MANULIFE FINANCIAL CORP
Form SUPPL
February 21, 2017
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Filed pursuant to General Instruction II.L. of Form F-10 File No. 333-208442

The information contained in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUPPLEMENT, DATED FEBRUARY 21, 2017

SUBJECT TO COMPLETION

Prospectus Supplement

(To Prospectus Dated December 17, 2015)

US$

Manulife Financial Corporation

US$ % Subordinated Notes Due 2032

Manulife Financial Corporation (MFC or the Company) is offering US$ aggregate principal amount of its % subordinated notes due 2032 (the notes). Interest on the notes will be payable semi-annually in arrears on and of each year, beginning , 2017, in respect of the period from, and including, the issue date of the notes to, but excluding, , 2027 (the Reset Date) at the rate of % per year, and thereafter from, and including, the Reset Date, to, but excluding, the maturity date of the notes at a rate per year equal to the 5-Year Mid-Swap Rate (as defined in Description of the Notes) plus %. The notes will mature on , 2032.

MFC may, at its option, redeem the notes, in whole, but not in part, with the prior approval of the Superintendent of Financial Institutions (Canada) (the Superintendent), on the Reset Date, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption. MFC may also redeem the notes, in each case, in whole, but not in part, with the prior approval of the Superintendent, at any time within 90 days following a Regulatory Event or at any time following a Tax Event (each as defined in Description of the Notes), in each case, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption. The notes do not have the benefit of any sinking fund.

The notes will be direct, unsecured obligations of MFC and will be subordinated in right of payment to all Senior Indebtedness and Policy Liabilities (each as defined in Description of the Notes) of MFC and equal in right of payment to all other Subordinated Indebtedness (as defined in Description of the Notes) of MFC. The notes will constitute Subordinated Indebtedness for purposes of the *Insurance Companies Act* (Canada) (the Insurance Companies Act).

Investing in the notes involves risks that are described in the Caution Regarding Forward-Looking Statements section and the Risk Factors section beginning on pages S-iii and S-9, respectively, of this prospectus supplement and the Risk Factors section beginning on page 27 of the accompanying prospectus.

MFC is permitted to prepare this prospectus supplement and the accompanying prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. MFC prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and is subject to Canadian auditing and auditor independence standards. MFC s financial statements may not be comparable to financial statements of U.S. companies.

Owning the notes may subject you to tax consequences both in the United States and Canada. This prospectus supplement and the accompanying prospectus may not describe these tax consequences fully. You should read the tax discussion in this prospectus supplement and consult with your own tax advisor with respect to your own particular circumstances.

Your ability to enforce civil liabilities under U.S. federal securities laws may be affected adversely because MFC is incorporated in Canada, most of MFC s officers and directors and certain of the experts named in this prospectus supplement and the accompanying prospectus are Canadian residents, and a significant portion of MFC s assets are located outside the United States.

Neither the U.S. Securities and Exchange Commission nor any state securities regulator has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

There is no market through which the notes may be sold and purchasers may not be able to resell notes purchased under this prospectus supplement. This may affect the pricing of the notes in the secondary market, the transparency and availability of trading prices, the liquidity of the notes and the extent of issuer regulation. See Risk Factors.

	Per Note	Total
Public Offering Price	%	US$
Underwriting Discount[1]	%	US$
Proceeds to MFC (before expenses)	%	US$

(1) Plus accrued interest from , 2017, if settlement occurs after that date.

The underwriters may offer the notes at prices lower than stated above. See Underwriting.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the underwriting agreement, referred to under Underwriting. In connection with this offering, the underwriters may engage in transactions that stabilize the market price of the notes at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See Underwriting.

The underwriters expect to deliver the notes, in book-entry form only, through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, societe anonyme, Luxembourg or Euroclear Bank N.V./S.A., on or about , 2017.

MFC s head office and registered office is located at 200 Bloor Street East, Toronto, Ontario, Canada M4W 1E5 (Tel. No. 416-926-3000).

Joint Book-Running Managers

Citigroup **J.P. Morgan** **Morgan Stanley**

The date of this prospectus supplement is , 2017

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part, this prospectus supplement, describes the specific terms of the notes MFC is offering and also adds to and updates certain information contained in the accompanying short form base shelf prospectus and the documents incorporated by reference. The second part, the short form base shelf prospectus, dated December 17, 2015, gives more general information, some of which may not apply to the notes we are offering by this prospectus supplement. The accompanying short form base shelf prospectus is referred to as the prospectus in this prospectus supplement.

If the information in this prospectus supplement is inconsistent with information contained in the prospectus or any document incorporated by reference, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this prospectus supplement, the prospectus, any free writing prospectus with respect to the offering of the notes filed by us with the U.S. Securities and Exchange Commission (the SEC) or information to which we have specifically referred you in any such documents. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provided you with additional or different information, you should not rely on it. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement, the prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, all capitalized terms used and not otherwise defined herein have the meanings specified in the prospectus. In the prospectus and this prospectus supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and all financial information included and incorporated by reference in this prospectus supplement and the prospectus has been prepared in accordance with IFRS. All references herein to Canada mean Canada, its provinces, its territories, its possessions and all areas subject to its jurisdiction.

In this prospectus supplement, unless otherwise indicated or unless the context otherwise requires:

- all references to the Company and MFC refer to Manulife Financial Corporation, not including its subsidiaries;
- all references to MLI refer to The Manufacturers Life Insurance Company, not including its subsidiaries;
- MFC and its subsidiaries, including MLI, are collectively referred to as Manulife ; and
- references to us, we and our refer to Manulife.

The notes are offered for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers. The distribution of this prospectus supplement and the prospectus and the offering or sale of the notes in some jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the prospectus come are required by us and the underwriters to inform themselves about and to observe any applicable restrictions. This prospectus supplement and the prospectus may not be used for or in connection with an offer or solicitation by any person in any jurisdiction in which that offer or solicitation is not authorized or to any person to whom it is unlawful to make that offer or solicitation. See Offering Restrictions in this prospectus supplement.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus supplement, the prospectus and the documents incorporated by reference in the prospectus and this prospectus supplement may be forward-looking statements. All such statements are made pursuant to the safe harbour provisions of Canadian provincial securities laws and the U.S. *Private Securities Litigation Reform Act of 1995*.

Forward-looking statements in this prospectus supplement, the prospectus and the documents incorporated by reference in the prospectus and this prospectus supplement include, but are not limited to, statements with respect to MFC s possible or assumed future results set out under Corporate Strategy, General Development of the Business and Business Operations in our most recent annual information form (which is contained in MFC s annual report on Form 40-F for the year ended December 31, 2016 (the Form 40-F)) and in the management s discussion and analysis in the Form 40-F.

