

ADVANCED MEDICAL OPTICS INC  
Form DEF 14A  
April 25, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Advanced Medical Optics, Inc.**

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(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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1700 E. St. Andrew Place, Santa Ana, CA 92705 (714) 247-8200

April 25, 2008

Dear Stockholder:

We invite you to attend our annual meeting of stockholders on Thursday, May 29, 2008, at 10:00 a.m., to be held at our headquarters located at 1700 E. St. Andrew Place, Santa Ana, California.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you about the agenda and the procedures for the meeting. It also describes how the company's board of directors operates and gives certain information about the company. In addition, we have enclosed a copy of the Annual Report to Stockholders, which includes the company's financial statements for 2007.

We hope you will be able to attend our annual meeting. If you need special assistance at the meeting, please contact our Investor Relations department at the address above.

James V. Mazzo

*Chairman and*

*Chief Executive Officer*

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1700 E. St. Andrew Place, Santa Ana, CA 92705 (714) 247-8200

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Meeting Date:** May 29, 2008

**Time:** 10:00 a.m.

**Place:** Advanced Medical Optics, Inc.  
1700 E. St. Andrew Place  
Santa Ana, California 92705

**Purpose:** To elect three directors

To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008

To re-approve the Advanced Medical Optics, Inc. 2002 Bonus Plan to enable us to meet tax deductibility requirements of Section 162 (m) of the Internal Revenue Code

To approve the 2004 Stock Incentive Plan, which was assumed by AMO with the 2007 acquisition of IntraLase Corp., in order to allow broader utilization of the shares under New York Stock Exchange regulations without increasing overall dilution

To consider such other business as may properly come before the meeting or any adjournment of the meeting  
YOUR VOTE IS IMPORTANT. YOU MAY VOTE YOUR SHARES BY EITHER (1) CALLING THE TOLL-FREE NUMBER SET FORTH ON YOUR PROXY CARD; (2) ACCESSING THE INTERNET AS INDICATED ON YOUR PROXY CARD; OR (3) SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD PROMPTLY TO ENSURE ITS ARRIVAL IN TIME FOR THE MEETING.

By Order of the Board of Directors

Aimee S. Weisner

*Executive Vice President, Administration*

*and Secretary*

April 25, 2008

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**ADVANCED MEDICAL OPTICS, INC.**  
**PROXY STATEMENT**  
**FOR**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**THURSDAY, MAY 29, 2008**  
**GENERAL INFORMATION**

The approximate date on which the enclosed proxy card and this proxy statement are first being sent to stockholders is April 25, 2008.

**Outstanding Shares**

On March 31, 2008, 60,782,205 shares of common stock (exclusive of 5,168 shares held in treasury) were outstanding. Each common share has one vote.

**Who May Vote**

Stockholders of Advanced Medical Optics, Inc. as of the annual meeting record date, March 31, 2008, may vote.

**How To Vote**

You may vote by proxy or in person at the meeting. To vote by proxy, you may vote in one of the following three ways:

Complete, sign, date and mail your proxy card in the enclosed, postage-prepaid envelope;

Call the toll-free number listed on the proxy card; or

Access the Internet as indicated on the proxy card.

Even if you plan to attend the meeting, we recommend that you vote by proxy prior to the meeting. You can always change your vote as described below.

**Important Notice Regarding the Availability of Proxy Materials**

You are encouraged to access and review all of the important information contained in the proxy materials before voting. Our website, <http://ir.amo-inc.com>, contains the following important documents: the Notice of the Annual Meeting, our Proxy Statement and our 2007 Annual Report to Stockholders.

**How Proxies Work**

Advanced Medical Optics, Inc.'s board of directors is asking for your proxy. By giving us your proxy, you authorize the proxy holders (members of Advanced Medical Optics management) to vote your shares at the meeting in the manner you direct. If you do not specify how you wish us to vote your shares, your shares will be voted for all director candidates, for the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for fiscal year 2008, for re-approval of the AMO 2002 Bonus Plan, and for approval of the 2004 Stock Incentive Plan. Proxy holders will also vote shares according to their discretion on any other matter properly brought before the meeting.

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You may receive more than one proxy card depending on how you hold your shares. The shares represented by each card will need to be voted separately. Generally, you need to either call the toll-free number, vote by



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accessing the Internet, sign and return all of your proxy cards or vote in person at the meeting to vote all of your shares. For example, if you hold shares through someone else, such as a stockbroker, you may get proxy material from them. Shares registered in your name and shares held in the Advanced Medical Optics 401(k) Plan also are covered by a separate proxy card. If a proxy card representing shares in the Advanced Medical Optics 401(k) Plan is not voted, those shares will be voted by the trustee of the 401(k) Plan in accordance with the direction of the company's corporate benefits committee.

## **Quorum**

In order to carry out the business of the meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in person. Shares that abstain from voting on any proposal, or that are represented by broker non-votes, will be treated as shares that are present and entitled to vote at the annual meeting for purposes of determining whether a quorum exists. Shares owned by Advanced Medical Optics (also known as treasury shares) are not voted and do not count for this purpose.

## **Changing Your Vote**

You may revoke your proxy before it is voted by submitting a new proxy with a later date, by voting in person at the meeting or by notifying the Secretary of Advanced Medical Optics in writing at the address under "Questions?" on page 62.

## **Votes Needed**

Director nominees receiving the largest number of votes cast are elected, up to the maximum number of directors fixed by the board to be elected at the meeting. As a result, any shares not voted (whether by abstention, broker non-vote or otherwise) will have no impact on the election of directors. The ratification of PricewaterhouseCoopers LLP as our independent registered public accountants for fiscal year 2008, the re-approval of the AMO 2002 Bonus Plan, the approval of the 2004 Stock Incentive Plan, and any other matter properly brought before the meeting will occur upon the affirmative vote of a majority of shares present and entitled to vote on such matter. Abstentions will be counted as shares present and entitled to vote on these proposals, and thus will have the effect of a negative vote. Broker non-votes are not considered shares entitled to vote and will have no impact on the auditor ratification proposal.

## **Attending In Person**

Only stockholders, their designated proxies and guests of Advanced Medical Optics may attend the meeting.

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**ELECTION OF DIRECTORS**

**(Proposal 1)**

**General**

The first proposal to be voted on at the meeting is the election of three directors. Each of these directors is to be elected as a Class III director for a three-year term expiring at the 2011 annual meeting. The board of directors, on the recommendation of the Organization, Compensation and Corporate Governance Committee, which acts as our nominating committee, has nominated Mr. James V. Mazzo, Mr. Robert J. Palmisano and Mr. James O. Rollans for these directorships. Each of these individuals is currently serving as an AMO director. Biographical information about each of the director nominees and the other directors continuing in office is included in Director Information below.

**The Board of Directors recommends a vote FOR all nominees.**

The board has no reason to believe that any nominee would be unable or unwilling to serve if elected. If a nominee becomes unable or unwilling to accept nomination or election, the board will either select a substitute nominee or reduce the size of the board. If you have submitted a proxy and a substitute nominee is selected, your shares will be voted for the election of the substitute nominee, in the discretion of the proxy holders.

In accordance with our bylaws, directors are elected by a plurality of the votes of shares represented and entitled to be voted at the meeting. That means the three nominees will be elected if they receive more affirmative votes than any other nominees.

**Director Information**

Our board of directors is separated into three classes, each with a three-year term. The current term of the Class I directors will expire at the 2009 annual meeting, the current term of the Class II directors will expire at the 2010 annual meeting, and the current term of the Class III directors will expire at the 2008 annual meeting.

Set forth below is biographical and other information about the persons who will make up the board following the annual meeting, assuming election of the nominees named below.

**Nominees for Election as Directors Term Expiring 2011**

**James V. Mazzo**

Class III

Age: 50

Director since October 2001

Board committees:

Science and Technology; Employee Incentive

Mr. Mazzo is our Chairman of the Board and Chief Executive Officer. He has been a member of our Board of Directors since October 2001. Mr. Mazzo has been Chief Executive Officer since our inception and was President from inception until November 2007. Mr. Mazzo became Chairman of the Board in May 2006. Prior to AMO's spin-off from Allergan in 2002, Mr. Mazzo served in various positions at Allergan, most recently as Allergan's Corporate Vice President and President, Surgical and CLCP Businesses. From April 1998 to January 2002, Mr. Mazzo was Allergan's Corporate Vice President and President, Europe/Africa/Middle East Region. From January 2001 to January 2002, Mr. Mazzo also assumed the duties of President of Allergan's Global Surgical Business, and from May 1998 to January 2001, he was the President of Global Lens Care Products for Allergan. From June 1997 to May 1998, he was Senior Vice President, U.S. Eyecare/Rx Sales and Marketing, and prior to that he served 11 years in a variety of positions at Allergan, including Director, Marketing (Canada), Vice President and Managing Director (Italy) and Senior Vice President, Northern Europe. Mr. Mazzo first joined Allergan in 1980. Mr. Mazzo sits on the boards of directors of Beckman Coulter and AdvaMed (Advanced Medical Technology Association).

**Table of Contents****Robert J. Palmisano**

Class III

Age: 63

Director since May 2007

Board committees:

Science and Technology

Mr. Palmisano is the President, Chief Executive Officer, and a member of the board of directors of ev3 Inc., a global endovascular device company, a position he assumed in April 2008. From November 2007 to April 2008, he was a Venture Partner with SV Life Sciences Advisors, a venture capital advisor and manager making investments in the human life sciences sector. Mr. Palmisano joined SV Life Sciences in November 2007. Prior to that, he was the Chief Executive Officer and a director of IntraLase Corp., which we acquired in April 2007. Mr. Palmisano joined IntraLase Corp. as President, Chief Executive Officer and a director in April 2003. From April 2001 to April 2003, Mr. Palmisano was the President, Chief Executive Officer and a director of MacroChem Corporation, a development stage pharmaceutical corporation. From April 1997 to January 2001, Mr. Palmisano served as President and Chief Executive Officer and a director of Summit Autonomous, Inc., a global medical products company that was acquired by Alcon, Inc. in October 2000. Prior to 1997, Mr. Palmisano held various executive positions with Bausch & Lomb Incorporated, a global eye care company. In addition to ev3 Inc., Mr. Palmisano sits on the board of directors of OsteoTech, Inc. Mr. Palmisano earned his bachelor's degree in political science from Providence College.

**James O. Rollans**

Class III

Age: 64

Director since June 2002

Board committees:

Audit and Finance (Chairman);  
Organization, Compensation and  
Corporate Governance

Mr. Rollans is the Presiding Director of our Board of Directors. Mr. Rollans retired in 2003 from the Board of Directors of Fluor Corporation and from his position as Fluor's Group Executive of Investor Relations and Corporate Communications, in which he was responsible for leading the company's external affairs, including Investor Relations, Corporate Communications, Community and Government Relations functions. Prior to assuming that role in February 2002, Mr. Rollans served as Group Executive of Business Services (from February 2001). Joining Fluor in 1982, Mr. Rollans' tenure with the company included several positions at the senior executive level, including that of Senior Vice President and Chief Administrative Officer from 1994 to 1998; Senior Vice President and Chief Financial Officer from 1998 to 1999 and from 1992 to 1994; and Vice President of Corporate Communications from 1982 to 1992. He also served as the first President and Chief Executive Officer of Fluor Signature Services, the former business services enterprise of Fluor Corporation, from 1999 to 2001. Fluor is an engineering, procurement, construction and maintenance services company. Mr. Rollans is a member of the board of directors of Flowserve Corporation and Encore Credit Corporation.

**Directors Continuing in Office Term Expiring 2009****William J. Link, Ph.D.**

Class I

Age: 62

Director since June 2002

Board committees:

Audit and Finance;

Science and Technology (Chairman);  
Organization, Compensation and  
Corporate Governance (Alternate)

Dr. Link is Managing Director and a co-founder of Versant Ventures, a venture capital firm located in Newport Beach, California investing in early-stage health care companies. Prior to co-founding Versant Ventures in 1999, Dr. Link was a general partner at Brentwood Venture Capital, where he invested in a number of early-stage companies. From 1986 to 1997, Dr. Link was Chairman and Chief Executive Officer of Chiron Vision, a subsidiary of Chiron Corporation founded by Dr. Link, which specialized in ophthalmic surgical products and which was later sold to Bausch & Lomb in 1997. Prior to Chiron Vision, Dr. Link founded and served as President of American Medical Optics, a division of American Hospital Supply Corporation, which was sold to Allergan in 1986. Before entering the health care industry, Dr. Link was an assistant professor in the Department of Surgery at the Indiana University School of Medicine. Dr. Link earned his bachelor's, master's and doctorate degrees in mechanical engineering from Purdue University.

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**G. Mason Morfit**

Class I

Age: 32

Director since December 2007

Board committees:

Science and Technology

Mr. Morfit is a Partner of ValueAct Capital, a private investment partnership and a significant AMO stockholder. Prior to joining ValueAct Capital in January 2001, Mr. Morfit worked in equity research for Credit Suisse First Boston for more than two years. He supported the senior healthcare services analyst, covering fifteen companies in the managed care and physician services industries. Mr. Morfit is a director of Valeant Pharmaceuticals International, MSD Performance, Inc. and a former director of Solexa, Inc. He has a B.A. from Princeton University, and is a CFA charterholder.

**Michael A. Mussallem**

Class I

Age: 55

Director since June 2002

Board committees:

Organization, Compensation and Corporate Governance (Chairman);

Science and Technology; Employee Incentive

Mr. Mussallem is the Chairman of the Board and Chief Executive Officer of Edwards Lifesciences Corporation, a position he has held since 2000, when Edwards Lifesciences was spun off from Baxter International, Inc. Edwards Lifesciences is a medical device company focused on cardiovascular disease treatments. Prior to 2000, Mr. Mussallem held a variety of positions with increasing responsibility in engineering, product development and senior management at Baxter International Inc. In addition to serving on the board of Edwards Lifesciences, Mr. Mussallem serves as chairman of Advamed, is a director and former chairman of the California Healthcare Institute, and is a director of the OCTANE Foundation for Innovation.

**Deborah J. Neff**

Class I

Age: 55

Director since July 2003

Board committees:

Audit and Finance;

Science and Technology

Ms. Neff is the President and Chief Executive Officer of Pathwork Diagnostics, Inc. (formerly Predicant Biosciences, Inc. and Biospect, Inc.), which she joined in 2003. Pathwork is focused on applying genomics to unmet clinical needs in oncology. Prior to joining Pathwork, from 1988 to 2003, Ms. Neff held a number of executive positions at Becton Dickinson and Company, a \$4 billion global medical technology and device company. Most recently, from 2000 to 2003, she was Worldwide President of Becton Dickinson Biosciences, and from 1995 to 2000, she was President of the Biosciences and Microbiology Systems as well as the Becton Dickinson Immunocytometry Systems. Before joining Becton Dickinson, Ms. Neff held senior management positions with Organon-Teknica Corporation and CooperBiomedical. In addition to serving on the board of Predicant, Ms. Neff is a member of the advisory board of the Healthcare Businesswomen's Association, and a member of the board of directors of ForteBio, a private life science company.

**Directors Continuing in Office Term Expiring 2010**

**Christopher G. Chavez**

Class II

Age: 52

Director since June 2002

Board committees:

Mr. Chavez is President of Advanced Neuromodulation Systems (ANS), a position he has held since he joined ANS in April 1998 and which he continues to hold following the acquisition of ANS by St. Jude Medical, Inc. in November 2005. From April 1998 to November 2005, Mr. Chavez was also Chief Executive Officer and a Director of ANS. ANS is a medical device company focused on neurostimulation and drug pump technologies. Prior to joining ANS, Mr. Chavez was Vice President of Worldwide Marketing and Strategic Planning for Eastman Kodak's Health Imaging Division where the division's five worldwide profit centers reported to him. From 1981 to 1997, Mr. Chavez was with Johnson & Johnson Medical, Inc., a major division of Johnson & Johnson. While with J&J, he progressed through several positions in finance, strategic planning, domestic and international marketing, new business development and general management. His most recent position was Vice

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Organization, Compensation and  
Corporate Governance;

President and General Manager of the Infection Prevention Business Unit, one of four worldwide business units with approximately one-half billion dollars in sales. Mr. Chavez currently serves on the board of directors of the Medical Device Manufacturers Association.

Science and Technology; Audit and  
Finance (Alternate)

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**Elizabeth H. Dávila**

Class II

Age: 63

Director since May 2005

Board committees:

Science and Technology

Ms. Dávila is a retired executive and the former Chairman of the Board of Directors and Chief Executive Officer of VISX, Incorporated, which we acquired in May 2005. Ms. Dávila served on the VISX Board of Directors from 1995 to 2005, and served as its Chairman and Chief Executive Officer from 2001 to 2005. From 1995 to 2001, Ms. Dávila held a number of positions at VISX, including Executive Vice President, President, and Chief Operating Officer. Prior to joining VISX, Ms. Dávila was at Syntex Corporation from 1977 to 1994, where she held senior management positions in its medical device, medical diagnostics, and pharmaceutical divisions. Ms. Dávila serves on the board of directors of Accuray Incorporated. She holds a masters degree in Chemistry from the University of Notre Dame and an M.B.A. from Stanford University.

**Daniel J. Heinrich**

Class II

Age: 52

Director Since December 2007

Board Committees:

Audit and Finance

**Attendance at Meetings**

Mr. Heinrich has been the Senior Vice President Chief Financial Officer of Clorox Co. since July 2004. He joined Clorox in March 2001 as vice president Controller. He was elected Vice President Chief Financial Officer in October 2003. From October 1996 through February 2001, he was employed by Transamerica Finance Corporation. Prior to that he was employed by Granite Management Corporation, an indirect subsidiary of Ford Motor Company, as Senior Vice President Treasurer and Controller. He holds a bachelors of science degree in Business Administration from the University of California, Berkeley, and a master s of Business Administration degree from St. Mary s College of California.

