average Exercise Price
\$34 84 - \$37 94	1,316,091	8 1	\$ 37 61	311,031	\$ 37 94
\$38 13 - \$39 06	257,687	3 8	\$ 39 05	255,020	\$ 39 06
\$43 13 - \$46 10	2,630,301	8 0	\$ 45 24	765,428	\$ 44 16
\$54 28 - \$56 63	536,579	5 6	\$ 56 61	534,912	\$ 56 62
	<u>4,740,658</u>			<u>1,866,391</u>	

During 2001, options to purchase 10,000 shares of common stock were granted to nonemployee directors at an exercise price of \$33 66 and options for 4,000 shares were exercised at \$42 13 to \$49 03 per share. During 2000, options to purchase 9,000 shares of Common stock were granted to nonemployee directors at an exercise price of \$35 19 and options for 4,000 shares were exercised at \$17 31 per share. During 1999, options to purchase 11,000 shares of Common stock were granted to nonemployee directors at an exercise price of \$49 03 and options for 4,000 shares were exercised at \$14 69 per share. At December 31, 2001, options under the director plans for 23,000 Common shares were exercisable at \$42 13 to \$63 78 per share, and 129,100 shares were reserved for future grants.

Participants in the Employee Stock Purchase Plan receive an option to purchase Common stock at a price that is the lesser of 85% of the market value on the offering date or 85% of the market value on the purchase date. On September 10, 2001, a total of 311,452 shares were sold to employees at \$44 63 per share. At December 31, 2001, subscriptions for 915,876 shares of Common stock were outstanding at \$34 07 per share or, if lower, 85% of the average market price on September 8, 2003, which is the purchase date. At December 31, 2001, an aggregate of 2,423,976 shares of Common stock were reserved for future issuance.

Cooper follows the intrinsic value method of accounting for stock-based compensation plans as prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, no compensation expense is recognized under Cooper's fixed stock option plans or Employee Stock Purchase Plan. Compensation expense of \$2.7 million, \$5.1 million and \$6.1 million was recognized in the consolidated financial statements during 2001, 2000 and 1999, respectively for the performance-based and restricted stock awards. If compensation expense for all of Cooper's stock-based compensation plans was recognized using the alternative fair value method of accounting under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, net income and earnings per share would have decreased by approximately 2.0% in 2001, 2.1% in 2000 and 2.3% in 1999. The fair value was estimated on the date of grant,