These forward-looking statements also relate to, among other things, MFC s objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as may, will, could, should, would, likely, suspect, outlook, expect, intend, estimate, anticipate, believe, plan, for aim, continue, goal, restore, embark and endeavor (or the negative thereof) and words and expressions of sim import, and include statements concerning possible or assumed future results. Although MFC believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts expectations in any way. Certain material factors or assumptions are applied in making forward-looking statements, including in the case of our 2017 management objectives for core return on shareholders equity expansion over the medium term and elsewhere in the management s discussion and analysis in the Form 40-F, and actual results may differ materially from those expressed or implied in such statements.

Important factors that could cause actual results to differ materially from expectations include but are not limited to:

- general business and economic conditions (including but not limited to the performance, volatility and correlation of equity markets, interest rates, credit and swap spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties);
- changes in laws and regulations;
- changes in accounting standards applicable in any of the territories in which we operate;
- changes in regulatory capital requirements applicable in any of the territories in which we operate;
- our ability to execute strategic plans and changes to strategic plans;
- downgrades in our financial strength or credit ratings;

our ability to maintain our reputation;

impairments of goodwill or intangible assets or the establishment of provisions against future tax assets;

the accuracy of estimates relating to morbidity, mortality and policyholder behaviour;

the accuracy of other estimates used in applying accounting policies, actuarial methods and embedded value methods;

our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies;

our ability to source appropriate assets to back our long-dated liabilities;

level of competition and consolidation;

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our ability to market and distribute products through current and future distribution channels, including through our collaboration arrangements with Standard Life plc, bancassurance partnership with DBS Bank Ltd. and distribution agreement with Standard Chartered;

unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses, including with respect to the acquisitions of the Canadian-based operations of Standard Life plc (Standard Life), New York Life s retirement plan services business, and Standard Chartered s Mandatory Provident Fund (MPF) and Occupational Retirement Schemes Ordinance (ORSO) businesses;

the realization of losses arising from the sale of investments classified as available-for-sale;

our liquidity, including the availability of financing to satisfy existing financial liabilities on expected maturity dates when required;

obligations to pledge additional collateral;

the availability of letters of credit to provide capital management flexibility;

accuracy of information received from counterparties and the ability of counterparties to meet their obligations;

the availability, affordability and adequacy of reinsurance;

legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings;

our ability to adapt products and services to the changing market;

our ability to attract and retain key executives, employees and agents;

the appropriate use and interpretation of complex models or deficiencies in models used;

political, legal, operational and other risks associated with our non-North American operations;

acquisitions and our ability to complete acquisitions including the availability of equity and debt financing for this purpose;

- the failure to realize some or all of the expected benefits of acquired businesses, including the acquisitions of Standard Life, New York Life s retirement plan services business, and Standard Chartered s MPF and ORSO businesses;

- the disruption of or changes to key elements of Manulife s systems or public infrastructure systems;

- environmental concerns;

- our ability to protect our intellectual property and exposure to claims of infringement; and

- the inability of MFC and MLI to obtain cash from subsidiaries.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this prospectus supplement and the prospectus under Risk Factors as well as under Risk Management, Risk Factors and Critical Accounting and Actuarial Policies in the management s discussion and analysis in the Form 40-F, in the Risk Management note to the consolidated financial statements in the Form 40-F, and elsewhere in MFC s filings with Canadian and U.S. securities regulators.

The forward-looking statements in this prospectus supplement, the prospectus and the documents incorporated by reference in the prospectus and this prospectus supplement are, unless otherwise indicated, stated as of the date thereof, hereof or the date of the document incorporated by reference, as the case may be, and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. MFC does not undertake to update any forward-looking statement except as required by law.

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PRESENTATION OF OUR FINANCIAL INFORMATION

Manulife s consolidated financial statements have been prepared in accordance with IFRS, which differ in certain material respects from generally accepted accounting principles in the United States (U.S. GAAP).

EXCHANGE RATE INFORMATION

Manulife publishes its consolidated financial statements in Canadian dollars. In this prospectus supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to dollars or $ are to Canadian dollars and references to US$ are to United States dollars.

The following table sets forth the Canada/U.S. exchange rates on the last day of the periods indicated as well as the high, low and average rates for such periods. The high, low and average exchange rates for each period were identified or calculated from spot rates in effect on each trading day during the relevant period. The exchange rates shown are expressed as the number of U.S. dollars required to purchase one Canadian dollar. These exchange rates are based on those published on the Bank of Canada s website as being in effect at approximately noon on each trading day (the Bank of Canada noon rate). On February 17, 2017, the Bank of Canada noon rate was US$0.7624 equals $1.00.

	January 1, 2017	Year Ended December 31,		
	February 17, 2017	2016	2015	2014
Period End	0.7624	0.7448	0.7225	0.8620
High	0.7690	0.7972	0.8527	0.9422
Low	0.7442	0.6854	0.7148	0.8589
Average	0.7603	0.7548	0.7820	0.9054

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to invest in the notes. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section entitled Risk Factors in this prospectus supplement and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, which contain our consolidated financial statements and the related notes, before making an investment decision.

Our Company

We are a leading international financial services group that helps people achieve their dreams and aspirations by putting customers needs first and providing the right advice and solutions. We operate as John Hancock in the United States, and Manulife elsewhere. We provide financial advice, insurance and wealth and asset management solutions for individuals, groups and institutions. Our principal operations are in Asia, Canada and the United States where we have served customers for more than 100 years. Manulife also provides investment management services with respect to our general fund assets, segregated fund assets, mutual funds, and to institutional customers. We also offer specialized property and aviation retrocession products.

As at December 31, 2016, Manulife had more than 34,000 employees and operated in more than 20 countries and territories. Our business is organized into three major operating divisions: Asia Division, Canadian Division and U.S. Division. Asset management services are provided by our Investment Division, through Manulife Asset Management. Each division has profit and loss responsibility and develops products, services, distribution and marketing strategies based on the profile of its business and the needs of its market. The Investment Division s external asset management business is included under the Corporate and Other reporting segment. Our property and casualty reinsurance business line is reported under the Corporate and Other reporting segment. This business line is a well-established participant in the highly specialized property retrocession market.

MFC is a life insurance company incorporated under the Insurance Companies Act. MFC was incorporated on April 26, 1999 for the purpose of becoming the publicly traded holding company of MLI following its demutualization. MLI was incorporated on June 23, 1887, by a Special Act of Parliament of the Dominion of Canada. Pursuant to the provisions of the *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the Insurance Companies Act, MLI undertook a plan of mutualization and became a mutual life insurance company on December 19, 1968. As a mutual life insurance company, MLI had no common shareholders and its Board of Directors was elected by its participating policyholders in accordance with the Insurance Companies Act. Pursuant to Letters Patent of Conversion, effective September 23, 1999, MLI implemented a plan of demutualization under the Insurance Companies Act and converted to a life insurance company with common shares and became a wholly owned subsidiary of MFC.

Asia Division

We are a leading provider of financial protection and wealth and asset management products in most of Asia s largest and fastest growing economies, with operations in Japan, Hong Kong, Macau, mainland China, Taiwan, Indonesia, Singapore, the Philippines, Vietnam, Malaysia, Thailand and Cambodia. For the year ended December 31, 2016, the Asia Division generated revenues of $19.3 billion.