Our board of directors met 14 times in 2007. Each of the directors attended more than 75% of the aggregate number of regularly scheduled and special board and applicable committee meetings held during the year, with the exception of Mr. Grant, who passed away in April 2007. In addition, all directors then in office attended the annual meeting of stockholders held on May 22, 2007.

**Conduct of Meetings Executive Sessions**

Mr. James V. Mazzo, the Chairman of the Board, presides over each meeting of our board. Mr. James O. Rollans, the Presiding Director and a non-employee member of the board of directors, presides during each executive session, which occurs during each regularly scheduled board meeting. If Mr. Mazzo were not available to attend a meeting of the board, Mr. Rollans would preside over such meeting. If Mr. Rollans were not available to preside during an executive session, a non-employee member of the board would be selected by a majority of the outside directors in attendance at that meeting to preside over such executive session.

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The following table sets forth the compensation paid to our non-employee board members in 2007, and the narrative discussion that follows describes different components of our directors' compensation. Mr. Mazzo, chairman of our board of directors, is also our chief executive officer, and as such does not receive additional compensation as a board member. For a description of Mr. Mazzo's compensation, please see Executive Officers' beginning on page 30.

## 2007 DIRECTOR COMPENSATION

Name	Fees Earned or			All Other Compensation (\$)	Total (\$)
	Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)(3)</sup>	Option Awards (\$) <sup>(3)</sup>		
Christopher G. Chavez	\$ 9,800	\$ 142,625	\$	\$	\$ 152,425
Elizabeth H. Dávila	44,998	101,446		8,817 <sup>(4)</sup>	155,261
William R. Grant	15,000	83,100			98,100
Daniel J. Heinrich	3,804	4,090			7,894
William J. Link, Ph.D.	10,800	148,985			159,785
G. Mason Morfit	3,669	4,028			7,697
Michael A. Mussallem	10,800	148,985			159,785
Deborah J. Neff	15,800	138,719			154,519
Robert J. Palmisano	17,994	62,812		197,388 <sup>(5)</sup>	278,194
James O. Rollans	23,600	155,362			178,962

<sup>(1)</sup> Cash compensation is composed of annual retainers and fees for meetings attended in person or by telephone between January 2, 2007 and May 22, 2007, at which time meeting fees were discontinued. Prior to each annual meeting of stockholders, directors may elect to receive some or all of their annual retainers in the form of restricted stock units, computed on the basis of the closing price of our common stock on the date of the annual meeting. See footnote (2) and the narrative discussion below.

<sup>(2)</sup> Amounts shown in this column reflect our accounting expense for these awards and do not reflect whether the recipient has actually realized a financial benefit from the awards. This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2007 fiscal year for the fair value of restricted stock and restricted stock units granted to the directors. The fair value was estimated in accordance with Statement of Financial Accounting Standard 123R (FAS 123R). Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information and our assumptions made in calculating amounts under FAS 123R, refer to Note 11 of our financial statements in the Form 10-K for the year ended December 31, 2007, as filed with the SEC. Stock awards in 2007 were composed of 3,650 restricted stock units that were awarded to each non-employee director on May 22, 2007, the date of our 2007 annual meeting of stockholders, plus such number of units, if any, that were awarded to such directors in lieu of payment in cash of their annual retainers. The grant date fair values for these awards were \$217,489 for Mr. Rollans; \$210,121 for each of Dr. Link and Mr. Mussallem; \$202,754 for each of Mr. Chavez and Ms. Neff; and \$153,665 for Ms. Dávila. Mr. Grant received no new awards for 2007. 2007 expense also includes initial grants of restricted stock units to three new directors on their dates of appointment: Mr. Palmisano, May 22, 2007 (7,300 units, grant date fair value \$307,330); Mr. Heinrich, December 3, 2007 (6,129 units, grant date fair value \$154,573); and Mr. Morfit, December 4, 2007 (6,235 units, grant date fair value \$157,683).

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- (3) No stock options were awarded to our non-employee directors in 2007. All stock options previously granted to non-employee directors are vested. As of December 31, 2007, the aggregate number of vested stock option awards and unvested restricted stock units outstanding for each of our non-employee directors are set forth below:

	<b>No. of Options</b>	<b>No. of Units</b>
Mr. Chavez	36,000	4,816
Ms. Dávila	322,108	3,650
Mr. Heinrich		6,129
Dr. Link	9,500	4,991
Mr. Morfit		6,235
Mr. Mussallem	36,000	4,991
Ms. Neff	29,500	4,816
Mr. Palmisano		7,300
Mr. Rollans	36,000	5,166

- (4) In fulfillment of the terms of an agreement that Ms. Dávila had with VISX, Incorporated, for which Ms. Dávila was serving as Chief Executive Officer at the time it was acquired by AMO in May 2005, we provide Ms. Dávila with certain health and welfare benefits during a 36-month period expiring in May 2008. The elements of these benefits in 2007, and the expense to AMO of providing them, are as follows: medical and vision insurance coverage (\$7,242), dental insurance coverage (\$815), life and AD&D insurance coverage (\$727) and short-term disability insurance (self-funded, administration fee of \$33 per year).
- (5) In fulfillment of the terms of an agreement that Mr. Palmisano had with IntraLase Corp., for which Mr. Palmisano served as President and Chief Executive Officer at the time it was acquired by AMO in April 2007, we provide Mr. Palmisano with certain health and welfare benefits during a 36-month period expiring in April 2010. The elements of these benefits in 2007, and the expense to AMO of providing them, are as follows: medical and vision insurance coverage (\$7,242); dental insurance coverage (\$815); and life and AD&D insurance coverage (\$1,038). In addition, we entered into a consulting agreement with Mr. Palmisano from May to August 2007. In consideration for Mr. Palmisano's services with respect to potential acquisitions, Mr. Palmisano was paid a total of \$175,000, was reimbursed for travel expense (\$3,336), and was provided with the use of AMO offices. In addition, we provided temporary administrative assistance to Mr. Palmisano at an expense to AMO of \$9,957.

The following are the elements of AMO director compensation effective in May 2007:

Annual retainer, paid in cash or restricted stock units at the election of the director, in the following amounts:

Chairman of the Audit and Finance Committee: \$65,000.

Chairman of the Organization, Compensation and Corporate Governance Committee: \$57,500.

Chairman of the Science and Technology Committee: \$57,500.

Other Board Members: \$50,000.

No meeting fees; and



Discretionary annual grant of restricted stock units (3,650 units awarded in 2007).

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From January to May 2007 (when our board changed the compensation structure), AMO director compensation elements were as follows:

Annual retainer, paid in cash or restricted stock, at the election of the director, in the following amounts:

Chairman of the Audit and Finance Committee: \$40,000.

Chairman of the Organization Compensation and Corporate Governance Committee: \$35,000.

Chairman of the Science and Technology Committee: \$35,000.

Other Board Members: \$30,000.

Meeting fees, paid in cash (\$1,200 per board meeting, \$1,000 per committee meeting); and

Discretionary annual grant of restricted stock.

With the exceptions of Ms. Dávila and Mr. Palmisano, as discussed in the table above, we do not provide any perquisites or benefits to our non-employee directors. We do reimburse our directors for their reasonable expenses associated with board service, such as travel expense and telephone charges.

In May 2006, our board designated Mr. Rollans as Presiding Director. Mr. Rollans receives no additional retainer for this role, but our compensation committee has reserved the right to award Mr. Rollans additional sums if the demands of the role so warrant. In May 2007, our board approved a \$12,000 cash retainer for the May 2006 to May 2007 period.

Our non-employee directors may forego some or their entire annual cash retainer in exchange for restricted stock units issued under our incentive compensation plans, with a face value equal to the amount of the annual cash retainer foregone. Our non-employee directors have the ability to make this election each year.

All restricted stock units granted in 2007 will lapse on the date of our 2010 annual meeting of stockholders, with the exception of units granted in lieu of cash retainers, which vest on the date of our 2008 annual meeting.

We appointed three new directors in 2007. Each received restricted stock units on the effective dates of their appointments, and these units vest three years from their grant dates.

Our Organization, Compensation and Corporate Governance Committee reviews director compensation periodically and recommends changes, if any, to the board of directors for approval. Our board last adjusted director compensation in May 2007. As one factor in determining the aggregate amount and individual components of such compensation, the committee solicits, reviews and considers analyses and recommendations from the compensation consultant retained by the committee who, among other things, presents peer group and published survey data and recommendations for the committee and the board to consider. In determining the amounts, the board seeks to adequately compensate directors for their time committed to AMO board activity and to align the directors, through grants of restricted stock units, with the long-term interests of our stockholders. From 2002-2004, board members received annual stock option awards pursuant to a pre-set formula set forth in our incentive compensation plan, which was approved by our stockholders. In 2005, we discontinued this program in favor of a restricted stock program because we believe that the primary focus of the directors should be to protect and grow stockholder value and that restricted stock best achieves alignment with this objective and reduces stockholder dilution as compared to stock options. In 2007, we switched from restricted shares to restricted stock units, consistent with our grant methodology and administrative procedures for employees. In 2007, we also replaced meeting fees with higher annual retainers for ease of administration and better alignment with industry practices.



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### **Agreement with Stockholder**

Mr. Morfit is a member of ValueAct Capital Management, L.P., which together with its affiliates is a significant stockholder of AMO (the "VAC Holders"). We entered into an agreement with the VAC Holders on December 4, 2007, pursuant to which we agreed to appoint Mr. Morfit (or another designee of the VAC Holders acceptable to us) to our board of directors for an initial term expiring in 2009, and this agreement will remain in effect until the earlier of (a) such time that Mr. Morfit (or successor designee) no longer serves on our board or is not re-nominated for election as a director, (b) the date the VAC Holders beneficially own less than 5% of our outstanding common stock, or (c) a date established by mutual consent of the parties. Mr. Morfit also agreed to sign our policies relating to confidentiality, communications with third parties and trading in our securities. Until the earlier of the date immediately following the 2008 annual meeting or the dates listed in clauses (a), (b) and (c) above, the VAC Holders agreed to vote all of the shares of our common stock beneficially owned by them for each of our nominees for election to the board at the 2008 annual meeting, and in other matters proposed by stockholders at the 2008 annual meeting, if any, in accordance with the recommendation of the board. The VAC Holders further agreed during this time period not to:

Solicit proxies or consents from our stockholders to elect persons to the board or to approve stockholder proposals (other than as a director at our request);

Make or be the proponent of any stockholder proposal;

Seek, alone or with others, to call a meeting of stockholders, seek representation on the board, or seek the removal of any member of the board;

Make any publicly disclosed proposal relating to, or publicly disclosed request that, the board consider certain extraordinary matters such as mergers, material asset transfers, board changes, and changes to charter documents; or

Request AMO or any of its representatives, directly or indirectly, to release any of the VAC Holders from, amend or waive, or otherwise take any action that is inconsistent with any provision of the agreement.

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### **CORPORATE GOVERNANCE**

#### **Corporate Governance Guidelines**

From its inception, AMO has been committed to integrity and responsible conduct, as evidenced by our adoption in June 2002 of the Advanced Medical Optics, Inc. Code of Ethics. We believe that AMO's commitment to ethical conduct is the personal responsibility of each manager and employee of our company, and no other objective shall have a higher priority. In addition, the board of directors has adopted Corporate Governance Guidelines that reflect our board's commitment to the highest possible standards of corporate governance. These guidelines, which were further updated in May 2006 and May 2007, are being published as *Exhibit A* to this proxy statement to inform our stockholders of the board's current thinking with respect to selected corporate governance issues that we believe may be of interest to stockholders. These are guidelines, not rigid rules. The guidelines include, among other things, a description of the manner in which stockholders can send communications to the board of directors, AMO's policy with regard to board members' attendance at annual meetings, and which director will preside at executive sessions of the board.

#### **Director Independence**

Of the ten persons who served on our board of directors as of December 31, 2007, seven are neither current nor former employees, and we have determined that each of these seven non-employee directors (namely, Mr. Chavez, Mr. Heinrich, Dr. Link, Mr. Morfit, Mr. Mussallem, Ms. Neff and Mr. Rollans) is independent of management and free of any relationship that would interfere with the exercise of his or her independent judgment as a board member. The board has also determined that Ms. Dávila shall be deemed independent in May 2008, upon the third anniversary of AMO's acquisition of VISX. The basis for these determinations is that each of such non-employee directors meets the criteria for independence set forth under Item 9 in our Corporate Governance Guidelines (published as *Exhibit A*). We have made inquiries of each of our non-employee board members and have conducted such other inquiries as we have deemed necessary or advisable in order to ascertain whether such persons are independent.

All of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer are required to abide by our Code of Ethics. We also have adopted various other corporate policies and procedures which, taken as a whole, reflect our commitment to business ethics and to the adherence to all laws and regulations applicable to the conduct of our business. We have implemented procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding business ethics, including questionable accounting or auditing matters. Any interested party may communicate directly with the board of directors, the Chairman of the Board, or with any of the non-management directors in writing, mailed or delivered to such person or group in care of the Secretary at our headquarters located at 1700 E. St. Andrew Place, Santa Ana, California 92705.

Both our Corporate Governance Guidelines and our Code of Ethics have been published in the "Investors" section on our Internet site at [www.amo-inc.com](http://www.amo-inc.com). Copies of our Corporate Governance Guidelines and our Code of Ethics will be provided without charge to any stockholder upon request. We will promptly disclose any future amendments to, or waivers from, certain provisions of our Code of Ethics on our website.

#### **Certain Relationships and Related Transactions**

With the exception noted below, the directors determined that in 2007 we were not a party to any transaction with a related person in which the amount exceeded \$120,000 and in which the related person had a direct or indirect material interest. We entered into a consulting relationship with a director, Mr. Palmisano, shortly after AMO's acquisition of IntraLase, for which we paid him \$175,000, reimbursed \$3,336 in travel expense, and paid the cost of administrative assistance (\$9,957). All other relationships considered by the board were not deemed

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material. As part of this review, the Board considered the employment by AMO of Dr. Link's adult daughter, who does not reside with him, AMO's commercial use of a transportation service owned by Dr. Link, an arms-length contractual relationship that AMO has with Edwards Lifesciences, and the employment by AMO of Mr. Rollans' son, who does not reside with him. The board determined that none of these transactions were material to AMO, Dr. Link, Mr. Mussallem or Mr. Rollans, and that none impairs the independence of Dr. Link, Mr. Rollans, or Mr. Mussallem. The board approved or ratified each transaction. We have made no contributions in any fiscal year to a tax exempt organization in which an independent director serves as an executive officer in an amount exceeding \$1 million or 2% of such organization's consolidated gross revenues.

In February 2007, our board of directors approved a written policy pursuant to which all interested transactions with related parties are subject to approval or ratification by our Organization, Compensation and Corporate Governance Committee. Under this policy, which was further updated in November 2007, the committee reviews and either approves or disapproves each interested transaction. If advance approval is not feasible, then the interested transaction is considered and, if appropriate, ratified at the committee's next regularly scheduled meeting. Also, the chairperson of the committee has the authority to pre-approve or ratify (as applicable) certain interested transactions. In determining whether to approve an interested transaction, the committee will take into account whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances. The committee also will consider the extent of the related person's interest in the transaction. Under the policy, no director may participate in any discussion or approval of a transaction for which he or she is a related party, other than to provide all relevant information.

Under the policy, an interested transaction is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships in which (1) the aggregate amount involved will or may reasonably be expected to exceed \$100,000 in any calendar year, (2) the company is a participant, and (3) any related party has or will have a direct or indirect interest. A related party is any (a) executive officer, director or nominee for election as a director, (b) greater than 5 percent beneficial owner of the our common stock, (c) immediate family member of any of executive officer or director, or (d) any corporation, partnership, trust or other entity in which any of the foregoing persons has a controlling interest, whether as an executive officer, director, general partner, manager, or owner of a greater than 10% interest. In addition, the policy specifies certain types of transactions for which standing pre-approval has been given, even if the amount involved will exceed \$100,000.

## **Committees of the Board of Directors**

We are managed under the direction of our board of directors. Our board of directors has established four standing committees: an Audit and Finance Committee, an Organization, Compensation and Corporate Governance Committee, a Science and Technology Committee and an Employee Incentive Committee. In addition to its other roles, which are described below, the Organization, Compensation and Corporate Governance Committee performs the functions of a standing nominating committee and a compensation committee.

### *Audit and Finance Committee*

The Audit and Finance Committee is composed of Mr. Heinrich, Dr. Link, Mr. Rollans and Ms. Neff. Mr. Chavez is the designated alternate. Our board has determined that none of the committee members nor the alternate has a relationship to AMO that may interfere with the exercise of his or her independence from management and the company. Consequently, the board has unanimously determined that each of these committee members and the alternate is independent under current New York Stock Exchange (NYSE) listing standards and Section 10A(m)(3)(B) of the Securities Exchange Act of 1934. Our board of directors has determined that no member of our Audit and Finance Committee serves on the audit committees of more than three public companies.

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Each member of the Audit and Finance Committee and the alternate is financially literate, in accordance with the qualifications set forth by the company's board of directors in its business judgment. In addition, the Board has unanimously determined that each of the Audit and Finance Committee members, namely Mr. Heinrich, Dr. Link, Mr. Rollans and Ms. Neff, and the alternate, Mr. Chavez, has the requisite accounting or related financial management expertise to qualify as an audit committee financial expert, meaning that each has:

an understanding of generally accepted accounting principles and financial statements;

the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by AMO's financial statements, or experience actively supervising one or more persons engaged in such activities;

an understanding of internal control over financial reporting; and

an understanding of audit committee functions.

In 2007, the Audit and Finance Committee met seven times.