We offer a broad portfolio of products and services, including life and health insurance, annuities, mutual funds and retirement solutions that cater to the wealth and protection needs of individuals and corporate customers through a multi-channel distribution network, supported by approximately 11,000 employees. Our distribution network includes more than 69,000 contracted agents, 100 bank partnerships and 1,000 independent agents, financial advisors and brokers selling our products. The bank partnerships include a regional partnership with DBS Bank Ltd., effective January 1, 2016, which together with five other exclusive partnerships give us access to more than 18 million bank customers.

Canadian Division

Serving one in three adult Canadians, we are a leading financial services organization in Canada. We offer a diverse range of protection, estate planning, investment and banking solutions through a diversified multi-channel distribution network, meeting the needs of a broad marketplace, supported by a team of more than 10,000 employees. For the year ended December 31, 2016, the Canadian Division generated revenues of $12.7 billion.

In our Insurance business, we offer broad-based insurance solutions to middle- and upper-income individuals, families and business owners through a combination of competitive products, professional advice and quality customer service. Products include universal life, term life, whole life and living benefits products. We also provide group life, health and disability insurance solutions to Canadian employers; more than 21,000 Canadian businesses and organizations entrust their employee benefit programs to Manulife s Group Benefits. Life, health and specialty products, such as travel insurance, are also offered through alternative distribution channels, including sponsor groups and associations, as well as direct-to-customer marketing.

Our Wealth businesses offer a range of investment products and services that span the investor spectrum, from those just starting to build their financial portfolio to individuals and families with complex retirement and estate planning needs. We provide personalized investment management, private banking and estate solutions to affluent clients. Manulife Bank offers flexible debt and cash flow management solutions as part of a customer s financial plan. We also provide Group Retirement solutions to Canadian employers, through defined contribution plans, deferred profit sharing plans, non-registered savings plans and employee share ownership plans.

Manulife Bank of Canada offers investment loans and mortgages, including our innovative Manulife One product, guaranteed investment certificates and high interest savings accounts to provide Canadians with flexible debt and cash flow management solutions as part of their financial plan.

U.S. Division

Operating under the John Hancock brand in the U.S., our product suite includes wealth management and insurance products and is distributed primarily through affiliated and non-affiliated licensed financial advisors. The U.S. Division has a team of approximately 6,700 employees and our affiliated broker/dealer, Signator Investors, Inc., is comprised of a national network of independent firms with close to 2,200 registered representatives. For the year ended December 31, 2016, the U.S. Division generated revenues of $20.6 billion.

John Hancock Wealth Management offers a broad range of products and services focused on individuals and business markets, as well as institutional oriented products. John Hancock Investments offers a variety of mutual funds, Undertakings for Collective Investment in Transferrable Securities (UCITS), exchange traded funds, and 529 college savings plans. John Hancock Retirement Plan Services provides employer sponsored retirement plans for companies ranging from start-ups to some of the largest corporations in the United States as well as servicing personal retirement accounts for former client employees. We also manage an in-force block of fixed deferred, variable deferred and payout annuity products.

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John Hancock Insurance offers a broad portfolio of insurance products, including universal, variable, whole, and term life insurance designed to provide estate, business, income protection and retirement solutions for high net worth and emerging affluent markets. We also manage an in-force block of long-term care insurance which is designed to cover the cost of long-term services and support, including personal and custodial care in a variety of settings such as the home, a community organization, or other facility in the event of an illness, accident, or through the normal effects of aging.

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The Offering

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the notes, see Description of the Notes in this prospectus supplement.

Issuer	Manulife Financial Corporation
Securities Offered	US$ aggregate principal amount of % subordinated notes due 2032.
Interest	% per year from, and including, the issue date of the notes, to, but excluding, , 2027 (the Reset Date). From, and including, the Reset Date, to, but excluding, the maturity date of the notes, at a rate per year equal to the 5-Year Mid-Swap Rate (as defined in Description of the Notes Certain Definitions) plus %.
Interest Payment Dates	and of each year. , 2017 will be the first interest payment date on which interest is paid.
Maturity Date	The notes will mature on , 2032.
Ranking and Subordination	The notes will be direct, unsecured obligations of MFC and will be subordinated in right of payment to all Senior Indebtedness and Policy Liabilities (each as defined in Description of the Notes Certain Definitions) of MFC and equal in right of payment to all other Subordinated Indebtedness (as defined in Description of the Notes Certain Definitions) of MFC. The notes will constitute Subordinated Indebtedness for purposes of the Insurance Companies Act. In the event of the insolvency or winding-up of MFC, the notes will be subordinated and postponed in right of payment to all Senior Indebtedness and Policy Liabilities of MFC. Upon the occurrence of a default with respect to any Senior Indebtedness that permits the holders to accelerate the maturity of such Senior Indebtedness, no payment will be made by MFC with respect to the principal of, premium, if any, or interest on the notes, unless and until such default has been cured, waived or ceased to exist. In addition, upon the maturity of any Senior Indebtedness, by lapse of time, acceleration or otherwise, all principal, premium, if any, and interest on such matured Senior Indebtedness must first be paid in full prior to any payment in respect of the notes. See Description of the Notes Ranking and Subordination.

As of December 31, 2016, MFC had $5,689 million of Senior Indebtedness and $461 million of Subordinated Indebtedness outstanding. MFC does not currently have any Policy Liabilities.

Optional Redemption

MFC may, at its option, redeem the notes, in each case, in whole, but not in part, with the prior approval of the Superintendent of Financial Institutions (Canada) (the Superintendent), on not less than 30 nor

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more than 60 days prior written notice, (i) on the Reset Date, (ii) at any time within 90 days following a Regulatory Event (as defined in Description of the Notes Redemption for Regulatory Event) and (iii) at any time following a Tax Event (as defined in Description of the Notes Tax Redemption), in each case, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption. See Description of the Notes Optional Redemption , Description of the Notes Redemption for Regulatory Event and Description of the Notes Tax Redemption.

Events of Default

An Event of Default in respect of the notes will occur if MFC becomes bankrupt or insolvent, consents to the institution of bankruptcy or insolvency proceedings against it, resolves to wind-up or liquidate, is ordered wound-up or liquidated, or makes a general assignment for the benefit of its creditors, or a receiver of a substantial portion of MFC s property is appointed.

If an Event of Default has occurred, either trustee or the holders of not less than 25% of the principal amount of the notes may declare the principal on all outstanding notes to be immediately due and payable. However, the holders of a majority in principal amount of the notes by written notice to the trustees may, under certain circumstances, instruct the trustees to waive any Event of Default and/or to cancel any such declaration. There is no right of acceleration in the case of a breach in the performance of any covenant of MFC in the indenture, including a failure to pay amounts due on the notes, although a legal action could be brought by the trustees to enforce such covenant.

Form and Denomination

The notes will be represented by fully registered global securities registered in the name of the nominee of The Depository Trust Company. Except as described under Description of the Notes in this prospectus supplement, notes in definitive form will not be issued. The notes will be issued in denominations of US$2,000 and integral multiples of US$1,000 in excess thereof.

Additional Issues

MFC may, from time to time, without notice to or the consent of holders of the notes, create and issue additional notes having the same terms and conditions as the notes offered hereby in all respects except for the issue date, issue price and, if applicable, the initial interest accrual date and the first payment of interest following the issue date of the new notes. These additional notes may be consolidated and form a single series with the previously issued notes and have the same terms as to status, redemption or otherwise as the previously issued notes. The notes offered hereby and

	any additional notes would rank equally and ratably.
Additional Amounts	MFC will make payments under or with respect to the notes without withholding or deduction for or on account of Canadian taxes unless

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	such withholding or deduction is required by law or the interpretation or administration thereof, in which case, subject to certain exemptions, MFC will pay such additional amounts as may be necessary so that the net amount received by holders of the notes after such withholding or deduction will equal the amount that such holders would have received in the absence of such withholding or deduction. See Description of the Notes Payment of Additional Amounts.
Trustees	The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee.
Use of Proceeds	MFC intends to use the net proceeds of the offering of notes for general corporate purposes, including future refinancing requirements.
Governing Law	The notes and the indenture governing the notes will be governed by and construed in accordance with the laws of the State of New York, except for the subordination provisions, which will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
No Existing Market	The notes are a new issue of securities, and there is no existing trading market for the notes. MFC does not intend to apply for a listing of the notes on any securities exchange or automated interdealer quotation system.
Registrar and Paying Agent	The Bank of New York Mellon.
Risk Factors	Investing in the notes involves risk. For a discussion of certain risks that should be considered in connection with any investment in the notes, see Risk Factors beginning on page S-9 of this prospectus supplement.

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Summary Consolidated Financial Information

The following table sets forth certain summary historical consolidated financial information of Manulife. We derived the consolidated financial information for each of the years ended December 31, 2016 and 2015 and as of December 31, 2016 and 2015 from our audited consolidated financial statements and notes to the financial statements included in the Form 40-F, which is incorporated by reference herein. This summary consolidated financial information should be read in conjunction with and is qualified by reference to these financial statements and the related notes. We derived the consolidated financial information for the year ended and as of December 31, 2014 from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement or the accompanying prospectus. The following consolidated statements of operations and consolidated statements of financial position data have been prepared in accordance with IFRS.

You should read the following information in conjunction with our financial statements and the notes thereto and the other financial and statistical information that we include or incorporate by reference in this prospectus supplement and the accompanying prospectus. The results for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

	For Year Ended December 31,		
	2016	2015	2014
	($ in millions)		
Consolidated Statement of Income Data:			
Revenue			
Net premiums excluding Closed Block reinsurance transaction[1]	$ 27,632	$ 23,925	$ 17,813
Premiums ceded, net of commission and additional consideration relating to Closed Block reinsurance transaction[1]		(7,996)	
Net investment income (loss)[2]	14,524	8,403	27,836
Other revenue	11,181	10,098	8,739
Total revenue	53,337	34,430	54,388
Net benefits and claims	34,134	17,341	38,365
Total contract benefits and expenses	50,008	31,812	50,124
Income before income taxes	3,329	2,618	4,264
Income tax expense	(196)	(328)	(671)
Net income	3,133	2,290	3,593
Net income (loss) attributed to non-controlling interests and participating policyholders	204	99	92
Net income attributed to shareholders	2,929	2,191	3,501
Preferred share dividends	(133)	(116)	(126)
Common shareholders net income	$ 2,796	$ 2,075	$ 3,375

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	2016	As of December 31, 2015 ($ in millions)	2014
Consolidated Statement of Financial Position Data:			
Assets			
Total invested assets	$ 321,869	$ 307,506	$ 269,310
Total other assets	83,635	82,116	53,564
Segregated funds net assets	315,177	313,249	256,532
Total assets	720,681	702,871	579,406
Liabilities			
Insurance contract liabilities	297,505	285,288	229,513
Investment contract liabilities	3,275	3,497	2,644
Other liabilities	49,025	49,351	45,260
Long-term debt	5,696	1,853	3,885
Liabilities for preferred shares and capital instruments	7,180	7,695	&agement had frequent discussions with Johnson & Johnson regarding certain amendments Johnson & Johnson required relating to their employment arrangements, which were pre-conditions to Johnson & Johnson s signing of the Merger Agreement.

On November 29, 2008, the Board held a telephonic meeting with representatives of the Company s legal and financial advisors. Prior to the meeting, the Board received the Merger Agreement in substantially final form, a summary of terms of the transaction, proposed Board resolutions and a financial presentation from Citi. At the meeting, representatives of Morrison advised the directors on their fiduciary duties and gave the Board a presentation on the terms of the Merger Agreement. Also at this meeting, the Company s financial advisor reviewed with the Board its financial analysis of the $31.00 per Share cash consideration and rendered to the Board an oral opinion, confirmed by delivery of a written opinion dated November 29, 2008, to the effect that, as of that date and based on and subject to the matters described in the opinion, the $31.00 per Share cash consideration to be received in the Offer and the Merger, taken together, by holders of Shares (other than Johnson & Johnson, Offeror and their respective affiliates) was fair, from a financial point of view, to such holders. After discussion, the special committee of disinterested directors unanimously approved the Offer and the Merger and adopted the Merger

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Agreement, and recommended that the full Board do the same. Subsequently, the full Board unanimously approved the Offer and the Merger and adopted the Merger Agreement and unanimously resolved to recommend that the Company s shareholders tender their Shares in the Offer.

Early in the morning of December 1, 2008, the Company, Johnson & Johnson and Offeror executed and delivered the Merger Agreement and related documents. Later that morning the Company and Johnson & Johnson issued a joint press release announcing the execution of the Merger Agreement.

Reasons for Recommendation.

In evaluating the Merger Agreement and the other transactions contemplated thereby, including the Offer and the Merger, the Board consulted with the Company s management and legal and financial advisors and, in recommending that all holders of Shares accept the Offer and tender their Shares pursuant to the Offer and, if applicable, approve the Merger and the Merger Agreement, the Board considered a number of factors, including the following:

Financial Condition and Prospects of the Company; Economic Conditions. The Board s knowledge and familiarity with the Company s business, financial condition and results of operations, as well as the Company s financial outlook and prospects if it were to remain an independent company. The Board discussed and deliberated at length concerning the Company s current financial outlook, including the risks associated with achieving and executing the Company s business plan and strategy. The Board considered the Company s projected revenues, operating income, cash flow and operating expenses and the current and expected conditions in the general economy and in the industry in which the Company operates. The Board discussed the challenges posed to the Company s core surgical implant business that created risks to the Company s ability to continue to fund its product development efforts in accordance with its plan and remain an independent company. Based on these considerations, the Board believed that the $31 per Share consideration in the Offer and the Merger would result in greater value to the Company s shareholders than pursuing its current business plan.