The board of directors adopted, and in February 2004 amended and restated, a written Charter setting forth the authority and responsibilities of the Audit and Finance Committee. Minor updates to accounting standards set forth in the Audit and Finance Committee Charter were approved by the board of directors on March 1, 2005 and February 7, 2007. The full text of the Audit and Finance Committee Charter has been published in the Investors section on our Internet site at [www.amo-inc.com](http://www.amo-inc.com). A copy will be provided without charge to any stockholder who requests it. As set forth in its Charter, the Audit and Finance Committee:

reviews the scope of the audit by the independent registered public accounting firm;

inquires into the effectiveness of our accounting and internal control functions;

recommends to the board of directors any changes in the appointment of independent registered public accounting firm that the committee may deem to be in the best interests of the company and its stockholders;

assists the board of directors in establishing and monitoring compliance with the ethical business practice standards of the company; and

has a finance oversight role, including the periodic evaluation of our finance function, capital structure and debt and equity policies and programs.

Our independent registered public accounting firm and our internal financial personnel have regular private meetings and unrestricted access with this committee.

The report of the committee begins on page 61.

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### *Organization, Compensation and Corporate Governance Committee*

The Organization, Compensation and Corporate Governance Committee is composed solely of directors who are independent of management. The current members are Messrs. Mussallem, Chavez and Rollans. Dr. Link is the designated alternate. Each member and the alternate meets the independence criteria for NYSE nominating and compensation committee members in our board of directors business judgment. This committee met five times in 2007. As set forth in the written Charter of the Organization, Compensation and Corporate Governance Committee, the committee:

determines the compensation of executive officers and outside directors;



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exercises authority of the board of directors concerning employee benefit plans;

advises the board of directors on other compensation and employee benefit matters;

makes recommendations to the board of directors regarding candidates for election as directors of the company; and

advises the board of directors on board committee structure and membership and corporate governance matters.

The Charter of the Organization, Compensation and Corporate Governance Committee has been published in the Investors section on our Internet site at [www.amo-inc.com](http://www.amo-inc.com). A copy will be provided without charge to any stockholder who requests it.

The Organization, Compensation and Corporate Governance Committee, which performs the functions of a standing nominating committee, will consider director candidates proposed by stockholders. The board may engage a third party recruiter to identify nominees. The function of the recruiter is to identify and screen nominees who meet AMO's needs. Candidates, whether proposed by management or stockholders, are selected for their character, judgment, business experience and acumen, and scientific expertise and familiarity with issues affecting AMO are also relevant. To be considered by the committee for the 2009 annual meeting, stockholder submissions must be received at the offices of the company to the attention of the Secretary, Advanced Medical Optics, Inc., 1700 E. St. Andrew Place, Santa Ana, California 92705, between January 22, 2009 and February 21, 2009. When the board seeks new members, the committee reviews the suitability of board candidates, including any recommended by a stockholder, by first screening resumes, and, if there is interest, conducting substantially the following process: (a) set up preliminary interviews, possibly with the aid of an outside recruiting firm, and, if there is continued interest, (b) set up additional interviews with the committee Chair, the Chairman of the Board, the Chief Executive Officer and/or such other persons as may be helpful to the process, and, if there is continued interest, (c) recommend the board candidate to the full board. Mr. Palmisano joined our board in 2007, following our acquisition of IntraLase Corp., where he was chief executive officer, based on the recommendation of the committee and Mr. Mazzo.

*Compensation Committee Processes and Procedures.* The Organization, Compensation and Corporate Governance Committee, or the board of directors acting as a whole, retains the sole authority to determine the compensation of executive officers and directors. This authority is not delegated to AMO's management in any way. The committee approves each element, and any changes to, the compensation of our executive officers and directors.

The committee generally considers salary adjustments for executive officers annually. Our chief executive officer and head of human resources make recommendations to the committee, which then meets independently with the compensation consultant selected by the committee. Our compensation committee retains the authority to engage compensation consultants. Currently, our compensation consultant is Ernst & Young. We selected Ernst & Young through a rigorous process involving proposals from, and interviews with, several firms, presentations to the compensation committee, and a committee selection meeting. The nature and scope of the consultant's assignments vary at the request of the committee but generally include the annual evaluation of all elements of director and executive compensation. For efficiency, the committee has also approved our management's use of the consultant's services in providing survey information, tax gross-up calculations, and tax advice for programs related to non-executive positions. The consultant provides the committee with an analysis of competitive data for executives in similar positions at comparator companies. The committee establishes this list of comparator companies, with the assistance of their consultant, and reviews its applicability on an ongoing basis.

The committee sets the performance objectives for the management incentive program early in the year and then measures performance against those objectives in the first quarter of the following year. Based on the

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performance assessment, the committee decides the extent of the program funding, and then makes individual awards to the executive officers based on considerations of business unit or function performance, as well as individual performance against pre-established performance objectives and milestones.

The committee has considered grants of stock incentives to executives annually at the time of our annual meeting of stockholders. Historically, the compensation committee has made grants on an annual basis but is not bound to do so if, in the judgment of the committee, grants are not warranted or additional grants during the year are deemed prudent. The committee has not altered the date of this grant, and we do not time the disclosure of corporate information around the date of this grant. The grant date of these awards is coincident with the date of the committee's meeting (or full board meeting if full board approval is sought). In February 2007 the committee also granted performance awards to our executives. The timing of performance-based awards, including stock-based performance awards, is generally at the committee's first regular meeting of the year, in order to set the performance targets early in the performance period and within the requirements of Section 162(m) of the Internal Revenue Code. Again, we do not time the disclosure of corporate information around the date of this grant, and the grant date is coincident with the meeting date.

The report of the committee begins on page 42.

### *Science and Technology Committee*

Our Science and Technology Committee is composed of Dr. Link, Messrs. Chavez, Mazzo, Morfit, Palmisano and Mussallem, Ms. Dávila and Ms. Neff. The functions of this committee include reviewing our:

research and development programs,

projects to evaluate investment allocations, and

portfolio of strategic patents and major technology-based transactions.

This committee met four times in 2007. The full text of its Charter has been published in the Investors' section on our Internet site at [www.amo-inc.com](http://www.amo-inc.com). A copy will be provided without charge to any stockholder upon request.

### *Employee Incentive Committee*

Our Employee Incentive Committee is composed of Mr. Mazzo (the Chairman of the Board) and Mr. Mussallem (the Chairman of the Organization, Compensation and Corporate Governance Committee). The function of this committee is to review and approve equity incentive awards to employees who are not our executive officers in limited circumstances where it is prudent to approve a grant between regular meetings of the Organization, Compensation and Corporate Governance Committee. The committee's authority is limited to equity incentive awards for new employees who are not executive officers and for grants to current employees who are not executive officers for retention of key talent. In establishing this committee, the board of directors has defined the terms of the incentive awards and has limited the number of awards that can be made. The Employee Incentive Committee determines who gets an award, the amount of the award, and whether the award is made in stock options, restricted stock or restricted stock units, all within the pre-established limits set by our board of directors.

This committee did not hold meetings in 2007. The full text of its Charter has been published in the Investors' section on our Internet site at [www.amo-inc.com](http://www.amo-inc.com). A copy will be provided without charge to any stockholder upon request.

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**RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**(Proposal 2)**

The Audit and Finance Committee, composed of independent members of the Board of Directors, is responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The Audit and Finance Committee has selected PricewaterhouseCoopers LLP, independent registered public accounting firm, as our independent registered public accounting firm for the year 2008. In selecting PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2008, the Audit and Finance Committee considered whether PricewaterhouseCoopers LLP's provision of services other than audit services is compatible with maintaining independence as our independent registered public accounting firm. PricewaterhouseCoopers LLP audited our consolidated financial statements for the fiscal year ended December 31, 2007 and our internal control over financial reporting as of December 31, 2007. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Although ratification by stockholders is not a prerequisite to the ability of the Audit and Finance Committee to select PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, we believe such ratification to be desirable. If the stockholders do not ratify the selection of PricewaterhouseCoopers LLP, the selection of independent auditor will be reconsidered by the Audit and Finance Committee; however, the Audit and Finance Committee may select PricewaterhouseCoopers LLP, notwithstanding the failure of the stockholders to ratify its selection. The Audit and Finance Committee believes ratification is advisable and in the best interests of the stockholders. If the appointment of PricewaterhouseCoopers LLP is ratified, the Audit and Finance Committee will continue to conduct an ongoing review of PricewaterhouseCoopers LLP's scope of engagement, pricing and work quality, among other factors, and will retain the right to replace PricewaterhouseCoopers LLP at any time.

The following proposal will be presented at the Annual Meeting:

Action by the Audit and Finance Committee appointing PricewaterhouseCoopers LLP as the Advanced Medical Optics, Inc. independent registered public accounting firm to conduct the annual audit of the consolidated financial statements of Advanced Medical Optics, Inc. and its subsidiaries for the fiscal year ending December 31, 2008 and an audit of our internal control over financial reporting as of December 31, 2008 is hereby ratified, confirmed and approved.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2008.**

**Independent Auditor Fees**

Aggregate fees billed to us for the fiscal years ended December 31, 2007 and December 31, 2006, by our independent registered public accounting firm are as follows:

Type of Fees	2007	2006
Audit Fees <sup>(1)</sup>	\$ 3,718,300	\$ 3,071,600
Audit-Related Fees <sup>(2)</sup>	88,500	241,400
Tax Fees <sup>(3)</sup>	1,959,200	1,272,800
All Other Fees <sup>(4)</sup>	3,000	3,000
<b>Total</b>	<b>\$ 5,769,000</b>	<b>\$ 4,588,800</b>

<sup>(1)</sup> Represents the aggregate fees billed to us by PricewaterhouseCoopers LLP for professional services rendered to us and our subsidiaries for the audit of our annual consolidated financial statements and for the



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reviews of the condensed consolidated financial statements included in our Form 10-Q filings for each fiscal quarter, for the audit of our internal control over financial reporting, for audits of our international operations, preparation of comfort letters, review of registration statements and consents.

- (2) Represents the aggregate fees billed to us by PricewaterhouseCoopers LLP for assurance and related services that are reasonably related to the performance of the audit and review of our and our subsidiaries' financial statements that are not already reported in Audit Fees. Amounts in 2007 and 2006 include employee benefit plan audits.
- (3) Represents the aggregate fees billed to us by PricewaterhouseCoopers LLP for permissible tax services rendered to us and our subsidiaries for tax planning and advice and review of tax returns.
- (4) Aggregate fees billed for all other services rendered to AMO and its subsidiaries consisted of a subscription fee for an online accounting research tool.

### **Independent Registered Public Accounting Firm Independence**

The Audit and Finance Committee has considered whether the provision of the above noted services is compatible with maintaining the independent registered public accounting firm's independence and has determined that the provision of such services has not adversely affected the independent registered public accounting firm's independence.

### **Pre-Approval of Services Provided by the Independent Registered Public Accounting Firm**

During 2003, the Audit and Finance Committee of our Board of Directors adopted a Pre-Approval Policy. The Audit and Finance Committee reviews and updates the Policy from time to time, most recently in February 2007. The Pre-Approval Policy requires that all audit and non-audit services performed by our independent registered public accounting firm be pre-approved by the committee in order to assure that the provision of such services does not impair the independent registered public accounting firm's independence. The policy also prohibits the independent registered public accounting firm from providing certain other services. We may not engage our independent registered public accounting firm to render any audit or non-audit service unless the service is approved in advance by the Audit and Finance Committee or the engagement to render the service is entered into pursuant to the policy. At least once per year the committee will consider and pre-approve services that are expected to be provided to AMO by the independent registered public accounting firm during the fiscal year. At the time such pre-approval is granted, the Audit and Finance Committee specifies the pre-approved services and establishes a monetary limit with respect to each particular pre-approved service, which limit may not be exceeded without obtaining further pre-approval under the policy. For any pre-approval, the Audit and Finance Committee considers whether such services are consistent with the rules of the Securities and Exchange Commission on auditor independence. Management periodically updates the Audit and Finance Committee on the services performed by and fees paid to the independent auditor during the current fiscal year and previous quarter. The Audit and Finance Committee may delegate pre-approval authority to one or more of its members, but such authority is not delegated to management. A committee member or members to whom such authority is delegated reports any pre-approval decisions to the committee at its next scheduled meeting. All of the audit, audit-related, tax and other services provided by PricewaterhouseCoopers LLP in 2007 and 2006 described above were pre-approved by the Audit and Finance Committee in accordance with its Pre-Approval Policy.

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**RE-APPROVAL OF THE ADVANCED MEDICAL OPTICS, INC. 2002 BONUS PLAN**

**Proposal 3**

**General**

Our stockholders approved the Advanced Medical Optics, Inc. 2002 Bonus Plan, regarding annual bonuses to be paid to our management level employees, in 2003. Because stockholder approval is required every five years, we are seeking public stockholder re-approval of the plan to enable us to meet one of the tax deductibility requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Tax Code ).

The following is a summary of the principal features of the plan. The summary is qualified by and subject to the actual provisions of the plan attached to this proxy statement as *Exhibit B*.

**Summary of the Bonus Plan**

The primary purposes of the plan are to attract and retain highly qualified individuals; to obtain from each the best possible performance; and to include in such individual s compensation package an annual incentive component which is tied to the accomplishment of specific corporate and individual objectives that enhance value for our stockholders. We seek stockholder approval of the plan in order to permit us to deduct from our taxes compensation paid to the CEO and other highly paid executives in the form of bonus. Without stockholder approval of the plan, bonus compensation paid to the CEO and certain other executives will count toward the \$1 million tax deductibility limit, and we are likely to lose a substantial tax benefit.

The plan is administered by the Organization, Compensation and Corporate Governance Committee of the board of directors. The plan limits the constituency of the committee to directors who are considered outside directors for purposes of Tax Code Section 162(m). Under the terms of the plan, all regular full-time and part-time employees scheduled to work 20 or more hours per week in salary grades 5E and above (manager level employees in the United States and Puerto Rico) and 7E and above (director level employees outside of the United States and Puerto Rico) are eligible for participation. In total, this represents approximately 535 people.

Incentive compensation under the plan is based on the achievement of performance objectives established by the committee for each plan year. Plan years coincide with calendar years. Until further notice and resubmission to stockholders for approval, the performance objectives will be based on any of the following criteria, either alone or in any combination, and measured either on an absolute basis, relative basis against a pre-established target, and/or peer group, or prior year s performance as the committee determines:

revenue (sales),

cash flow,

earnings per share (including earnings before interest, taxes and amortization),

return on equity,

total stockholder return,

return on capital,

return on assets or net assets,

income or net income,

operating income or net operating income,

operating profit or net operating profit,

operating margin, or

market share.

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No later than 90 days from the beginning of each plan year (or such longer time permitted by Section 162(m)), the Committee will establish, in writing, the specific performance objectives which must be achieved in order for any award to be earned, the objective bonus formula for computing a bonus if the performance objectives are achieved, and targeted bonus for each 162(m) participant for the plan year. The maximum bonus that may be earned by any 162(m) participant in any given calendar year may not exceed \$2,000,000.

If the performance objectives are satisfied, the Committee shall certify in writing, prior to the payment of any award, that such objectives were satisfied. Awards under the plan that are based on achieving certain performance objectives, the amount of which are determined by formula, will qualify as performance-based compensation, assuming stockholder approval of the plan is obtained and other Section 162(m) requirements are met. However, the plan does not limit the Committee's authority to grant additional bonus awards outside of the plan. Any such additional awards would not qualify as performance-based compensation for purposes of Tax Code Section 162(m) and would be subject to the \$1 million deduction limitation. Awards under the plan are payable only in cash.

If a change in control occurs during a plan year, participants are paid a bonus prorated to the effective date of the change in control, and all performance objectives will be deemed to be met at the greater of 100% of the target or the actual prorated year-to-date performance. Participants must be employed by us or our successor on the effective date of the change in control in order to receive the prorated payment, unless employment is terminated for retirement, death or disability or otherwise without cause.

**New Plan Benefits**

At this time, we cannot determine the amount of bonus awards under the 2002 Bonus Plan, if re-approved, that will be granted in the future to specific officers, officers as a group, or non-officers as a group. Grants will be made at the discretion of the compensation committee. Awards under the plan for 2007 are summarized below:

<b>Name and Position</b>	<b>Dollar Value (\$)</b>
James V. Mazzo, Chairman and Chief Executive Officer	\$ 550,000
Richard A. Meier, President and Chief Operating Officer	275,000
Holger Heidrich, Corporate Vice President and President, EAM and International Government Affairs <sup>(1)</sup>	186,832
C. Russell Trenary III, Executive Vice President, Global Public Policy and Medical Education	146,400
Douglas H. Post, Executive Vice President and President, Corneal Refractive Group	155,000
Michael J. Lambert, Executive Vice President and Chief Financial Officer	187,500
Executive Group	1,823,232
Non-Executive Director Group	0
Non-Executive Officer Employee Group	9,735,434

<sup>(1)</sup> Dr. Heidrich is paid in euros. The payment was converted to dollars using the 2007 average conversion rate of 1.37. If stockholders do not approve this proposal, the plan will still remain in effect.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RE-APPROVAL OF THE ADVANCED MEDICAL OPTICS, INC. 2002 BONUS PLAN.**



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**APPROVAL OF THE 2004 STOCK INCENTIVE PLAN**

**Proposal 4**

**General**

In April 2007, we acquired IntraLase Corp. At that time, our board of directors adopted the IntraLase Amended and Restated 2004 Stock Incentive Plan (now known as the 2004 Stock Incentive Plan) and amended its terms to align it with our standard terms for incentive awards. The 2004 Stock Incentive Plan (the Current 2004 Plan) was approved by the IntraLase stockholders in 2004. We now submit the plan for approval of the AMO stockholders. Approval of the plan does not increase overall dilution, since the shares are currently available for grant. Approval of the AMO stockholders would allow us to amend the plan, as proposed in *Exhibit C* (the Amended 2004 Plan), to allow AMO greater flexibility in granting awards. Under New York Stock Exchange rules, without the approval of our stockholders, awards under the Current 2004 Plan may not be made to anyone employed by AMO or its subsidiaries on the date of our acquisition of IntraLase. As we integrate IntraLase with AMO, we seek your approval to grant awards to all employees under the Amended 2004 Plan, in line with our integrated business. We also believe that with the approval of the Amended 2004 Plan, our stock program will be funded through 2009, assuming our number of eligible participants does not change materially.