Company Financial Forecasts. The Board examined the financial projections set forth in the forecasts described below under the heading Financial Projections and considered the discussion of management concerning them.

Competitive Environment. The Board considered the competitive environment in which the Company operates and the competitive challenges facing the Company if it remained as an independent company.

Historical Trading Prices; Premium to Market Price. The Board reviewed the historical market prices, volatility and trading information with respect to the Shares, including the fact that the Offer Price represents a premium of approximately 92% over the closing price of the Shares on the NYSE on November 28, 2008 and a premium of approximately 110% over the closing price of the Shares on the NYSE on November 21, 2008, the date the Offer Price was agreed upon.

Cash Tender Offer; Timing of Closing; Certainty of Value. The Offer provides for a cash tender offer for all Shares held by Company shareholders to be followed by the Merger for the same consideration, thereby enabling Company shareholders, at the earliest possible time, to obtain the benefits of the transaction in exchange for their Shares and eliminating any uncertainties in valuing the Merger consideration to be received by the Company shareholders. The Board also considered Johnson & Johnson s size and financial position, and its ability to pay the Offer Price without the need for any external financing.

Strategic Alternatives. The Board considered the recent evaluations by the Board of the Company s strategic alternatives. The Board also considered the risks inherent with remaining independent and the prospects of the Company going forward as an independent company.

Opinion and Analyses of the Company s Financial Advisor. The opinion and financial presentation, dated November 29, 2008, of Citi to the Board as to the fairness, from a financial point of view and as of the date of the opinion, of the $31.00 per Share cash consideration to be received in the Offer and the Merger, taken together, by holders of Shares (other than Johnson & Johnson, Offeror and their respective affiliates), as more fully described below under the caption Opinion of the Company s Financial Advisor.

Merger Agreement Terms and Conditions. The Board reviewed, considered and discussed with the Company s management and legal and financial advisors the terms and conditions of the Merger Agreement, including the respective representations, warranties and covenants and termination rights of the parties. The matters considered included:

Johnson & Johnson s financial strength and the fact that Johnson & Johnson s and Offeror s obligations under the Offer are not subject to any financing condition.

The Board s determination that the termination fee was reasonable and customary and would not likely deter competing bids.

The availability of dissenters rights with respect to the Merger for Company shareholders who properly exercise their rights under the MBCA.

The reasonable likelihood of the consummation of the transactions contemplated by the Merger Agreement, and the absence of significant required regulatory approvals.

The provisions in the Merger Agreement allowing the Company, subject to certain conditions as set forth in the Merger Agreement, to enter into a written agreement concerning a Superior Proposal (as defined in the Merger Agreement).

The provisions in the Merger Agreement allowing the Board, subject to certain conditions set forth in the Merger Agreement, to change its recommendation to the Company s shareholders with respect to the Offer and Merger if failure to take such action would be inconsistent with the Board s fiduciary duties.

The provisions in the Merger Agreement allowing the Company to terminate the Merger Agreement if the Offer shall not have been consummated prior to June 1, 2009.

The Board also considered a number of uncertainties and risks in their deliberations concerning the transactions contemplated by the Merger Agreement, including the Offer and the Merger, including the following:

Termination Fee. The restrictions that the Merger Agreement imposes on actively soliciting competing bids, and the insistence by Johnson & Johnson as a condition to its offer that the Company would be obligated to pay a termination fee of $31.0 million under certain circumstances, and the potential effect of such termination fee in deterring other potential acquirers from proposing alternative transactions.

Failure to Close. The conditions to Johnson & Johnson s and Offeror s obligation to accept the tendered Shares in the Offer and consummate the Merger, and the possibility that such conditions may not be satisfied. The fact that, if the Merger is not completed, the Company s officers and other employees will have expended extensive time and effort attempting to complete the transaction and will have experienced significant distractions from their work during the pendency of the transaction. The fact that, if the Merger is not completed, the market s perception of the Company s continuing business could potentially result in a loss of customers and employees.

Pre-Closing Covenants. Under the terms of the Merger Agreement, the Company agreed that it will carry on in the ordinary course of business consistent with past practice and, subject to specified exceptions, that the Company will not take a number of actions related to the conduct of its business without the prior consent of Johnson & Johnson.

Cash Consideration. The fact that, subsequent to consummation of the Merger, the Company will no longer exist as an independent public company and that the cash transaction prevents the Company s shareholders from being able to participate in any value creation that the Company could generate going forward, as well as any future appreciation in value of the combined company.

Taxation. The fact that gains from this transaction would be taxable to the Company s shareholders for U.S. federal income tax purposes.

The foregoing discussion of information and factors considered by the Board is not intended to be exhaustive, but is believed to include all of the material factors considered by the Board. In view of the variety of factors considered in connection with its evaluation of the Offer and the Merger, the Board did not find it practicable to, and

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did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. In addition, individual members of the Board may have given different weights to different factors. In arriving at its recommendations, the Board was aware of the interests of executive officers and directors of the Company as described under Past Contacts, Transactions, Negotiations and Agreements in Item 3 hereof.

Financial Projections

The Company s management prepared certain non-public financial projections relating to the Company under alternative scenarios, referred to as Management Case 1 Forecasts and Management Case 2 Forecasts. These projections were presented to the Board by management on October 20, 2008.

The Management Case 1 Forecasts included the following estimates of the Company s future revenues, which are aggregate figures (in millions):

	Fiscal Year Ended March 31,				
	2009	**2010**	**2011**	**2012**	**2013**
Total Revenues	$ 373	$ 385	$ 418	$ 473	$ 555

The Management Case 1 Forecasts also included the following estimates of the Company s future earnings per share:

	Fiscal Year Ended March 31,				
	2009	**2010**	**2011**	**2012**	**2013**
Earnings Per Share	$ 1.26	$ 1.22	$ 1.34	$ 1.62	$ 2.02

The Management Case 1 Forecasts assumed, among other things, that (1) the Company does not lose surgical breast implant market share to Allergan, Inc. (*Allergan*), (2) a third breast implant competitor enters the U.S. market, (3) the Company s toxin product does not outperform Allergan s competitive product, (4) the Company utilizes a contract sales force for facial aesthetics, (5) the Company does not build a sales force to enter the neurology market, (6) a 19% average operating margin and (7) capital expenditures of (i) $34 million in fiscal year 2009, (ii) $27 million in fiscal year 2010, (iii) $16 million in fiscal year 2011, (iv) $17 million in fiscal year 2012 and (v) $15 million in fiscal year 2013.

The Management Case 2 Forecasts included the following estimates of the Company s future revenues, which are aggregate figures (in millions):

	Fiscal Year Ended March 31,				
	2009	**2010**	**2011**	**2012**	**2013**
Total Revenues	$ 373	$ 400	$ 451	$ 537	$ 660

The Management Case 2 Forecasts also included the following estimates of the Company s future earnings per share:

	Fiscal Year Ended March 31,				
	2009	**2010**	**2011**	**2012**	**2013**

Earnings Per Share	$ 1.26	$ 1.26	$ 1.44	$ 1.84	$ 2.40

The Management Case 2 Forecasts were based on the same assumptions used for the Management Case 1 Forecasts, except the Management Case 2 Forecasts assumed that (1) a third breast implant competitor does not enter the U.S. market, (2) the Company s toxin product outperforms Allegan s competitive product and (3) the Company builds a sales force to enter the neurology market.

There is no guarantee that any projections will be realized, or that the assumptions on which they are based will prove to be correct. The Company s shareholders are cautioned not to place undue reliance on the projections included in this Schedule 14D-9.

The Company does not as a matter of course make public any projections as to future performance or earnings, other than limited guidance for periods no longer than one year. The projections set forth above were provided to the Company s financial advisor in connection with its opinion described below. The projections were not prepared with a view to public disclosure or compliance with the published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts. The projections do not purport to present operations in accordance with U.S. Generally Accepted Accounting Principles, and the Company s Independent Registered Public Accounting Firm has not examined, compiled or otherwise applied procedures to the projections and accordingly assumes no responsibility for them. The Company s internal financial forecasts, upon which the projections were based in part, are, in general, prepared solely for internal use, such as budgeting and other management decisions, and are subjective in many respects. As a result, these internal financial forecasts are susceptible to interpretations and periodic revision based on actual experience and business developments. The projections also reflect numerous assumptions made by the management of the Company and general business, economic, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond the Company s control. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate or that any of the projections will be realized.

The Company expects that there will be differences between actual and projected results, and actual results may be materially greater or materially less than those contained in the projections due to numerous risks and uncertainties, including but not limited to the important factors listed under Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended March 31, 2008. In this regard, on November 5, 2008, the Company announced revised guidance for its 2009 fiscal year that is lower than the above projections. All projections are forward-looking statements, and these and other forward-looking statements are expressly qualified in their entirety by the risks and uncertainties identified in the Company s Form 10-K.

The inclusion of the above projections should not be regarded as an indication that any of the Company, Johnson & Johnson or their respective affiliates, representatives or advisors considered or consider the projections to be a prediction of actual future events, and the projections should not be relied upon as such.

None of the Company, Johnson & Johnson or any of their respective affiliates, representatives or advisors intends to update or otherwise revise the projections or information based thereon to reflect circumstances existing or arising after the date such projections were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the projections are shown to be in error.

(c) Intent to Tender.

To the Company s knowledge after reasonable inquiry, all of the Company s executive officers, directors, affiliates and subsidiaries currently intend to tender all Shares held of record or beneficially by them pursuant to the Offer. The foregoing does not include any Shares over which, or with respect to which, any such executive officer, director, affiliate and subsidiary acts in a fiduciary or representative capacity or is subject to the instructions of a third party with respect to such tender.

(d) Opinion of the Company s Financial Advisor.

The Company retained Citi to act as its financial advisor in connection with the Offer and the Merger. In connection with Citi s engagement, the Board requested that Citi evaluate the fairness, from a financial point of view, to the holders of Shares (other than Parent, Offeror and their respective affiliates) of the $31.00 per Share cash consideration to be received in the Offer and the Merger, taken together, by such holders. On November 29, 2008, at a meeting of the Board held to evaluate the Offer and the Merger, Citi rendered to the Board an oral opinion, which opinion was confirmed by delivery of a written opinion dated November 29, 2008, to the effect that, as of that date and based on and subject to the matters described in its opinion, the $31.00 per Share cash consideration to be received in the Offer and the Merger, taken together, by holders of Shares (other than Parent, Offeror and their respective affiliates) was fair, from a financial point of view, to such holders.

The full text of Citi s written opinion, which describes, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of review undertaken, is attached as Annex II. Citi s opinion was provided to the Board for its information in connection with its evaluation of the $31.00 per Share cash consideration from a financial point of view, does not address any other aspect of the Offer or the Merger and is not intended to be and does not constitute a recommendation to any shareholder

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as to whether such shareholder should tender Shares in the Offer or how such shareholder should vote or act on any matters relating to the Offer or the Merger. Holders of the Shares are encouraged to read this opinion carefully in its entirety. The summary of Citi s opinion below is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, Citi:

reviewed a draft dated November 28, 2008 of the Merger Agreement;

held discussions with the Company s senior officers, directors and other representatives and advisors concerning the Company s business, operations and prospects;

reviewed publicly available business and financial information relating to the Company;

reviewed financial forecasts and other information and data relating to the Company prepared by the Company s management under alternative industry, business and growth scenarios;

reviewed the financial terms of the Offer and the Merger as set forth in the Merger Agreement in relation to, among other things, current and historical market prices and trading volumes of the Shares, the Company s historical and projected earnings and other operating data and the Company s capitalization and financial condition;

analyzed financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citi considered relevant in evaluating those of the Company;

considered, to the extent publicly available, the financial terms of other transactions which Citi considered relevant in evaluating the Offer and the Merger; and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citi deemed appropriate in arriving at its opinion.

In rendering its opinion, Citi assumed and relied, without independent verification, on the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citi and on the assurances of the Company s management that it was not aware of any relevant information that was omitted or remained undisclosed to Citi. With respect to financial forecasts and other information and data relating to the Company provided to or otherwise reviewed by or discussed with Citi, Citi was advised by the Company s management, and Citi assumed, with the Company s consent, that the forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the Company s management as to the Company s future financial performance under the alternative industry, business and growth scenarios reflected in such forecasts. Citi relied, at the Company s direction, without independent verification, on the assessments of the Company s management as to the Company s products and product candidates and the risks associated with such products and product candidates (including, without limitation, the probability of successful testing, development and marketing, and approval by appropriate governmental authorities, of such products and product candidates). Citi did not make, and it was not provided with, an independent evaluation or appraisal of the assets or liabilities, contingent or otherwise, of the Company and Citi did not make any physical inspection of the Company s properties or assets.

Citi assumed, with the Company s consent, that the Offer and the Merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory or third party approvals, consents, releases, waivers and agreements for the Offer and the Merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on the Company, the Offer or the Merger. In addition, representatives of the Company advised Citi, and Citi assumed, that the final terms of the Merger Agreement would not vary materially from those set forth in the draft reviewed by Citi. Citi s opinion did not address any terms or other aspects or implications of the Offer or the Merger (other than the $31.00 per Share cash consideration to the extent expressly specified in the opinion) or any aspects or implications of any other agreement, arrangement or understanding to be entered into in connection with, or otherwise contemplated by, the Offer or the Merger. Citi also expressed no view as to, and its opinion did not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the Offer and the Merger, or any class of such persons, relative to the $31.00 per Share cash consideration. Citi was not requested to, and did not, solicit third party indications of interest in the possible acquisition of all or a part of the Company, nor was Citi requested to consider, and its opinion did not address, the Company s underlying business decision to effect the Offer or the Merger, the relative merits of the Offer or the Merger as compared to any alternative business strategies that might exist for the Company or the effect of any other transaction in which the Company might engage. Citi s opinion was necessarily based on information available to Citi, and financial, stock market and other conditions and circumstances existing and disclosed to Citi, as of the date of its opinion. The issuance of Citi s opinion was authorized by its fairness opinion committee.