At the time we acquired IntraLase, there were an aggregate of 3,233,750 shares of IntraLase common stock reserved and available for issuance under the plan. When we assumed the plan, the number of shares available under the plan was reduced to 2,171,480 according to the formula for share conversion set out by the New York Stock Exchange. Since the closing of the acquisition in April 2007, and as of March 31, 2008, we have issued 181,680 options and 89,419 restricted stock units to participants under the plan, leaving 1,922,381 shares remaining available for grant. We have not issued any awards under the plan to participants who were AMO employees on the date of the acquisition, in accordance with the New York Stock Exchange's requirements.

Prior to the IntraLase acquisition, we granted incentive awards under our 2005 Incentive Compensation Plan, which our stockholders approved in 2005. Under that plan, we have 1,469,746 shares remaining available for grant as of March 31, 2008.

Our board of directors believes the Amended 2004 Plan is essential to maintain AMO's balanced and competitive total compensation programs. Approval of the Amended 2004 Plan would enable us to continue to attract and retain participants to promote the financial success of AMO. In the event the Amended 2004 Plan is not approved, we will continue to grant awards under the 2005 Incentive Compensation Plan to participants who were employees of AMO prior to the IntraLase acquisition, and will continue to grant awards under the Current 2004 Plan only to participants who were employees of IntraLase or are new to the organization since the acquisition. As a consequence, our shares available under the 2005 Incentive Compensation Plan would likely be fully utilized in 2008.

Reflecting AMO's continued commitment to strong governance practices, including those relating to compensation matters, both the Current and Amended 2004 Plans and the 2005 Incentive Compensation Plan prohibit the repricing of stock options, the grant of discounted stock options or reload stock options, and loans to employees to finance a transaction under the plans. A reload stock option is one that entitles the optionee to the automatic grant of additional options in connection with an exercise of the original option.

In 1993, Section 162(m) was added to the Internal Revenue Code. Section 162(m) may limit our ability to deduct for United States federal income tax purposes compensation in excess of \$1 million paid to each of our Chief Executive Officer and our four other highest paid executive officers in any one fiscal year. Grants of awards under the plan would be subject to the \$1 million deduction limitation unless the plan complies with the requirements for performance-based compensation. One of the requirements of performance-based compensation is that the stockholders approve the material terms of the plan.

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The following is a summary of the principal features of the Amended 2004 Plan. The summary is qualified by and subject to the actual provisions of the Amended 2004 Plan, which is attached to this proxy statement as *Exhibit C*.

### **Summary of the 2004 Amended Plan**

#### *Purpose and Eligibility*

The purposes of the plan are primarily:

to enhance our ability to attract and retain the services of employees and directors, upon whose judgment, initiative and efforts the successful conduct and development of our business largely depend, and

to provide additional incentives to such persons to devote their utmost effort and skill to the advancement and betterment of AMO by providing them an opportunity to participate in the ownership of AMO and thereby have an interest in the success and increased value of AMO that coincides with the financial interests of the AMO's stockholders.

All of our approximately 4,100 regular employees would be eligible to receive incentive awards under the Amended 2004 Plan. Under the Current 2004 Plan, no individual who was an employee of AMO or one of its other subsidiaries at the time of the acquisition of IntraLase is eligible to receive awards. Other than this change in eligibility for AMO employees, the terms of the Amended 2004 Plan are the same as those of the Current 2004 Plan. Our independent directors and certain consultants are also eligible to receive incentive awards.

#### *Administration, Amendment and Termination*

The Organization, Compensation and Corporate Governance Committee of our Board of Directors (our compensation committee) is responsible for administering the plan and is composed of two or more persons appointed by our board of directors. All compensation committee members must be both non-employee as defined by Rule 16b-3 under the Exchange Act and outside directors for purposes of Section 162(m) of the Internal Revenue Code. The compensation committee has the authority to interpret the plan, determine the terms and conditions of incentive awards and make all other determinations necessary and/or advisable for the administration of the plan. The compensation committee may, with the consent of a participant, amend the terms of any existing incentive award previously granted to the participant, in a manner consistent with the plan. The compensation committee may not, however, reduce the exercise price of an outstanding stock option without first obtaining approval from our stockholders. The compensation committee also has authority to prescribe, amend and rescind rules and regulations relating to the plan.

Our board of directors may alter, amend, suspend or terminate the plan at any time. However, our board of directors may not take any action to increase the maximum number of shares that may be sold or issued under the plan or alter the class of eligible participants without the approval of our stockholders. The plan will terminate by May 27, 2014.

#### *Types of Awards*

*Stock Options.* Stock options granted under the plan may be incentive stock options, or ISOs, intended to qualify under the provisions of Section 422 of the Internal Revenue Code, or nonqualified stock options which do not so qualify. The compensation committee determines the exercise price of AMO common stock that is subject to an option at the date the option is granted. The exercise price of an option may not be less than the fair market value on the date of grant of the common stock subject to the option. Options may be exercised as determined by the compensation committee, provided that an ISO may not be exercised after ten years from the date of grant.

The plan provides for automatic acceleration of vesting of options in the event of a change in control or an employee's termination due to death, total disability or job elimination. In the event employment terminates for cause, all options, vested and unvested, expire on the date of termination. In all other situations, options are exercisable upon termination only to the extent vested, unless otherwise determined by the compensation committee.

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The compensation committee may grant options to employees or consultants. The board may grant options to independent directors, although our current philosophy is that directors receive only restricted stock units, not stock options.

*Dividend Equivalents.* The compensation committee may, in its discretion and at no additional cost, grant a holder of restricted stock units an amount payable in cash, common stock or a combination thereof that is equivalent to the amount of dividends paid to AMO stockholders who own an equal number of shares of AMO common stock.

*Performance Awards.* The compensation committee may grant awards, payable in common stock, restricted stock units, restricted stock or a combination thereof to employees and consultants, with the terms and conditions determined by the compensation committee at the time of grant. The compensation committee will determine the performance criteria to be utilized to calculate the value of the performance awards, the term of the performance awards, the event or events giving rise to the right to payment of a performance award, and the form (common stock and/or restricted stock) and time of payment of performance awards.

The performance criteria may be any of the following:

Sales,

Revenues,

Operating income,

Pre-tax income,

Earnings before interest, taxes, depreciation and amortization (EBITDA),

Gross margin,

Return on equity,

Return on capital,

Earnings per share,

Consolidated net income divided by the average consolidated common stockholders equity,

Cash and cash equivalents derived from either net cash flow from operations, or net cash flow from operations, financings and investing activities,

Adjusted operating cash flow return on income,

Cost containment or reduction,

Product development,

Market share,

Customer satisfaction,

Employee satisfaction,

The percentage increase in the market price of the common stock over a stated period,

Strategic transactions, and

Individual business objectives.

*Restricted Stock and Restricted Stock Units.* The compensation committee may award restricted stock and restricted stock units to employees, consultants and independent directors. Shares of restricted stock and restricted stock units are nontransferable and subject to a substantial risk of forfeiture until specific conditions are met as set forth in the plan and in any statement evidencing the grant. The compensation committee determines the number of shares of restricted stock or restricted stock units awarded, the purchase price (if any), terms of payment of the purchase price, restrictions upon the restricted stock and restricted stock units and when the restrictions will lapse. Holders of restricted stock units have no rights of a stockholder until shares are issued upon vesting of the units.

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Upon termination of a participant's employment, consultancy or directorship for death or total disability, restrictions on all restricted stock lapse, and all restricted stock units become vested and payable. In the event an employee is terminated for job elimination, restrictions lapse on a prorated number of shares or units. In all other cases, all shares of unvested restricted stock are forfeited and are repurchased by AMO if the participant paid any purchase price, and all unvested restricted stock units expire.

*Stock Appreciation Rights.* The compensation committee may approve the grant to employees or consultants of a stock appreciation right, or a right to receive a number of shares of AMO common stock or, in the discretion of the compensation committee, an amount in cash or a combination of shares and cash, based on the increase in the fair market value of the shares subject to the right during a period as specified by the compensation committee (up to ten years). They may be related or unrelated to stock options.

*Stock Payments.* The compensation committee may approve payments in shares of AMO common stock to replace all or any portion of the compensation (other than base salary) that would otherwise become payable to any regular employee or consultant in cash.

### *Securities Subject to Plan*

The aggregate number of shares of AMO common stock reserved for issuance under the plan as of March 31, 2008 was 1,922,381. The maximum number of shares AMO common stock available for issuance pursuant to the exercise of ISOs was also 1,922,381 as of March 31, 2008. Shares subject to the unexercised portion of any incentive award that expires, terminates or is canceled and shares issued pursuant to an incentive award that AMO reacquires will again become available for the grant of further incentive awards under the plan.

The plan provides that the maximum number of shares with respect to which incentive awards may be granted to any individual in any given calendar year is 335,750. All shares are currently registered with the Securities and Exchange Commission.

The maximum number of shares issuable under the plan, the number and kind of shares or other securities subject to then outstanding incentive awards, and the price for each share or other unit of any other securities subject to then outstanding incentive awards, will be appropriately and proportionately adjusted to reflect mergers, consolidations, sales or exchanges of all or substantially all of our properties, reorganizations, recapitalizations, reclassifications, stock dividends, stock splits, reverse stock splits, spin-offs or other distributions with respect to our shares of common stock (or any stock or securities received with respect to such common stock) or a reduction in the value of the outstanding shares of common stock by reason of an extraordinary cash dividend.

On March 31, 2008, the last reported sales price of AMO common stock at the end of regular trading hours, as reported on the NYSE, was \$20.30 per share.

### *United States Federal Income Tax Consequences*

The following is a brief description of the United States federal income tax treatment which will generally apply to incentive awards made under the plan, based on United States federal income tax laws currently in effect. The exact United States federal income tax treatment of an incentive award will depend on the specific nature of the incentive award. Such an incentive award may, depending on the conditions applicable to the incentive award, be taxable as an option, as restricted or unrestricted stock, as a cash payment, or otherwise. Employees that participate in the plan are advised to consult with their tax advisor for particular federal, as well as state and local, income and any other tax advice.

*Incentive Stock Options.* Pursuant to the plan, employees may be granted options which are intended to qualify as ISOs under the provisions of Section 422 of the Internal Revenue Code. Generally, the optionee is not taxed and we are not entitled to a deduction on the grant or the exercise of an ISO. However, if the optionee sells the shares acquired upon the exercise of an ISO at any time within (a) one year after the date of transfer of ISO shares to the optionee pursuant to the exercise of the ISO or (b) two years after the date of grant of the ISO, then (1) the optionee will recognize capital gain equal to the excess, if any, of the sales price over the fair market

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value of the ISO shares on the date of exercise, (2) the optionee will recognize ordinary income equal to the excess, if any, of the lesser of the sales price or the fair market value of the ISO shares on the date of exercise, over the exercise price of the ISO, (3) the optionee will recognize capital loss equal to the excess, if any, of the exercise price of the ISO over the sales price of the ISO shares, and (4) we will generally be entitled to a deduction equal to the amount of ordinary income recognized by the optionee. If the optionee sells the ISO shares at any time after the optionee has held the ISO shares for at least (i) one year after the date of transfer of the ISO shares to the optionee pursuant to the exercise of the ISO and (ii) two years after the date of grant of the ISO, then the optionee will recognize capital gain or loss equal to the difference between the sales price and the exercise price of the ISO, and we will not be entitled to any deduction.

The amount by which the fair market value of the ISO shares received upon exercise of an ISO exceeds the exercise price will be included as a positive adjustment in the calculation of an optionee's alternative minimum taxable income, or AMTI in the year of exercise. The alternative minimum tax imposed on individual taxpayers is generally equal to the amount by which 28% (26% of AMTI below certain amounts) of the individual's AMTI (reduced by certain exemption amounts) exceeds his or her regular income tax liability for the year.

**Nonqualified Options.** The grant of an option or other similar right to acquire stock which does not qualify for treatment as an incentive stock option is generally not a taxable event for the optionee. Upon exercise of the option, the optionee will generally recognize ordinary income in an amount equal to the excess of the fair market value of the stock acquired upon exercise (determined as of the date of the exercise) over the exercise price of the option, and we will be entitled to a tax deduction equal to that amount.

**Restricted Stock.** Incentive awards under the plan may also include the grant or sale of restricted stock. Unless the recipient makes an election within 30 days after the receipt of the restricted stock, the recipient generally will not be taxed on the receipt of restricted stock until the restrictions on the stock expire or are removed. When the restrictions expire or are removed, the recipient will recognize ordinary income (and we will be entitled to a deduction) in an amount equal to the excess of the fair market value of the stock at that time over the purchase price (if any). However, if the recipient makes an election within 30 days of the receipt of restricted stock, he or she will recognize ordinary income (and we will be entitled to a deduction) equal to the excess of the fair market value of the stock on the date of receipt (determined without regard to vesting restrictions) over the purchase price (if any).

**Restricted Stock Units.** Recipients of restricted stock units generally do not recognize income upon the grant of such units. The recipient will recognize ordinary income (and we will be entitled to a deduction) in an amount equal to the excess of the fair market value of the stock at the time or times the restricted stock units vest and become payable over the purchase price (if any).

**Stock Appreciation Rights.** Recipients of stock appreciation rights, or SARs, generally do not recognize income upon the grant of the rights. When a participant elects to receive payment of a SAR, the participant recognizes ordinary income in an amount equal to the cash and fair market value of shares of common stock received, and we are entitled to a deduction equal to that amount.

**Performance Awards, Dividends, and Dividend Equivalents.** A payment made under a performance award, dividends and dividend equivalent payments are taxable as ordinary income when actually or constructively received by the recipient. As to any performance award paid in common stock, the amount taxable as ordinary income is the aggregate fair market value of the common stock determined as of the date received. We are entitled to deduct the amount of a performance award, dividends, and dividend equivalent payments when these amounts are taxable as compensation to the recipient.

**Miscellaneous Tax Issues.** Incentive awards may be granted under the plan that do not fall clearly into the categories described above. The United States federal income tax treatment of these incentive awards will depend upon the specific terms of the awards. Generally, we will be required to make arrangements for withholding applicable taxes with respect to any ordinary income recognized by a participant in connection with incentive awards made under the plan. In addition, the American Jobs Creation Act of 2004 may change the tax treatment of incentive awards granted under the plan to the extent the incentive awards contain an element of deferred

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compensation, thus subjecting them to Section 409A of the Internal Revenue Code. Section 409A places certain restrictions on elections for and distributions of deferred compensation, such as prohibiting acceleration of distributions and limited subsequent deferrals of previously deferred amounts. Violation of these rules would result in tax penalties and interest to the recipient of the incentive awards.

Special rules will apply in cases where a recipient of an incentive award pays the exercise or purchase price of the incentive award or applicable withholding tax obligations under the plan by delivering previously owned shares of common stock or by reducing the amount of shares otherwise issuable pursuant to the incentive award. The surrender or withholding of such shares will in certain circumstances result in the recognition of income with respect to such shares or a carryover basis in the shares acquired.

The plan generally provides for accelerated vesting or payment of incentive awards in connection with a change in ownership or control. In that event and depending upon the individual circumstances of the recipient, certain amounts with respect to these awards may constitute excess parachute payments under the golden parachute provisions of the Internal Revenue Code. Pursuant to these provisions, a recipient will be subject to a 20% excise tax on any excess parachute payment and we will be denied any deduction with respect to the payment. Recipients of incentive awards are advised to consult their tax advisors as to whether accelerated vesting of an incentive award in connection with a change of ownership or control would give rise to an excess parachute payment.

AMO generally obtains a deduction equal to the ordinary income recognized by the recipient of an incentive award. AMO's deduction for these amounts (including amounts attributable to the ordinary income recognized with respect to options, restricted stock, restricted stock units, SARs, and performance awards) may be limited under Section 162(m) of the Internal Revenue Code to \$1 million (per person) annually if this plan is not approved by our stockholders. The \$1 million annual limit generally only applies to nonperformance-based compensation paid to AMO's Chief Executive Officer and its other four most highly compensated officers.

**New Plan Benefits**

At this time, we cannot determine the amount of incentive awards under the Amended 2004 Plan, if approved, that will be granted in the future. Grants under the plan will be made at the discretion of the compensation committee or the board, and, accordingly, are not yet determinable. In addition, benefits under the plan will depend on a number of factors, including the fair market value of our common stock on future dates and the exercise decisions made by participants. Consequently, it is not possible to determine the benefits that might be received by participants of incentive awards that will be made thereunder during 2008 or the incentive awards that would have been made thereunder during 2007 had the Amended 2004 Plan been in effect.

In 2007, only one officer, Mr. Lambert, and three directors (Messrs. Palmisano, Morfit and Heinrich) were eligible to receive incentive awards under the 2004 Stock Incentive Plan. 2007 awards under the 2004 Stock Incentive Plan are summarized below:

<b>Name and Position</b>	<b>Nonqualified Stock Options</b>	<b>Restricted Stock Units</b>
Michael J. Lambert, Executive Vice President and CFO	50,000	5,000
Executive Group <sup>(1)</sup>	50,000	5,000
Non-Executive Director Group <sup>(2)</sup>	0	19,664
Non-Executive Officer Employee Group	110,680	40,905

<sup>(1)</sup> Mr. Lambert was the only executive officer who received awards under the 2004 Stock Incentive Plan in 2007.

<sup>(2)</sup> Includes 7,300 restricted stock units granted to Mr. Palmisano, a board nominee.

**THE AMO BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE AMENDED 2004 PLAN.**

**Table of Contents****OWNERSHIP OF OUR STOCK****Beneficial Owners of More than 5% of the Company's Common Stock**

The following table sets forth information with respect to the beneficial ownership of our outstanding common stock by each person who is known by us to be the beneficial owner of 5% or more of our common stock:

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned <sup>(1)</sup>	Percent of Class
ValueAct Capital Management, L.P. <sup>(2)</sup>  435 Pacific Avenue, 4 <sup>th</sup> Floor  San Francisco, California 94133	8,811,635 <sup>(2)</sup>	14.5%
Massachusetts Financial Services Company <sup>(3)</sup>  500 Boylston Street  Boston, Massachusetts 02116	6,970,664 <sup>(3)</sup>	11.5%
D. E. Shaw & Co., L.P. <sup>(4)</sup>  120 W. 45 <sup>th</sup> Street, Tower 45, 39 <sup>th</sup> Floor  New York, New York 10036	5,727,177 <sup>(4)</sup>	9.4%
GAMCO Investors, Inc. <sup>(5)</sup>  One Corporate Center  Rye, New York 10580	5,096,932 <sup>(5)</sup>	8.4%
Tremblant Capital Group <sup>(6)</sup>  767 Fifth Avenue  New York, New York 10153	4,157,739 <sup>(6)</sup>	6.9%
The Guardian Life Insurance Company of America <sup>(7)</sup>  7 Hanover Square, H-26-E  New York, NY 10004	3,523,219 <sup>(7)</sup>	5.8%

<sup>(1)</sup> Beneficial ownership is calculated based on 60,718,078 shares of our common stock outstanding as of February 29, 2008 (excluding treasury shares). Beneficial ownership is determined in accordance with Securities and Exchange Commission rules.

<sup>(2)</sup> The amount shown and the following information was provided by ValueAct Capital Management L.P. and affiliated entities and persons in Amendment No. 3 to Schedule 13D filed with the Securities and Exchange Commission on July 11, 2007, indicating ownership as of July 10, 2007. Such amended Schedule 13D was filed jointly by (a) ValueAct Capital Master Fund, L.P. ( ValueAct Master Fund ),



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(b) ValueAct Capital Master Fund III, L.P. ( ValueAct Master Fund III ), (c) VA Partners, LLC ( VA Partners ), (d) VA Partners III, LLC ( VA Partners III ), (e) ValueAct Capital Management, L.P. ( ValueAct Management L.P. ), (f) ValueAct Capital Management, LLC ( ValueAct Management LLC ), (g) Jeffrey W. Ubben, (h) George F. Hamel, Jr. and (i) Peter H. Kamin (collectively, the VAC Reporting Persons ). Shares reported in the amended Schedule 13D as beneficially owned by ValueAct Master Fund and ValueAct Master Fund III are also reported as beneficially owned by (i) ValueAct Management L.P. as the manager of each such investment partnership, (ii) ValueAct Management LLC, as General Partner of ValueAct Management L.P. and (iii) Messrs. Ubben, Hamel and Kamin as controlling persons of VA Partners, VA Partners III and ValueAct Management LLC. Shares reported as beneficially owned by ValueAct Master Fund are also reported as beneficially owned by VA Partners, as General Partner of ValueAct Master Fund. Shares reported as beneficially owned by ValueAct Master Fund III are also reported as beneficially owned by VA Partners III, as General Partner of ValueAct Master Fund III. VA Partners, VA Partners III, ValueAct Management LLC and the Managing Members also, directly or indirectly, may own interests in

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one or more than one of the partnerships from time to time. Unless otherwise indicated below, by reason of such relationships each of the ValueAct Master Fund and ValueAct Master Fund III is reported as having shared power to vote or to direct the vote, and shared power to dispose or direct the disposition of, the above-listed shares of our common stock, together with VA Partners (only with respect to ValueAct Master Fund), VA Partners III (only with respect to ValueAct Master Fund III), ValueAct Management L.P., ValueAct Management LLC and the managing members. As of the date of the amended Schedule 13D, ValueAct Master Fund is the beneficial owner of 7,908,832 shares (which shares may also be deemed to be beneficially owned by VA Partners), ValueAct Master Fund III is the beneficial owner of 902,803 shares (which shares may also be deemed to be beneficially owned by VA Partners III), and ValueAct Management L.P., ValueAct Management LLC and Messrs. Ubben, Hamel and Kamin may each be deemed the beneficial owner of an aggregate of 8,811,635 shares.

- (3) The amount shown and the following information was provided by Massachusetts Financial Services Company (MFS) in Amendment No. 4 to Schedule 13G filed with the Securities and Exchange Commission on February 12, 2008, indicating ownership as of December 31, 2007. The amended Schedule 13G was filed by MFS, an investment adviser, on behalf of itself as well as certain other non-reporting entities. According to the amended Schedule 13G, MFS has sole dispositive power over 6,970,664 shares of our common stock and sole voting power over 6,861,064 of such shares.
- (4) The amount shown and the following information was provided by D. E. Shaw & Co., L.P. ( DES LP ) and the following affiliated entities and persons named in Amendment No. 1 to Schedule 13G filed with the Securities and Exchange Commission on January 11, 2008, indicating ownership as of January 10, 2008: D.E. Shaw Composite Portfolios, L.L.C. ( DES Composite ), D.E. Shaw Valence Portfolios, L.L.C. ( DES Valence ), D. E. Shaw & Co., L.L.C. ( DES LLC ), and David E. Shaw. Pursuant to such amended Schedule 13G, DES Valence, DES LP and Mr. Shaw are deemed to have shared voting and dispositive power with respect to the 5,727,177 shares owned by such entities, and DES Composite and DES LLC own none of such shares. Mr. Shaw disclaims beneficial ownership of such shares, but may be deemed to be the owner of such shares by virtue of his position as president and sole shareholder of D. E. Shaw & Co., Inc., which is the general partner of DES LP, which in turn is the managing member and investment adviser of DES Valence.
- (5) The amount shown and the following information was provided by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer in Amendment No. 3 to Schedule 13D filed with the Securities and Exchange Commission on February 22, 2008, indicating ownership as of February 21, 2008. In addition to Mr. Gabelli, the entities listed on the amended Schedule 13D include: GGCP, Inc. ( GGCP ), GAMCO Investors, Inc. ( GBL ), Gabelli Funds, LLC ( Gabelli Funds ), GAMCO Asset Management Inc. ( GAMCO ), Teton Advisors, Inc. ( Teton Advisors ), Gabelli Securities, Inc. ( GSI ), Gabelli & Company, Inc. ( Gabelli & Company ), MJG Associates, Inc. ( MJG Associates ), Gabelli Foundation, Inc. ( Foundation ), and LICT Corporation ( LICT ). The above listed persons and entities beneficially own an aggregate of 5,096,932 shares of our common stock, as follows: Gabelli Funds 992,400 shares; GAMCO 3,984,932 shares; MJG Associates 49,000 shares; GSI 18,600 shares; Foundation 4,000 shares; GGCP 15,000 shares; GBL 19,000 shares; and Mario Gabelli 14,000 shares. Mario Gabelli is deemed to have beneficial ownership of the shares owned beneficially by each of the foregoing. GSI is deemed to have beneficial ownership of the shares owned beneficially by Gabelli & Company. GBL and GGCP are deemed to have beneficial ownership of the shares owned beneficially by each of the foregoing other than Mario Gabelli and the Foundation. Each of the above-named reporting persons and entities has the sole power to vote or direct the vote and sole power to dispose or to direct the disposition of the shares reported for it, either for its own benefit or for the benefit of its investment clients or its partners, as the case may be, except that (i) GAMCO does not have the authority to vote 128,000 of its reported shares, (ii) Gabelli Funds has sole dispositive and voting power with respect to the shares held by funds managed by the Gabelli Funds so long as the aggregate voting interest of all joint filers does not exceed 25% of their total voting interest in the shares and, in that event, the proxy voting committee of each such fund shall respectively vote that fund's shares, (iii) at any time, the proxy voting

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committee of each such fund may take and exercise in its sole discretion the entire voting power with respect to the shares held by such fund under special circumstances such as regulatory considerations, and (iv) the power of Mario Gabelli, GBL, and GGCP is indirect with respect to shares beneficially owned directly by other of the above-named reporting persons.

- (6) The amount shown and the following information was provided by Tremblant Capital Group in a Schedule 13G filed with the Securities and Exchange Commission on December 21, 2007, indicating ownership as of December 18, 2007. In its Schedule 13G, Tremblant Capital Group reports that it has sole power to vote and dispose of 4,157,739 shares of our common stock.
- (7) The amount shown and the following information was provided by The Guardian Life Insurance Company of America ( Guardian Life ) and certain named affiliates in a Schedule 13G filed with the Securities and Exchange Commission on February 8, 2008, indicating ownership as of December 31, 2007. In its Schedule 13G, Guardian Life, together with Guardian Investor Services LLC ( Guardian Investor ) and RS Investment Management Co. LLC ( RS ), reports having shared voting and dispositive power with respect to the 3,523,219 shares of our common stock covered by the report. As set forth in the Schedule 13G, RS is a registered investment adviser whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the 3,523,219 shares of our common stock. No individual RS client's holdings of such shares are more than five percent of the outstanding total. Guardian Insurance is an insurance company and the parent company of both Guardian Investor and RS.

**Security Ownership of Directors and Executive Officers**

Presented below is information concerning the amount of company stock beneficially owned by:

each director and director nominee,

each named executive officer, and

all directors and executive officers of the company as a group.

All numbers stated are as of February 29, 2008, and include beneficial ownership of shares of common stock. Except as otherwise indicated, sole voting and investment power exists with respect to all shares listed as beneficially owned. With the exceptions of Mr. Mazzo and Mr. Morfit, no individual named below beneficially owns more than 1% of the company's outstanding voting stock. The shares beneficially owned by all directors and executive officers as a group constitute 18.5% of the company's outstanding voting stock, based upon 60,718,078 shares outstanding as of February 29, 2008. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are exercisable within 60 days of February 29, 2008 are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage of each other person. Based on these assumptions, Mr. Mazzo is deemed to be the beneficial owner of 1.3% of our outstanding voting stock and Mr. Morfit, as a partner of ValueAct Capital, is deemed to be the beneficial owner of 14.5% of our outstanding voting stock. However, as noted in the footnotes to the below table, Mr. Morfit disclaims beneficial ownership of such shares.

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Name of Beneficial Owner <sup>(1)</sup>	Shares of Common Stock Beneficially Owned <sup>(2)</sup>	Rights to Acquire Beneficial Ownership <sup>(3)</sup>	Total
Christopher G. Chavez	11,861	36,000	47,861
Elizabeth H. Dávila	24,992	322,108	347,100
Daniel J. Heinrich	0	0	0
William J. Link, Ph.D.	10,045	9,500	19,545
James V. Mazzo <sup>(4)</sup>	132,682	634,500	767,182
G. Mason Morfit <sup>(5)</sup>	8,811,635	0	8,811,635
Michael A. Mussallem	12,608	36,000	48,608
Deborah J. Neff	8,933	29,500	38,433
Robert J. Palmisano	0	0	0
James O. Rollans	13,227	36,000	49,227
Richard A. Meier	70,776	265,500	336,276
Michael J. Lambert	0	0	0
C. Russell Trenary, III	3,846	160,250	164,096
Holger Heidrich, Ph.D.	1,870	312,848	314,718
Douglas H. Post	10,834	248,756	259,590
All current directors and executive officers (20 persons, including those named above)	9,131,858	2,570,068	11,703,796

(1) The business address of each stockholder is c/o Advanced Medical Optics, Inc., 1700 E. St. Andrew Place, Santa Ana, California 92705.

(2) In addition to shares held in the individual's sole name, this column also includes shares held in various trusts and, for employees, includes shares held in trust for the benefit of the named employee in the Advanced Medical Optics, Inc. 401(k) Plan as of February 29, 2008.

(3) Shares which the party or group has the right to acquire within 60 days after February 29, 2008 upon the exercise of stock options granted under the Advanced Medical Optics, Inc. 2002 and 2005 Incentive Compensation Plans, and under assumed VISX stock plans in the case of Ms. Dávila and Mr. Post.

(4) Includes 16 shares held in trust for a child of Mr. Mazzo's.

(5) The shares are owned directly by ValueAct Capital Master Fund, L.P. and ValueAct Capital Master Fund III, L.P. and may be deemed to be beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital Master Fund, L.P., (ii) VA Partners III, LLC as General Partner of ValueAct Capital Master Fund III, L.P., (iii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P. and ValueAct Capital Master Fund III, L.P., (iv) ValueAct Capital Manager, LLC as General Partner of ValueAct Capital Management, L.P., (v) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC and VA Partners III, LLC and (vi) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. G. Mason Morfit, Jeffrey W. Ubben and George F. Hamel, Jr. represent the management board of ValueAct Holdings GP, LLC and, as such, share investment power of these shares. Mr. Morfit disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

**Section 16(a) Beneficial Ownership Reporting Compliance**

The company's directors and executive officers are required to file reports with the Securities and Exchange Commission concerning their ownership of company stock. Based on the company's review of such reports, all officer and director reports were filed on a timely basis and there are no known failures to file by directors and executive officers during 2007 other than one small stock sale by an investment club in which the spouse of Mr. Mazzo is a member, which was not timely reported, but such transaction was subsequently reported on Form 4, and all transactions are reflected in this proxy statement.



**Table of Contents****EXECUTIVE OFFICERS**

Set forth below are the names and ages of each of our executive officers (Section 16 reporting persons) as of February 29, 2008, their positions with the company, and summaries of their backgrounds and business experience. (For information on the business experience of Mr. Mazzo, the Company's Chairman and Chief Executive Officer, see "Nominees for Election as Directors - Term Expiring 2011" on page 3 above.)

**Sheree L. Aronson**, 52, has been our Corporate Vice President, Corporate Communications, Investor Relations and Market Research, since September 2006, and served as our Vice President, Corporate Communications and Investor Relations from August 2003 to September 2006. From August 2002 to July 2003, she was Director of Communications for RSM EquiCo, a division of H&R Block, and from August 1999 to July 2002, she was a Senior Vice President at Fleishman-Hillard, Inc., an international public relations firm. Between 1985 and 1999, she held senior-level corporate communications and investor relations positions at several companies, including Apria Healthcare, Inc., MTI Technology Corporation, Foodmaker, Inc. and HomeFed Bank.

**Leonard R. Borrmann, Pharm.D.**, 50, has been our Executive Vice President, Research and Development, since February 2007, was Corporate Vice President, Research and Development, from September 2006 to February 2007, was Senior Vice President, Research and Development, from July 2005 to September 2006, and was our Vice President, Surgical Research and Business Development, from March 2004 to June 2005. From August 2002 to February 2004, Dr. Borrmann was President, Chief Executive Officer and a director of Insert Therapeutics, Inc., a privately-held drug delivery company focused on development of novel drug delivery technologies, and from December 2000 to March 2002, he was President, Chief Executive Officer and a director of Maret Pharmaceuticals, Inc., a privately-held drug development company. From May 1998 to September 2000, Dr. Borrmann was the Chief Executive Officer and a director of ACADIA Pharmaceuticals, Inc., a privately-held neuroscience drug discovery company. From June 1984 to May 1998, Dr. Borrmann was employed by Allergan, Inc. in a number of clinical and business development positions, including Vice President, Business Development, a position he held from June 1992 to May 1998.

**Robert F. Gallagher**, 49, is our Senior Vice President, Chief Accounting Officer and Controller, a position he assumed in April 2006, and he was our Vice President, Controller from February 2002 to April 2006. Mr. Gallagher has over 18 years of financial management experience in our industry. From 1995 to 2001, he served in a variety of senior financial positions at Bausch & Lomb and its acquired business, Chiron Vision, most recently as Vice President, Finance of Bausch & Lomb's Global Surgical Products business. From 1988 to 1995, Mr. Gallagher was employed by Allergan in various financial management positions of increasing responsibility, including Vice President, Controller for North East Asia and Controller for Puerto Rico operations.

**Holger Heidrich, Ph.D.**, 55, is our Corporate Vice President and President, EAM and International Government Affairs, a position he assumed in February 2007, and was Corporate Vice President and President, EAM Refractive Vision Correction, from November 2006 to February 2007. From July 2005 to November 2006, Dr. Heidrich was our Corporate Vice President and President, Cataract / Implant Business, from December 2003 through July 2005, he served as President of our Europe, Africa, Middle East region, and from our inception through December 2003, he was President of our Europe, Africa, Asia Pacific region. Prior to joining us, Dr. Heidrich served as Senior Vice President and Head of Surgical Business of Allergan in the Europe/Africa/Middle East region from May 1998 to January 2002. From July 1996 to January 2002, Dr. Heidrich also assumed the duties of Head of Central Europe Area and Managing Director of Allergan Germany/Austria. From 1990 to 1996, Dr. Heidrich was Director of the Contact Lens Care Division of Allergan in Central Europe. From 1986 to 1989, Dr. Heidrich served as Division Director, Pharmaceutical & Surgical, at Pharm-Allergan GmbH, an Allergan subsidiary. He joined Allergan in 1985 as Marketing & Sales Director for Germany. Prior to joining Allergan, Dr. Heidrich held sales and marketing positions at Montedison Pharmaceutical and Ciba Geigy, and was Assistant Professor in Economics at the University Freiburg in Germany. Dr. Heidrich is no longer a Section 16 Officer effective February 2008.

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**Michael J. Lambert**, 46, joined AMO as our executive vice president, chief financial officer in October 2007. Mr. Lambert served as senior vice president, chief financial officer of Quest Software, Inc., a publicly held developer and distributor of software products, from April 2005 until joining AMO. He previously served as senior vice president, finance of Quest Software, Inc. from November 2004 to April 2005. Before joining Quest, Mr. Lambert served as executive vice president and CFO at Quantum Corporation, a publicly held provider of storage solutions, from June 2001 through June 2004. Prior to Quantum, he was senior vice president and CFO of NerveWire, a systems integration consulting firm. From March 1996 to July 2000, Mr. Lambert worked for Lucent Technologies, most recently as vice president and CFO of the InterNetworking Systems Division.