In preparing its opinion, Citi performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses underlying Citi s opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. Citi arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, Citi believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Citi considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the Company s control. No company, business or transaction used as a comparison in those analyses is identical or directly comparable to the Company or the Offer and the Merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involved complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in Citi s analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Citi s analyses are inherently subject to substantial uncertainty.

The type and amount of consideration payable in the Offer and the Merger was determined through negotiations between the Company and Parent and the decision to enter into the Merger Agreement was solely that of the Board. Citi s opinion was only one of many factors considered by the Board in its evaluation of the Offer and the Merger and should not be viewed as determinative of the views of the Board or management with respect to the Offer and the Merger or the consideration payable in the Offer and the Merger.

The following is a summary of the material financial analyses reviewed with the Board on November 29, 2008 in connection with Citi s opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand Citi s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or**

incomplete view of Citi s financial analyses. For purposes of its analyses, Citi reviewed financial forecasts and other information and data relating to the Company prepared by the Company s management under alternative industry, business and growth scenarios, referred to as *Management Case 1 Forecasts* and *Management Case 2 Forecasts.* The Management Case 2 Forecasts generally reflected stronger financial performance for the Company than were reflected in the Management Case 1 Forecasts under the assumptions of the Company s management that, among other things, no competitors to the Company would enter the U.S. breast implant market, certain of the

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Company s product candidates would outperform a competing product and the Company would build a sales force to target the neurology market.

Selected Companies Analysis

Citi reviewed financial and stock market information of the Company and the following 20 selected publicly traded medical device and specialty pharmaceutical companies:

Mid-Cap Medical Device Companies	Large-Cap Medical Device Companies	Specialty Pharmaceutical Companies
Advanced Medical Optics, Inc.	Boston Scientific Corporation	Alcon, Inc.
American Medical Systems Holdings, Inc.	Covidien Ltd.	Allergan, Inc.
The Cooper Companies, Inc.	C.R. Bard, Inc.	Cephalon, Inc.
Integra LifeSciences Holdings Corporation	Medtronic, Inc.	Forest Laboratories, Inc.
Kinetic Concepts, Inc.		Ipsen SA
Nobel Biocare Holding AG		Medicis Pharmaceutical Corporation
Straumann Holding AG		Sepracor Inc.
		Shire plc
		Warner Chilcott Limited

Citi reviewed, among other things, enterprise values of the selected companies, calculated as fully diluted equity value based on closing stock prices on November 25, 2008, plus debt, less cash, as a multiple of calendar year 2009 estimated earnings before interest, taxes, depreciation and amortization, referred to as EBITDA. Citi also reviewed equity values of the selected companies, based on closing stock prices on November 25, 2008, as a multiple of calendar year 2009 estimated earnings per share (excluding certain one-time nonrecurring items), referred to as P/E. Citi then applied a selected range of calendar year 2009 estimated EBITDA multiples of 6.5x to 8.0x and estimated P/E multiples of 8.5x to 12.5x derived from the selected companies to corresponding data of the Company. Estimated financial data of the selected companies were based on publicly available research analysts estimates. Estimated financial data of the Company were based on the Management Case 2 Forecasts and other estimates of the Company s management. This analysis indicated an implied per share equity value reference range for the Company of approximately $10.00 to $19.00 per Share, as compared to the $31.00 per Share cash consideration.

Selected Precedent Transactions Analysis

Citi reviewed the transaction values of the following 17 transactions involving medical device and pharmaceutical companies:

Acquiror	Target
Abbott Laboratories	Kos Pharmaceuticals, Inc.
Allergan, Inc.	Inamed Corporation
Blackstone Capital Partners V L.P.	Encore Medical Corporation
Cardinal Health, Inc.	Alaris Medical Systems, Inc.
Chiron Corporation	PowderJect Pharmaceutical plc
Consortium led by JPMorgan Partners LLC and DLJ Merchant Banking Partners	Warner Chilcott Limited
Hologic, Inc.	Cytyc Corporation

King Pharmaceuticals, Inc.	Meridian Medical Technologies, Inc.
Koninklijke Philips Electronics N.V.	Respironics, Inc.
Nycomed US Inc.	Bradley Pharmaceuticals, Inc.
Protein Design Labs, Inc.	ESP Pharma, Inc.
Shionogi & Co., Ltd.	Sciele Pharma, Inc.
Solvay SA	Fournier Pharma Inc.
Stiefel Laboratories, Inc.	Connetics Corporation
Teleflex Incorporated	Arrow International, Inc.
TPG Capital L.P.	Axcan Pharma Inc.
Warburg Pincus LLC	Bausch & Lomb Incorporated

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Citi reviewed, among other things, transaction values in the selected transactions, calculated as the purchase prices paid for the target companies, as a multiple of latest 12 months EBITDA. Citi then applied a selected range of latest 12 months EBITDA multiples of 12.5x to 16.5x derived from the selected transactions to the Company s EBITDA for the latest 12 months ended September 26, 2008. Financial data of the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Financial data of the Company were based on publicly available information. This analysis indicated an implied per share equity value reference range for the Company of approximately $31.00 to $40.00 per Share, as compared to the $31.00 per Share cash consideration.

Discounted Cash Flow Analysis

Citi performed a discounted cash flow analysis to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that the Company could generate during the Company s fiscal years 2009 through 2013 based on both the Management Case 1 Forecasts and the Management Case 2 Forecasts. Estimated terminal values for the Company were calculated by applying terminal value multiples of 7.5x to 8.5x to the Company s fiscal year 2013 estimated EBITDA under both the Management Case 1 Forecasts and the Management Case 2 Forecasts. The cash flows and terminal values were then discounted to present value as of November 30, 2008 using discount rates ranging from 8.8% to 10.3%. This analysis indicated implied per share equity value reference ranges for the Company of approximately $22.00 to $26.00 per Share (under the Management Case 1 Forecasts) and approximately $26.00 to $31.00 per Share (under the Management Case 2 Forecasts), as compared to the $31.00 per Share cash consideration.

Item 5. ***Persons/Assets, Retained, Employed, Compensated or Used.***

Citi was retained by the Company to act as its financial advisor in connection with the Offer and the Merger. Under the terms of Citi s engagement, the Company has agreed to pay Citi for its financial advisory services in connection with the Offer and the Merger an aggregate fee of approximately $7.9 million, $2.0 million of which was payable in connection with the delivery of its opinion and approximately $5.9 million of which is contingent upon completion of the Offer and the Merger. The Company also has agreed to reimburse Citi for expenses incurred by Citi in performing its services, including fees and expenses of its legal counsel, and to indemnify Citi and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement. Citi and its affiliates in the past have provided, currently are providing and in the future may provide, services to Parent unrelated to the Offer and the Merger, for which services Citi and its affiliates have received and expect to receive compensation, including, without limitation, having acted as (i) joint book-running manager and/or co-manager for Parent in connection with $2.6 billion investment-grade note offerings in August 2007, 1.0 billion and £500 million investment-grade note offerings in October 2007 and $1.6 billion investment-grade note offerings in June 2008 and (ii) joint bookrunner in connection with, and lender under, a $7.7 billion revolving credit facility of Parent in 2008. In the ordinary course of business, Citi and its affiliates may actively trade or hold the securities of the Company and Parent for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citi and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with the Company, Parent and their respective affiliates.