**Richard A. Meier**, 48, was appointed President and Chief Operating Officer in November 2007, and from February 2007 was Chief Operating Officer and Chief Financial Officer. He previously served as our Executive Vice President, Operations, President, Eye Care Business, and Chief Financial Officer from April 2006 to February 2007. From February 2004 to April 2006, he was our Executive Vice President of Operations and Finance and Chief Financial Officer, and from April 2002 to February 2004, Mr. Meier served as our Corporate Vice President and Chief Financial Officer. Prior to joining us, Mr. Meier was Executive Vice President and Chief Financial Officer of Valeant Pharmaceuticals International (formerly ICN Pharmaceuticals, Inc.). Before joining Valeant Pharmaceuticals, Mr. Meier was a Senior Vice President with the investment banking firm of Schroder & Co. Inc. in New York from 1996 until joining Valeant Pharmaceuticals in 1998. Prior to Mr. Meier's experience at Schroder & Co., he held various financial and banking positions at Salomon Smith Barney, Manufacturers Hanover Corporation, as well as other financial and management positions at other firms.

**Douglas H. Post**, 56, has been our Executive Vice President, and President, Corneal Refractive Group, since February 2007, and from November 2006 to February 2007, he was our Corporate Vice President and President, Corneal Refractive Surgery Group. From July 2005 to November 2006, Mr. Post served as our Corporate Vice President and President, Laser Vision Correction Business. From May 2005 to July 2005, Mr. Post was our Region President of the Americas. Mr. Post joined us following completion of the merger between VISX, Incorporated and Advanced Medical Optics. Mr. Post was President and Chief Operating Officer of VISX, Incorporated from July 2003 to May 2005, Executive Vice President, Operations, from January 2001 to July 2003, and Vice President, Operations and Customer Support from September 1996 to January 2001. He served as Senior Director, Customer Support from December 1992 to September 1996 and was Senior Vice President, Sales and Customer Support with VISX Massachusetts Inc. (formerly Questek, Inc.) from February 1985 to December 1992.

**Jane E. Rady**, 59, has been our Executive Vice President, Strategy and Corporate Development, since February 2007. From April 2006 to February 2007, she was our Corporate Vice President, Strategic and Corporate Development, and from April 2002 to April 2006, she was our Corporate Vice President, Strategy and Technology. Prior to joining us, Ms. Rady was a director and the Chief Executive Officer of Integrated Genomics, Inc. and was a consultant to Integrated Genomics and several other companies in 2001. From 1984 to 2000, Ms. Rady was employed by G.D. Searle & Co./Monsanto in various capacities including President and General Manager of Searle's international joint venture, Lorex Pharmaceuticals Ltd., Vice President of Corporate Licensing & Business Development, and Vice President of Strategic Planning.

**C. Russell Trenary, III**, 50, was appointed Executive Vice President, Global Public Policy and Medical Education in October 2007. From February thru October 2007, he was Executive Vice President and President, Cataract Refractive Group, in February 2007. From November 2006 to February 2007, Mr. Trenary was our Corporate Vice President and President, Cataract Refractive Surgery Group, and from February 2004 to November 2006, he was our Corporate Vice President and Chief Marketing Officer. From April 2002 to February 2004, Mr. Trenary served as our Corporate Vice President and President, Americas region. From 1996 to November 2001, Mr. Trenary was the President of Sunrise Technologies International, Inc., and from 1997 to 2001, he held the additional title of Chief Executive Officer. From 1995 to 1996, Mr. Trenary was Senior Vice President, Worldwide Sales and Marketing, of Vidamed, Inc. Mr. Trenary began his career in 1981 with American Hospital Supply Corporation, which was acquired by Allergan in 1986 and which was the basis of

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Allergan's entering the ophthalmic surgical products business. While at Allergan from 1987 to 1995, Mr. Trenary held positions of increasing responsibility in the surgical products business, culminating with the position of Senior Vice President and General Manager of AMO Surgical Products, a position he held from 1991 to 1995.

**Aimee S. Weisner**, 39, is our Executive Vice President, Administration, and Secretary, a position she assumed in February 2008. Her responsibilities include Legal Affairs, Compliance and Human Resources, and she is our Chief Ethics Officer. From February 2007 to February 2008, she served as Executive Vice President, Administration, General Counsel and Secretary. From our inception through February 2007, her title was Corporate Vice President, General Counsel and Secretary. Ms. Weisner was Vice President and Assistant General Counsel of Allergan from January 2002 through June 2002, and was an Assistant Secretary of Allergan from November 1998 to April 2002. Prior to January 2002, Ms. Weisner served as Corporate Counsel of Allergan, which she joined in 1998. From 1994 to 1998, Ms. Weisner was an attorney with the law firm of O Melveny & Myers LLP.

## **Executive Compensation**

### ***Compensation Discussion and Analysis***

#### ***Our Compensation Philosophy and Objectives***

Compensation programs at AMO are designed to promote a high-performance culture that attracts, motivates and retains the key talent necessary to optimize stockholder value in a competitive environment. Compensation at AMO is market-driven and is designed to motivate the behaviors that will enable AMO to execute an effective business strategy.

Our compensation program is designed to reward the named executives for meeting or exceeding corporate performance goals and individual objectives, and for maintaining the highest standards of business conduct. Our Organization, Compensation and Corporate Governance Committee (referred to in this discussion as our compensation committee), or the board of directors acting as a whole, determines all elements of pay for executive officers. Our management is involved only to the extent of providing performance information and recommendations.

Our compensation committee has established a peer group of companies considering such factors as size, industry, geography, global spread, product lines and complexity, customers and market capitalization. As AMO's business changes, through acquisition or otherwise, this peer group is reevaluated. The compensation consultant retained by the compensation committee provides information to the compensation committee regarding possible comparator companies and compiles data upon request of the compensation committee. Compensation data is generally regressed for market capitalization to ensure that the data is not distorted by larger companies. Regression analysis is a commonly used technique to size-adjust data which allows for more statistically valid comparisons. Many factors go into the regression analysis. The key measure used in the AMO regression model is market capitalization. Based on this measure, the regression formula correlates and adjusts the raw data for base salary, total cash compensation and total direct compensation to predict those items based on the market capitalization for each of the peer companies. These adjusted amounts are then used to develop the competitive benchmarks. In 2007, the group of comparator companies included: Alcon, Inc., Allergan, Inc., Arrow International, Inc., C.R. Bard, Inc., Bausch & Lomb, Inc., Beckman Coulter, Inc., Bio-Rad Laboratories, Inc., BioMet, Inc., The Cooper Companies, Inc., Edwards Lifesciences Corporation, Haemonetics Corporation, Millipore Corporation, Polymedica Corporation, Respiroics, Inc., St. Jude Medical, Inc., Stryker Corporation, Sybron Dental Specialties, Inc., Varian Medical Systems, Inc., and Zimmer Holdings, Inc. In the discussion that follows, we refer to this group of companies as our peer group.

In determining the amount and structure of total direct compensation for named executive officers (defined as base salary, short-term management incentives, and stock incentives), the compensation committee first reviews a summary of current and past compensation under these programs. This is then compared to benchmark data,



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provided by the compensation consultant, as described above. Each element is then reviewed by the compensation committee and adjusted for the coming year, based on input from the compensation consultant and the chief executive officer. Targets for compensation and benefit programs are generally set at the market median (i.e., 50<sup>th</sup> percentile). Benchmarking of peer group data is just one element considered in setting levels of named executive officer compensation. Corporate performance, individual performance, changes in the executive officer's roles and responsibilities, internal equity, employee retention and motivation, among other factors, are also carefully considered. Other elements of the named executive officer compensation and benefits package are reviewed by the compensation committee on an annual basis to monitor the competitiveness and cost-effectiveness of the programs.

### *Elements of the AMO Compensation Program*

Set forth below are the elements of compensation for the named executive officers, along with the rationale for why we pay each element, how we determine the amount of each element, and the impact of the accounting and tax treatment of each element, to the extent relevant. Our 2007 named executive officers include James V. Mazzo, our Chairman of the Board and Chief Executive Officer, Richard A. Meier, our President and Chief Operating Officer, Holger Heidrich, our Corporate Vice President and President, EAM and International Government Affairs, C. Russell Trenary III, our Executive Vice President, Global Public Policy and Medical Education, and Douglas H. Post, our Executive Vice President and President, Corneal Refractive Group. We have also included as a named executive officer Michael J. Lambert, our Executive Vice President and Chief Financial Officer. Mr. Lambert joined AMO in October 2007 and assumed the role as principal financial officer in March 2008. Dr. Heidrich, who remains with AMO in a specialized role, is no longer an executive officer of AMO.

*Base Salary.* Base salaries are generally targeted at or near the market median. The market is defined as the peer group. It is expected that in return for base salaries the executives should deliver a threshold level of performance. Annual adjustments to base salary are made to adjust for inflation, and deviations from our corporate target salary increase amounts are made primarily on the basis of individual performance in the prior year, the responsibilities assumed by the officer, and market data for similar positions at comparator companies in the peer group. The primary purpose of this element of compensation is to maintain a competitive level of base salary compared to the market.

*Annual Management Incentive.* Annually, the compensation committee reviews management's recommendation regarding funding triggers for the annual incentive plan and approves the funding mechanism for the year. The compensation committee considers the rationale for the funding objectives and their link to the elements of our business strategy that we believe will result in sustained stockholder growth. Offering an incentive plan that motivates the behaviors needed to support the accomplishment of the business strategy is the key rationale for the AMO program.

The annual incentive program for all named executive officers is structured to preserve the tax deductibility of payments under the program. As such, targets have been established and expressed in dollars, which, if funded based solely on performance, are the maximum amounts payable under the program. The compensation committee may then use negative discretion to reduce the payment based on performance results (corporate, business unit or individual) against pre-established objectives. By setting a high amount which can then be reduced, we are advised that our plan meets the requirements of Section 162(m) of the Internal Revenue Code. A reduction from the maximum amount is not necessarily a negative reflection on performance.

*Stock Incentives.* We award a combination of stock options, restricted stock units and performance awards to our named executive officers. Stock options and restricted stock units, along with base salary and short-term management incentives, are targeted at the market median. 2007 performance awards were designed to award additional compensation if our company performs above the market median in total stockholder return. In addition, we offer an employee stock purchase program to all employees of AMO.

The stock option and restricted stock unit awards are designed to align the interests of the executives with those of the stockholders and to maintain a competitive total compensation program for retention purposes. The 2007 performance award was to further align the interests of the executives with those of

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the stockholders from the perspective that if the stockholders realize above average value, the executives receive additional compensation. If the stockholders do not enjoy positive, above median total stockholder returns compared to the peer group, no additional compensation is earned. All of these programs are designed to comply with Section 162(m) of the Internal Revenue Code to the fullest extent possible and have been approved by our stockholders.

**Stock Options.** We allocate a majority of our stock-based incentives in stock options. We believe that stock options provide the best alignment of the interests of our executives with stockholder interests as compensation is only earned if stockholder value is increased. Our stock options also provide for a retention incentive through a four-year vesting schedule. And, through the implementation of our executive stock ownership guidelines, discussed in more detail below, we encourage our executives to maintain their stock options, or hold shares acquired upon exercise of stock options, on a long-term basis.

**Restricted Stock Unit Awards.** We also issue restricted stock units to named executive officers as an effective means to encourage long-term ownership and long-term performance. These awards expose the executives to downside equity performance risk. These awards also provide an important retention incentive, as they are vested only after continued employment for a period of time, typically three years. We also include restricted units as an element of stock incentive compensation to control dilution and to responsibly utilize the shares authorized under our incentive compensation plan. Restricted stock unit awards that are solely time vested may not be tax deductible under Section 162(m) of the Internal Revenue Code.

**Performance Awards.** The combination of stock options and restricted stock unit awards, discussed above, is generally designed to provide long-term incentives at the market median for similar executives in the peer group. In 2007, we granted performance awards that were designed to reward performance up to the 75<sup>th</sup> percentile, but only if our performance, in terms of total stockholder return, exceeds the market median of total stockholder return of the peer group, and only if that return is positive. In February 2008, this grant took the form of performance vested restricted stock units which vest in one-third increments based on the achievement of stock price targets of \$27, \$35, and \$45 within three years of the date of grant.

**Employee Stock Purchase Plan.** We offer an employee stock purchase program to executive and non-executive employees of AMO on the same terms and conditions, other than in certain countries where it is impractical for us to offer this benefit. Employees may purchase AMO stock twice a year, through payroll deductions, at a discount of 15% off the lower of the stock price on the first or last day of the six-month purchase period. Because the discount offered under the plan is more than 5%, we incur an expense associated with the program. However, we have maintained the program in its original design because we feel that it is an important tool for attracting and retaining key talent throughout the organization, and for encouraging employee investment in the long-term performance of AMO.

The compensation committee uses its judgment and evaluates each individual's performance in the prior year, total compensation package, total vested and unvested equity incentives and other factors in considering the final amount of any award. Those awards may be above or below the targeted amounts, as the compensation committee deems appropriate. We feel that it is important to target total compensation at the market median in order to retain key talent. We also deem it crucial to motivate our executives to perform well above the median.

Each of our stock incentive programs results in a non-cash expense to AMO. We consider the expense implications of these incentives each time they are granted, and in aggregate with past grants and estimated future grants. We feel that the expense associated with the incentives is reasonable and appropriate. Moreover, we feel the benefit to the company well exceeds this cost.

**Retirement.** Our U.S.-based named executive officers participate in our retirement programs on the same terms as all of our employees. In the United States, we offer a 401(k) plan, with company

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matching of 50% of the first 8% of employee contributions. We also offer a profit sharing contribution once a year based on a points system, combining points for age and years of service. Company contributions to the 401(k) plan may be limited in amount by Internal Revenue Service regulations. If this occurs, we make contributions of the amounts so limited to our non-qualified executive deferred compensation plan. Executives may also make elective pre-tax deferrals to the executive deferred compensation plan, but we do not guarantee any rate of return on the executives' accounts. The executive deferrals and excess contributions are funded through a third party administrator and invested in the executives' choices of investment vehicle. We offer retirement programs to our named executive officers and all of our employees in order to encourage savings for retirement and to remain competitive.

Dr. Heidrich, our only named executive officer based outside of the United States, participates in a defined benefit pension plan which is carried on AMO's balance sheet as an unfunded liability as permitted under German law. We continued this benefit for Dr. Heidrich, which he had originally received while employed by Allergan, Inc., our former parent company.

*Health and Welfare Programs.* AMO provides health and welfare benefits to its named executive officers that are identical to those provided to all regular full-time employees, including medical, dental, and disability insurance. In addition, each of the U.S.-based named executive officers is entitled to receive a comprehensive executive physical worth up to approximately \$2,000, which is coordinated with our medical plan. We provide this benefit in order to encourage the proactive management of the executives' health care and to provide an opportunity for early diagnosis and management of any health issues.

*Perquisites.* The named executive officers receive the following perquisites, which are fully taxable to the executive and deductible by AMO. We determine these amounts and the maximum amounts payable in consideration of practices at peer group companies, historical practice and custom, and evolving business needs. We also provide these benefits as a relatively inexpensive means to maintain competitiveness.

*Transportation.* A car and gas allowance totaling \$11,000 per year is provided to each U.S.-based named executive officer. Dr. Heidrich, based in Germany, receives a company-leased car and a gas allowance. These benefits are provided in recognition of the need to have executive officers travel to visit customers, business partners and advisors and other stakeholders in order to fulfill their job responsibilities. This travel causes wear and tear on personal vehicles and increases fuel expenses. The car and gas allowance eases the administrative burden of tracking mileage and wear-and-tear each time travel occurs. Executives receiving these benefits are not eligible for additional mileage reimbursement for travel related to a personal vehicle.

*Tax and Financial Planning.* We provide to each U.S.-based named executive officer an opportunity for reimbursement of expenses related to tax and financial planning, up to a maximum amount of reimbursement of \$13,000. We believe it is in the best interests of the company for the officers to have professional assistance in managing their compensation, benefits and equity so that the officers focus their full attention on our business. Reimbursement covers the services of a professional financial planner, the costs of developing a will or trust, tax planning, tax return preparation and filing, and other related expenses. It does not include investment fees, tax penalties or other similar costs.

*Life Insurance.* We provide company-paid life insurance to all U.S.-based employees, but at a higher benefit level for our named executive officers. We offer this benefit to our employees to provide financial security to our employees' families and/or beneficiaries. The insured amount for our U.S.-based named executive officers is \$1.5 million, and this is purchased through our cost-effective group insurance program. At a low cost to the company, we are able to provide an important benefit that is key to executive recruitment and retention.

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**Club Dues.** We reimburse our U.S.-based named executive officers for the costs of membership in a private social or health club, up to a maximum amount of \$19,500 for Mr. Mazzo, \$12,540 for Mr. Meier, and \$9,150 for Mr. Trenary and Mr. Post. Mr. Lambert does not receive this benefit, which has been discontinued for new officers. We provide this benefit to enable our officers to entertain business colleagues and business partners, and to provide a forum for the development of future business. This benefit includes health clubs in order to encourage executive health and fitness.

**Spousal Travel.** On a very limited basis, we may provide for the payment of spousal travel, as well as gross-up the taxes associated with the imputed income to the executive for this benefit. This travel is only paid by the company with the specific approval of the chief executive officer and has historically been associated with incentive award trips for the sales organization.

*Employment Agreements.* AMO has entered into employment agreements with each of our named executive officers other than Mr. Lambert. We entered into employment agreements with Messrs. Mazzo, Meier, and Trenary and Dr. Heidrich, effective June 29, 2002 in connection with our spin-off from Allergan. At that time, our board of directors deemed the employment agreements necessary to the recruiting process for executives of the new company. The assurance offered by the employment agreements was deemed necessary and prudent to entice long-term Allergan employees (Mr. Mazzo and Dr. Heidrich) and those who were giving up positions or opportunities at other companies (Messrs. Meier and Trenary) to join AMO, a new company with no history as an independent company. We entered into an employment agreement with Mr. Post in 2005, in connection with our acquisition of VISX, for which Mr. Post was President and Chief Operating Officer.

Each agreement has an initial term of three years and may be automatically extended for successive one-year terms unless either party to the agreement elects in writing not to extend the term. The agreements set forth the general principles of the executives' compensation and benefits arrangements. Mr. Mazzo's agreement also provides for his service as a director of AMO. Each year, our compensation committee reviews the prudence of maintaining the employment agreements in the context of AMO's current business environment and all of the other benefits afforded the named executive officers. This review was most recently completed in July 2007. The compensation committee determined not to terminate any of the employment agreements with the named executive officers. This decision was based on the most recent performance reviews of the named executive officers, the importance of the continued roles played by the executives, and competitive market practice. New employment agreements with executives, or any amendments to the current agreements, require the approval of the compensation committee.

The following is a summary of the key terms of the employment agreements, which generally follow the same form. Unless otherwise noted, the following summary applies to all five employment agreements.

The agreements provide for a minimum level of base salary, with the actual rate of base salary subject to change annually above that minimum rate in the discretion of the compensation committee. The agreements also provide that the executive is eligible to participate in annual incentive, stock option and other equity award programs that are generally available to similarly situated executives of AMO. The agreements do not require any minimum level of annual incentive payments or participation in any stock option or equity-based plans. The agreements also entitle the executives to participate in or receive the benefits and perquisites as are generally provided from time to time to similarly situated executives. The agreements do not guarantee the continuation of any plan or benefit, other than an assurance of office support and reimbursement of business expenses. The agreements similarly entitle the executive to receive paid vacation only in accordance with then current company policies and practices, with no guaranteed levels of the benefit.

Dr. Heidrich's employment agreement contains additional provisions that were unique to his position as an executive in Germany. His agreement provides for the continuation of a company

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car according to AMO's then current policy for German employees, with AMO's agreement to bear any tax associated with Dr. Heidrich's personal use of the vehicle. The agreement further provides for minimum levels of insurance and health coverage, capital accumulation benefits under German law, temporary disability coverage, a minimum of 30 days of vacation, and a small cash vacation allowance of \$21 per day.

The compensation committee has determined that an assurance of a minimum level of base salary is prudent for retention of key talent. No other specific assurances were deemed necessary, and none were given in the agreements, in order to preserve full flexibility for the compensation committee to change benefits or incentives from time to time.

The employment agreements provide for payments in certain situations when employment is terminated. Please see the section of this proxy statement entitled "Potential Payments Upon Termination or Change-In-Control."

We agreed to repatriate Mr. Mazzo and his household from the United Kingdom, and this was completed in 2004. To assist in his repatriation, we provided him a five-year, interest-free relocation loan of \$500,000 which Mr. Mazzo repaid in full in 2007.

The agreements provide protection to the executives for their lawful acts while officers of AMO. The agreements cover the indemnification of the executives for legal claims or proceedings filed against the executives because of their status as an officer, to the extent permitted under California law. The agreements further require AMO to maintain director and officer insurance. We believe it is fair to protect our executives for their lawful acts and to avoid the distraction of personal liability associated with their work. Any fraud or illegal conduct by the executive generally would not be covered under these provisions.

Other than the named executive officers, we have employment agreements with Aimee S. Weisner, Executive Vice President, Administration and Secretary, and Jane E. Rady, Executive Vice President, Strategy and Corporate Development. These agreements, entered into at the time of our spin-off, provide for their positions as officers and have the same standard terms as described for our U.S.-based named executive officers.

*Indemnity Agreements.* We have entered into Indemnity Agreements with each of the named executive officers. These agreements define the indemnification of the officers set forth in our Certificate of Incorporation and under Delaware law. They generally cover claims arising from actions taken by the executive in his or her capacity as an officer or director. No indemnification is provided where the officer has gained a personal profit or advantage to which he was not legally entitled, for any claim for accounting of profits made from the purchase or sale of our stock, or for any claim based on the executive's knowing fraudulent, deliberately dishonest or willful misconduct. In addition, no indemnity is provided where it is prohibited by law. We believe the indemnity agreements, which are prevalent for public companies, afford important and necessary protection for executives who assume obligations, and expose themselves to personal liability and expense, by serving as an officer of a public company. We believe that the named executive officers would not agree to continue in their current positions without the protections afforded by the Indemnity Agreements.

*Terms of Employment for Mr. Lambert.* Our offer letter to Mr. Lambert, dated September 25, 2007, set forth certain terms of his employment. We do not have an employment agreement with Mr. Lambert. The letter provides for a base salary of \$375,000, with consideration in February 2008 for an increase to \$400,000. Mr. Lambert received a sign-on bonus of \$187,500, which was paid in February 2008 in lieu of participation in our management incentive program. We granted 50,000 non-qualified stock options and 5,000 restricted stock units to Mr. Lambert at the time of his employment. The letter outlined perquisites provided to Mr. Lambert. Finally, the letter set forth severance arrangements, which are discussed in the section below entitled "Potential Payments upon Termination or Change-in-Control."

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### *Interrelationship of Compensation Elements*

Our policy for allocation between long-term and currently paid out compensation is to attempt to strike an appropriate balance between the focus on short-term operational goals and longer-term strategic goals. The proportions of base salary, annual incentives and long-term incentives vary among the named executive officers depending on their levels of responsibility, but generally a significant amount of pay for executive officers is composed of long-term, at-risk pay to focus management on the long-term success of AMO. Our chief executive officer has the greatest amount of pay at risk, followed by our president and chief operating officer and chief financial officer.

Our policy for allocating between cash and non-cash compensation is to heavily weight our long-term incentives in the form of non-cash awards. We have chosen non-cash awards as a means to link the compensation directly to longer-term stockholder value. Base salary is earned for performing basic job responsibilities. Annual cash incentives are designed to focus executives on shorter-term but crucial operational and strategic objectives. Our philosophy regarding the differentiation among different forms of non-cash compensation is discussed above, but in general our primary vehicle for non-cash compensation is stock options due to their direct link to growth in stockholder value.

Each year, our compensation committee reviews an inventory of all elements of executive compensation in order to maintain an understanding of the proportions of each of these elements in our overall compensation program. We consider prior compensation in setting other elements of compensation. We provide our equity incentive awards primarily to incentivize future performance, and therefore the amounts of prior equity grants are just one element considered in the incentive grant process.

### *Timing of Incentive Awards*

Our incentive awards for named executive officers are considered annually. Annual cash incentive targets are established in February of each year. Historically, our long-term incentive awards have been awarded on the date of our annual stockholder meeting in May. This has been the same date of the annual grant to all employees eligible for stock incentive awards. Our compensation committee decides the timing of all incentive awards issued to the named executive officers and could elect to deviate from this practice if deemed appropriate. We do not have any program, plan or practice to time option grants to our executives in coordination with the release of material non-public information. Grants of stock incentive awards to new executives are not made in coordination with the release of material non-public information, but are instead granted on the later to occur of the first date of employment or the approval of the compensation committee, or full board of directors if applicable. We have not timed, and do not plan to time, the release of material non-public information for the purpose of intentionally affecting the value of executive compensation.

Incentive awards with performance terms or performance vesting are generally awarded at the compensation committee's first meeting of the year in order to establish performance terms early in the performance cycle and to comply with the requirements of Section 162(m) of the Internal Revenue Code. Again, these grants are not made in coordination with the release of material, non-public information but are instead granted on the date of the regular meeting approving the grant.

### *Consideration of Corporate Performance*

In setting compensation policies and making compensation decisions, our compensation committee considers measures of corporate performance. Corporate performance is an element of each named executive officer's annual review of base salary and annual equity incentive grants. Corporate performance is the primary funding mechanism for our management incentive program and for our performance awards.

Our annual management incentive plan (known formally as the 2002 Bonus Plan) lists several measures that the compensation committee may choose from in establishing a funding target for the management incentive

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payment, either alone or in any combination, and measured either on an absolute basis, on a relative basis against one or more pre-established targets, peer group performance, or past company performance, as the compensation committee, in its sole discretion, determines. These measures include revenue (sales), cash flow, earnings per share (including earnings before interest, taxes and amortization), return on equity, total stockholder return, return on capital, return on assets or net assets, income or net income, operating income or net operating income, operating profit or net operating profit, operating margin, and market share.

Our 2007 performance awards are determined on the basis of AMO's total stockholder return as compared to that of the peer group. Our 2008 performance awards vest based on the achievement of pre-established stock price targets over a three-year period.

### *Consideration of Individual Performance*

The following forms of compensation are structured and implemented to reflect a named executive officer's individual performance and contribution to our corporate performance:

*Base Salary.* An important element of the annual review of each executive's performance measures the executive's individual attainment of objectives and the individual's contribution to corporate performance.

*Annual Management Incentive.* As discussed above, corporate performance determines the funding of our annual management incentive program. The incentive award for each individual named executive officer is then determined by applying negative discretion to the maximum payment amount, based on achievement of individual and business unit performance objectives. If there is no funding for the annual incentive plan, discretionary bonuses may be awarded upon approval of the compensation committee.

*Stock Incentives.* The annual review of individual executive performance is an important factor in determining the amount of stock incentives awarded to our named executive officers. Stock incentives are, however, primarily a tool for us to incentivize future performance. Therefore, future potential, retention and motivation are the primary considerations.

### *Stock Ownership Guidelines*

In January 2003 we adopted, and in September 2004 we revised, stock ownership guidelines for our executive officers. We ask each of our executive officers to own, at least, a number of shares having a value computed as follows:

Chief Executive Officer, 5 times base salary

President, Executive Vice Presidents and Corporate Vice Presidents, 3 times base salary

Senior Vice Presidents, 2 times base salary

For purposes of this calculation, we include the equivalent share value of vested, in-the-money stock options (net of tax and exercise price) and the value of restricted stock and restricted stock units. Executives are expected to meet these guidelines within five years of becoming an officer.

### *Analysis of 2007 Named Executive Officer Compensation*

Our compensation committee considered the factors described below in making its compensation decisions for each of our named executive officers.

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*Base Salary.* Our compensation committee increased salaries for our named executive officers an average of 5.68% in February 2007. The committee starts with the corporate target adjustment for the year (4% in 2007), and adjusts from that number based on the following factors: performance



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assessment (which for each named executive officer includes multiple factors based on objectives for corporate performance, business unit performance, and individual qualitative measures), market data, promotions or changes in job responsibilities, and internal equity considerations. Overall performance is then assessed as not meeting expectations, meeting expectations or exceeding expectations. Generally base salary adjustments are decreased from the budgeted adjustment for not meeting expectations, and may be increased above the targeted adjustment for performance that meets or exceeds expectations. 2007 salary adjustments reflect consideration of 2006 individual performance. For 2006, the compensation committee determined that all of the named executive officers met or exceeded expectations with respect to their overall objectives, and individual performance did not materially impact base salary increased in 2007. The following are the adjustments made by the committee to base salary for 2007 and the primary factors considered: Mr. Mazzo (4% increase at budget, market data and internal equity considerations in line with targets); Mr. Meier (9.4% increase, including increase for promotion to President and Chief Operating Officer); Dr. Heidrich (3% increase, reduced from budgeted amount to better align with market median); and Mr. Trenary and Mr. Post (6% increases above budgeted amounts to better align with market media). Overall, base salaries for the named executive officers were 5% above the market median when analyzed in February 2007.

Mr. Lambert joined AMO late in 2007. Mr. Lambert's base salary was negotiated. Factors considered by our compensation committee in approving the salary were Mr. Lambert's then current base salary (which was higher than the amount offered by AMO), and internal equity and market median analyses which supported the agreed level.

*Annual Management Incentive.* The compensation committee identified all of the named executive officers, other than Mr. Lambert, as 162(m) Participants under our bonus plan and set forth performance objectives as follows: provided that the corporation achieved adjusted operating income (excluding the impact of the charges or write-offs associated with acquisitions, reorganizations or recapitalizations, and unrealized gains or losses on derivative instruments) of at least \$184.79 million or revenue of at least \$1,085 million in 2007, the compensation committee established target awards for 2007 as follows: Mr. Mazzo (\$1,200,000), Mr. Meier (\$600,000), Dr. Heidrich (\$289,783), Mr. Trenary (\$350,000) and Mr. Post (\$350,000). These targets are the maximum amounts payable under the program in order to comply with the requirements of Section 162 (m) of the Internal Revenue Code. The compensation committee retained the discretion to decrease the incentive awards below the target award level.

In February 2008, the compensation committee determined that the performance criteria were not satisfied, due to a product recall in May 2007, which had a materially negative impact on our revenue and adjusted operating income. The committee determined that discretionary bonus payments to the named executive officers were appropriate and in the best interests of our stockholders, to recognize performance in light of the unexpected product recall. The compensation committee considered, as one factor in making the discretionary bonus awards, the funding level for non-named executive officers under our bonus plan. This was considered in order to maintain internal equity with other AMO management. The plan applicable to non-named executive officers was funded at approximately 67%. Another factor considered was individual performance in 2007. All of the named executive officers met or exceeded the expectations for individual performance. Individual performance favorably impacted the bonus awards for all named executive officers. In particular, Messrs. Mazzo, Meier and Post received positive adjustments to the 67% metric to reflect their levels of accomplishment.

As discussed above, the 162(m) targets established for each officer are maximum amounts payable in the event of over-achievement of corporate objectives. In applying negative discretion, we also utilize for each officer a reference target for annual incentive payments designed to pay total cash compensation at the market median, assuming performance expectations are met. The bonus awarded for 2007 performance were awarded as follows, expressed as a percentage of these reference targets; Mr. Mazzo (74%), Mr. Meier (73%), Dr. Heidrich (67%), Mr. Trenary (67%), and Mr. Post (72%). Mr. Lambert's bonus was guaranteed as part of his terms of new employment.

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At Mr. Mazzo's request, the compensation committee paid approximately \$200,000 of Mr. Mazzo's 2007 bonus to him in the form of AMO common stock, valued on the same date that cash bonuses were paid, under our 2005 Incentive Compensation Plan. The remainder of Mr. Mazzo's bonus was paid in cash.

According to Mr. Lambert's terms of employment, he received a sign on bonus, payable in February 2008, in lieu of participation in the management incentive program for 2007. The compensation committee approved the guaranteed bonus as part of the negotiated compensation package in order to attract Mr. Lambert in light of the bonus and cash retention payments foregone with his then current employer.

*Total Cash Compensation.* In considering bonus awards for each named executive officer, the committee reviewed the relationship of each named executive officer's total cash compensation to Mr. Mazzo's total cash compensation, and then compared it to the relationship of the benchmark data for each named executive officer to the Chief Executive Officer benchmark. The committee assessed the relative value of the person and position within AMO compared to the market data and used this assessment as another input to their decision making process for establishing total cash compensation opportunities for the named executive officers. Overall the named executive officers' total cash compensation was 10% below the market median for 2007, due primarily to the reduced level of annual incentives earned. This comparison excludes Mr. Lambert, who joined AMO late in 2007.

*Stock Incentives.* In May 2007, our compensation committee awarded stock-based incentive compensation to the named executive officers. These awards consisted of stock options and restricted stock units. On average, stock options represented 80% of the value of the stock-based awards with the remainder (20%) awarded in restricted stock units. The total value of the awards was generally targeted at relevant peers for each executive at the market median of our peer group, but were adjusted based on relevant factors such as internal equity analysis, individual performance and potential, and overall goals for motivation and retention. Application of the committee's judgment resulted in the awards as shown in the 2007 Grants of Plan Based Awards table found on page 45. Mr. Mazzo's stock incentives were granted at the targeted market median value, after concluding such amounts were appropriate in light of individual performance at or above expectations, internal equity, and total direct compensation at the market median. Messrs. Meier, Trenary and Post received higher than targeted awards to account for internal equity disparities and reflecting individual performance at or above expectations. Dr. Heidrich's award was lower than the targeted amount to align internal equity considerations and total direct compensation comparisons to the market median.

In February 2007, the compensation committee granted performance-vested restricted stock units to the named executive officers other than Mr. Lambert. The number of units granted to each executive was determined based on the difference between the maximum payout of the award at the 75<sup>th</sup> percentile long-term incentive benchmark and the market median long-term incentive benchmark. This difference was then divided by the fair market value of the common stock on the date of the grant. These units will vest in 2010 only to the extent that AMO's total stockholder return is positive and exceeds the 50<sup>th</sup> percentile of the peer group over the calendar years 2007-2009. The amount of units that vest, if any, will be determined on a sliding scale, based on the level of total stockholder performance achieved between the 50<sup>th</sup> and 75<sup>th</sup> percentiles. For example, if an executive received 1,000 performance vested restricted stock units, and our total stockholder performance was at the 60<sup>th</sup> percentile, 400 of the units would vest in early 2010.

In May 2007, Mr. Post received a grant of 2,000 performance vested restricted stock units. Performance conditions included key metrics associated with the integration and performance of the acquired IntraLase business. These metrics included laser placements, procedure sales, upgrades, selling prices, new product launches and employee turnover. In February 2008, the compensation committee determined that 89.7% of the metrics were attained and approved the vesting of 1,794 of Mr. Post's units, subject to his continued employment through May 2010.

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The compensation committee granted 50,000 stock options and 5,000 restricted stock units to Mr. Lambert in connection with his employment. In its analysis, the committee considered the potential value of equity incentives foregone with his prior employer, market data indicators for appropriate total direct compensation, motivation and retention.

*Total Direct Compensation.* Overall the total direct compensation for the AMO named executive officers (excluding Mr. Lambert) was 3% below the market median, due primarily to the reduced level of annual incentives earned. It should be noted that the overall relationship of chief executive officer compensation to the other named executive officers was consistent with the relationship in the benchmark data. In comparing the second through fifth ranked positions to Mr. Mazzo's 2007 total cash compensation (base salary and bonus), the average ratio of compensation was 47% of Mr. Mazzo's total cash compensation, as compared to 45% in the peer group. With respect to total direct compensation (base salary, bonus and stock incentive expense), their average ratio of compensation was 38% of Mr. Mazzo's total direct compensation, as compared to 34% in the peer group. Our compensation committee concluded that this relationship is appropriate, given the unique level of responsibility and skills required of our chief executive officer in order to lead a company of our size and complexity. Goals of motivation and retention were also addressed in assessing total direct compensation for Mr. Mazzo, with the ultimate goals of driving corporate performance and increasing stockholder value.

In 2007, our compensation committee reviewed an inventory of all elements of executive compensation, including perquisites, retirement plans, benefits, employment agreements and severance arrangements, and their costs to AMO. The compensation committee concluded that AMO's compensation program is currently reasonable and in the best interests of AMO's stockholders.

### ***Compensation Committee Report***

The Organization, Compensation and Corporate Governance Committee of the board of directors of Advanced Medical Optics, Inc. issues the following report for inclusion in the company's proxy statement in connection with the company's 2008 annual meeting of stockholders.

1. The committee has reviewed and discussed the Compensation Discussion and Analysis with management.
2. Based on this review and discussion, the committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the company's proxy statement on Schedule 14A for the 2008 annual meeting of stockholders.  
The Organization, Compensation and Corporate Governance Committee:

Michael A. Mussallem, Chairman

Christopher G. Chavez

James O. Rollans

**Table of Contents****Summary Compensation Table**

The individuals named in the following tables are described elsewhere in this proxy statement as the named executive officers, and they include the company's principal executive officer, principal financial officer, and the three other most highly compensated executive officers of the company for 2007. The tables also include Michael J. Lambert, who joined AMO as Executive Vice President, Chief Financial Officer in October 2007 but did not assume the role of principal financial officer for reporting purposes until May 2008.

*It is important to note that the amounts represented in the Total column were not entirely earned in 2006 and 2007, and portions of that amount may never be earned. The amounts represented in the columns entitled Stock Awards and Option Awards represent the accounting valuation of these awards. The amounts do not necessarily represent the value the executive may actually receive; the value could be substantially less (even zero) or more than the amounts represented.*

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	Change in Pension Value and Nonquali- fied Deferred Compensa- tion	All Other Compensa- tion (\$) <sup>(5)</sup>	Total (\$)
							Earnings (\$) <sup>(4)</sup>		
James V. Mazzo, Chairman and Chief Executive Officer	2007	\$ 769,269	\$ 550,000	\$ 330,437	\$ 1,814,314	\$ N/A	\$ N/A	\$ 195,442	\$ 3,659,462
	2006	684,865	N/A	112,647	2,123,838	357,500		163,382	3,442,232
Richard A. Meier, President and Chief Operating Officer	2007	514,269	275,000	124,082	759,889	N/A	N/A	99,840	1,773,080
	2006	466,173	171,375	44,003	912,880			59,303	1,653,734
Holger Heidrich, Ph.D., Corporate Vice President and President, EAM Region and International Government Affairs <sup>(6)</sup>	2007	527,389	186,832	110,983	462,334	N/A		51,720	1,339,258
	2006	448,781	99,000	33,266	550,602		205,418	45,738	1,177,379
C. Russell Trenary III, Executive Vice President, Global Public Policy and Medical Education	2007	378,784	146,400	117,134	534,575	N/A	N/A	66,410	1,243,303
	2006	341,538	94,875	31,242	580,285			61,304	1,109,246
Douglas H. Post, Executive Vice President and President, Corneal Refractive Group	2007	364,060	155,000	128,453	437,769	N/A	N/A	95,204	1,180,486
	2006	337,773	93,000	33,266	343,694			55,370	863,103
Michael J. Lambert, Executive Vice President and Chief Financial Officer	2007	72,115	187,500	11,038	31,953	N/A	N/A	3,399	306,005

(1) The amounts shown include cash compensation earned and received by executive officers as well as amounts earned but deferred at the election of those officers. The 2006 amount shown under Salary includes \$7,577 which was paid to Mr. Meier in lieu of accrued vacation. In 2007 the following amounts were paid to the named executive officers in lieu of accrued vacation and are reflected under Salary above: Mr. Mazzo \$28,615; Mr. Meier \$19,231; Mr. Trenary \$15,472; and Mr. Post \$6,913.

(2) The amounts shown for 2007 represent management incentive awards which were paid in the first quarter of 2008 under our Bonus Plan for services rendered during 2007. The awards are expressed as bonus when discretion has been applied in determining funding. For 2006, Mr. Mazzo's annual management incentive appears in the column Non-Equity Incentive Plan Compensation because it met the requirements of Section 162(m) of the Internal Revenue Code for objective funding measures.

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- (3) Amounts shown in this column reflect our accounting expense for these awards and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options). This column represents the dollar amount recognized for financial statement reporting purposes with respect to the applicable fiscal year for the fair value of stock options, restricted stock and restricted stock units granted to the officers. The fair values were estimated in accordance with FAS 123R. Pursuant to SEC rules, the

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amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information and our assumptions made in calculating amounts under SFAS 123R, refer to Note 11 of our financial statements in the Form 10-K for the year ended December 31, 2007, as filed with the SEC.

- (4) Dr. Heidrich participates in AMO's German defined benefit plan. No other named executive officer participates in a defined benefit retirement plan. The change in pension value for 2007 is a decrease of \$102,217, using the average 2007 exchange rate of euros to dollars of 1.37. This was mainly due to a significant increase in the discount rate. Amount for 2006 represents the aggregate change in the actuarial present value of the accumulated benefit from September 30, 2005 to September 30, 2006, using the average 2006 exchange rate of euros to dollars of 1.26. The 2006 change in pension value reflected in this table has been revised to \$205,418. The value reported in the 2006 Proxy Statement was \$219,563. The reduction in value is attributed to a correction in the service credit calculation.
- (5) All Other Compensation for 2007 in the foregoing Summary Compensation Table is composed of company contributions to our qualified and non-qualified retirement plans and the cost of term life insurance, as well as perquisites paid to a named executive officer. The following table sets forth all such compensation paid in 2007 to the named executive officers. In the case of Dr. Heidrich, who is based in Germany, retirement benefits are company contributions to a pension plan, which is comparable to a retirement savings plan, and Other (as set forth below) includes \$864 holiday pay, which is mandated by a works council agreement, as well as a \$658 employer contribution to a government-supported savings plan.

Nature of All Other Compensation	Mr. Mazzo	Mr. Meier	Dr. Heidrich	Mr. Trenary	Mr. Post	Mr. Lambert
<b>Retirement</b>	\$ 152,405	\$ 34,795	\$ 10,407	\$ 38,492	\$ 70,027	\$ 955
<b>Insurance</b>	4,002	2,610	751	4,002	7,482	329
<b>Other</b>			1,522			
<b>Perquisites:</b>						
Executive club dues	4,430	12,540		1,530	6,695	
Tax preparation and financial planning	13,000	8,360		781		
Transportation Allowance						
<i>(for U.S. executives; for Dr. Heidrich, includes car lease, insurance and car taxes)</i>	11,000	11,000	39,041	11,000	11,000	2,115
Spousal Travel	7,164	22,211		7,164		
Tax gross up, spouse travel	3,441	8,324		3,441		
<b>Total</b>	\$ 195,442	\$ 99,840	\$ 51,720	\$ 66,410	\$ 95,204	\$ 3,399

- (6) Dr. Heidrich is paid in euros. 2007 dollar amounts shown for Dr. Heidrich in the Salary, Change in Pension Value and Nonqualified Deferred Compensation Earnings, and All Other Compensation columns in the foregoing Summary Compensation Table and in these footnotes were converted from euros to dollars using the average conversion rate of 1.37 for the period January 1, 2007 to December 31, 2007. 2006 amounts were converted from euros to dollars using the average 2006 conversion rate of 1.26.

Cash management incentives for the named executive officers are expressed in the Summary Compensation Table as Bonus due to the compensation committee's use of discretion in funding. Please refer to the discussion of 2007 compensation in the Compensation Discussion and Analysis section above.

**Table of Contents****Grants of Plan-Based Awards**

## 2007 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Date Approved (if different from Grant Date) (1)	Estimated Possible Payouts Under Non-Equity Plan Awards (2)	Estimated Future Payouts Under Equity Incentive Plan Awards (3)		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
				Target	Maximum				
James V. Mazzo	2/6/07		\$ 1,200,000						
	2/6/07			25,800	25,800				\$ 546,960
	5/21/07					15,800			672,290
	5/21/07						161,200	\$ 42.55	2,650,128
Richard A. Meier	2/6/07		600,000						
	2/6/07			14,600	14,600				309,520
	5/21/07					5,600			238,280
	5/21/07						65,000	\$ 42.55	1,068,600
Holger Heidrich, Ph.D.	2/6/07		397,003(4)						
	2/6/07			4,300	4,300				91,160
	5/21/07					6,200			263,810
	5/21/07						34,700	\$ 42.55	570,468
C. Russell Trenary III	2/6/07		350,000						
	2/6/07			6,900	6,900				146,280
	5/21/07					7,300			310,615
	5/21/07						55,900	\$ 42.55	918,996
Douglas H. Post	2/6/07		350,000						
	2/6/07			6,900	6,900				146,280
	5/21/07			2,000	2,000				76,335
	5/21/07					7,200			306,360
	5/21/07					1,000			42,550
Michael J. Lambert	10/15/07	10/8/07				5,000			918,996
	10/15/07	10/8/07					50,000	\$ 31.02	155,100

(1) On October 8, 2007, our compensation committee approved the terms of an employment offer letter to Mr. Lambert, pursuant to which the awards listed in this table were specified, effective upon Mr. Lambert's first date of employment, which was October 15, 2007. Under the terms of our equity incentive plans, the stock option exercise price is equal to the closing price of our stock on the trading day immediately preceding the date of grant, which in this case resulted in a higher exercise price.

(2) This amount represents the maximum and target non-equity incentive plan opportunity under the 2007 management incentive program, subject to negative discretion by our compensation committee. Due to an unexpected product recall in May 2007, the non-equity incentive plan was not funded. Discretionary bonus payments to the named executive officers, which were paid in March 2008, are reflected in the Summary Compensation Table above as bonus compensation. No threshold amount is expressed because our named executive officers are not guaranteed any level of payment.

(3) These amounts represent the maximum face value of restricted stock units that could vest pursuant to the 2007 performance awards. If our total stockholder return for the period of 2007 to 2009 is positive and is above the 50<sup>th</sup> percentile of an identified group of comparable companies, the restricted stock units begin to vest, and the maximum number of units vest at 75<sup>th</sup> percentile performance. No threshold amount is expressed because we do not guarantee any level of vesting. For Mr. Post, this includes 2,000 performance vested restricted stock units granted in connection with the integration of the IntraLase business. In February 2008, our compensation committee determined that 1,794 of the units may vest contingent upon Mr. Post's continued employment through May 2010.

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<sup>(4)</sup> Target was established in euros at 289,783, which using the 2007 average exchange rate of euros to dollars of 1.37, equates to \$397,003.

All equity awards in the foregoing table were made under our 2005 Incentive Compensation Plan, other than awards to Mr. Lambert which were made under our 2004 Stock Incentive Plan. Our plans dictate that the exercise price for all stock options awarded under the plans be priced at the closing price on the trading day prior to the



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date of grant. In 2006 and 2007, this resulted in higher stock option exercise prices than would have been established based on the closing prices on the date of the grant. The date of grant is coincident with the date of the compensation committee's (or board's) approval of the grant. The stock options awarded in 2007 vest 25% each year on the anniversary of the date of grant and have a term of 10 years from the date of grant.

All restricted shares and units vest three years from the date of grant, which is coincident with the date of the compensation committee's approval of the grant, or in the case of Mr. Lambert, his first date of employment. Holders of restricted stock are entitled to receive dividends, if any, and are entitled to vote the restricted shares. Holders of restricted stock units are not entitled to receive dividends or vote.

The performance awards issued in 2007 were in the form of performance vested restricted stock units. If our total stockholder return is positive and exceeds the 50th percentile of our peer group for the years 2007-2009. The number of restricted units to be vested, if any, depends on our total stockholder return performance between the 50th and 75th percentiles on a pro rata basis. In addition, Mr. Post received 2,000 performance vested restricted stock units, with vesting based on performance metrics associated with the integration of IntraLase, acquired in 2007. In February 2008, our compensation committee determined that 89.7% of the metrics were attained, and that 1,794 of the units should vest, contingent on Mr. Post's continued employment through May 2010.

Under our 2007 management incentive program, each of our named executive officers, other than Mr. Lambert who joined AMO late in 2007, were designated as 162m Participants, with maximum bonus payments identified for each officer based on corporate performance of revenue and adjusted operating income. Neither target was reached in 2007 due to an unexpected product recall in May 2007, which materially affected our financial results. In February 2008, our compensation committee awarded discretionary bonuses to the officers with respect to performance, in light of the product recall and overall management of the business. Please see our Compensation Discussion and Analysis regarding the incentive amounts awarded for 2007 performance. Mr. Lambert received a guaranteed bonus for 2007 as part of the terms of his new employment with AMO. In future years, Mr. Lambert's bonus is not guaranteed.

Our stock incentive plan, by its terms, calls for accelerated vesting of stock incentive awards for all participants in the event of a change in control, and for a limited term to exercise the options after termination of employment. Our employment agreements with the named executive officers (change in control agreement in the case of Mr. Lambert) provide for exercisability of stock options over their full term, even if the executive's employment is terminated in connection with the change in control. The agreements do not guarantee that the named executive officers will receive any stock incentive grants or particular levels of cash incentives. The agreements do provide for minimum levels of base salary, which for each of the named executive officers are as follows: Mr. Mazzo \$450,000; Mr. Meier \$375,900; Dr. Heidrich 300,468; Mr. Trenary \$365,700; and Mr. Post \$315,000. These agreements, along with a discussion regarding our practices for stock incentive grants, are discussed in further detail in the section entitled Compensation Discussion and Analysis.

**Table of Contents****Outstanding Equity Awards at Fiscal Year End**

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END 2007

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Unearned Shares, Units or Other Rights That Have Not Vested (#)	Unearned Shares, Units or Other Rights That Have Not Vested (\$)
James V. Mazzo	240,000 <sup>(1)</sup>		\$ 8.99	7/29/12				
	120,000 <sup>(1)</sup>		13.85	4/29/13				
	150,000 <sup>(1)</sup>	50,000 <sup>(1)(2)</sup>	33.72	5/20/14				
	92,500 <sup>(1)</sup>	92,500 <sup>(1)(3)</sup>	38.20	5/26/15				
	32,000 <sup>(1)</sup>	96,000 <sup>(1)(4)</sup>	45.26	5/24/16				
		161,200 <sup>(5)</sup>	42.55	5/21/17				
					12,800 <sup>(6)</sup>	\$ 313,984		
					15,800 <sup>(7)</sup>	387,574		
							25,800 <sup>(8)</sup>	\$ 632,874 <sup>(8)</sup>
Richard A. Meier	100,000		8.99	7/29/12				
	45,000		13.85	4/29/13				
	67,500	22,500 <sup>(2)</sup>	33.72	5/20/14				
	40,000	40,000 <sup>(9)</sup>	38.20	5/26/15				
	13,000	39,000 <sup>(10)</sup>	45.26	5/24/16				
		65,000 <sup>(11)</sup>	42.55	5/21/17				
					5,000 <sup>(6)</sup>	122,650		
					5,600 <sup>(7)</sup>	137,368		
							14,600 <sup>(8)</sup>	358,138 <sup>(8)</sup>
Holger Heidrich, Ph.D.	48,242 <sup>(12)</sup>		8.9401	1/24/10				
	85,106 <sup>(12)</sup>		13.7150	2/2/11				
	80,000		8.99	7/29/12				
	30,000		13.85	4/29/13				
	37,500	12,500 <sup>(2)</sup>	33.72	5/20/14				
	22,500	22,500 <sup>(13)</sup>	38.20	5/26/15				
	9,500	28,500 <sup>(14)</sup>	45.26	5/24/16				
		34,700 <sup>(15)</sup>	42.55	5/21/17				
					3,780 <sup>(6)</sup>	92,723		
					6,200 <sup>(7)</sup>	152,086		
							4,300 <sup>(8)</sup>	105,479 <sup>(8)</sup>
C. Russell Trenary III	58,000		8.99	7/29/12				
	30,000		13.85	4/29/13				
	37,500	12,500 <sup>(2)</sup>	33.72	5/20/14				

Election of directors:

**FOR**

**AGAINST**

**ABSTAIN**

**FOR**

**AGAINST**

**ABSTAIN**

**01.**

Thomas  
Everist

o

o

o

**05.**

Richard H.  
Lewis

o

o

o

**02.**

Karen B.  
Fagg

o

o

o

**06.**

Patricia L.  
Moss

o

o

o

**03.**

A. Bart  
Holaday

o

o

o

**07.**

Harry J.  
Pearce

o

o

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**04.**

Thomas C.  
Knudson

o

o

o

**08.**

Sister  
Thomas  
Welder,  
O.S.B.

o

o

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2. Ratification of Deloitte & Touche LLP as our independent auditors for 2009       For       Against       Abstain

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH OF THE LISTED NOMINEES AND FOR ITEM 2.**

Address Change? Mark Box  Indicate changes below:      Date

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.