Neither the Company, nor any person acting on its behalf, has employed, retained, or agreed to compensate any person or class of persons to make solicitations or recommendations to shareholders on its behalf in connection with the Offer or the Merger.

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Item 6. ***Interest in Securities of the Subject Company.***

Except as set forth below, no transactions in the Shares have been effected during the past 60 days by the Company or, to the best of the Company s knowledge, by any executive officer, director, affiliate or subsidiary of the Company.

Name/Title	**Date**	**Nature of Transaction**	**Number of Shares**	**Price per Share**
Walter Faster, Director	11/25/2008	Bona fide gift to third party	5,462	$ 0.00
Michael O Neill, Chief Financial Officer	12/03/2008	Payment of tax liability incident to vesting of restricted shares by delivering securities	1,967	$ 30.60

On December 1, 2008, the Company issued 1,249 shares pursuant to the Company s Employee Stock Purchase Plan to plan participants at a per share price of $22.67.

Item 7. ***Purposes of the Transaction and Plans or Proposals.***

(a) Except as indicated in Items 3 and 4 above, no negotiations are being undertaken or are underway by the Company in response to the Offer which relate to a tender offer or other acquisition of the Company s securities by the Company, any subsidiary of the Company or any other person.

(b) Except as indicated in Items 3 and 4 above, no negotiations are being undertaken or are underway by the Company in response to the Offer which relate to, or would result in, (i) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any subsidiary of the Company, (ii) any purchase, sale or transfer of a material amount of assets by the Company or any subsidiary of the Company or (iii) any material change in the present dividend rate or policy, or indebtedness or capitalization of the Company.

(c) Except as indicated in Items 3 and 4 above, there are no transactions, Board resolutions, agreements in principle or signed contracts in response to the Offer that relate to or would result in one or more of the matters referred to in this Item 7.

Item 8. ***Additional Information.***

Information Statement.

The Information Statement attached as Annex I hereto is being furnished in connection with the possible designation by Parent, pursuant to the Merger Agreement, of certain persons to be appointed to the Board, other than at a meeting of the Company s shareholders as described in Item 3 above and in the Information Statement, and is incorporated herein by reference.

Top-Up Option.

Pursuant to the Merger Agreement, the Company granted to Offeror an irrevocable option (the *Top-Up Option*), exercisable only on the terms and conditions set forth in the Merger Agreement, to purchase at a price per share equal to the Offer Price paid in the Offer up to that number of newly issued shares of Common Stock (the *Top-Up Shares*) equal to the lowest number of shares of Common Stock that, when added to the number of shares of

Common Stock owned by Parent and its controlled subsidiaries at the time of exercise of the Top-Up Option, shall constitute one share more than 90% of the shares of Common Stock outstanding immediately after the issuance of the Top-Up Shares on a fully diluted basis (which assumes conversion or exercise of all derivative securities regardless of the conversion or exercise price, the vesting schedule or other terms and conditions thereof); provided that the Top-Up Option shall not be exercisable for a number of shares of Common Stock in excess of (i) the number of shares of Common Stock authorized and unissued or held in the treasury of the Company (giving effect to the shares of Common Stock issuable pursuant to all then-outstanding stock options, restricted stock units and any other rights to acquire Common Stock as if such shares were outstanding) or (ii) 19.90% of the number of outstanding shares of Common Stock or voting power of the Company, in each case as of immediately prior to and after giving effect to the issuance of the Top-Up Shares. The Top-Up Option is exercisable only once following the closing of the Offer and prior to the earlier to occur of (a) the Effective Time and (b) the termination of the Merger

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Agreement in accordance with its terms. The obligation of the Company to issue and deliver the Top-Up Shares upon the exercise of the Top-Up Option is subject only to the condition that no Restraint (as defined in the Merger Agreement) preventing the exercise of the Top-Up Option or the issuance and delivery of the Top-Up Shares in respect of such exercise shall be in effect. The purchase price owed by Offeror to the Company for the newly issued Shares shall be paid to the Company (i) in cash, by wire transfer or cashier s check or (ii) by issuance by Offeror to the Company of a promissory note on terms reasonably satisfactory to the Company.

Statutory Requirements.

In general, under the MBCA, a merger of two Minnesota corporations requires (i) the adoption of a resolution by the board of directors of each of the corporations desiring to merge approving an agreement and plan of merger containing provisions with respect to certain statutorily specified matters and (ii) the adoption of such agreement by the shareholders of each corporation by the affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote on such matter, unless otherwise provided for in that corporation s articles of incorporation or, in the case of a short-form merger, as described in the next paragraph. Accordingly, except in the case of a short-form merger, the affirmative vote of the Company s shareholders representing at least a majority of all outstanding Shares is required in order to adopt the Merger Agreement. If the Minimum Tender Condition (as defined in the Offer to Purchase) and the other conditions of the Offer are satisfied and the Offer is completed, Parent and Offeror will own a number of Shares sufficient to cause the Merger Agreement to be adopted without the affirmative vote of any other holder of Shares.

The MBCA also provides that, if a parent corporation owns at least 90% of each class of the stock of a subsidiary, such parent corporation can effect a short-form merger with such subsidiary without the action of the other shareholders of the subsidiary. Accordingly, if as a result of the Offer or otherwise, Offeror acquires or controls at least 90% of the outstanding Shares, Offeror may, and intends to, effect the Merger without prior notice to, or any action by, any other shareholders of the Company.

Going Private Transactions.

The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain going private transactions and which may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer in which Offeror seeks to acquire the remaining Shares not held by it. The Company believes that Rule 13e-3 will not be applicable to the Merger because it is anticipated that the Merger will be effected within one year following the consummation of the Offer and, in the Merger, shareholders will receive the same price per Share as paid in the Offer.

State Takeover Statutes.

The Company is incorporated under the laws of the State of Minnesota. Under the MBCA and other Minnesota statutes, the Company is subject to several state takeover laws including, but not limited to, the Minnesota Control Share Acquisition Act (the *MCSAA*) and the Minnesota Business Combination Act (the *Combination Act*). The Company has taken appropriate action in connection with its approval of the Merger Agreement and the consummation of the transactions contemplated thereby so that these laws do not affect the ability of Parent and Offeror to consummate the Offer or the Merger.

Minnesota Control Share Acquisition Act.

The Company is currently subject to the MCSAA under MBCA Section 302A.671, which provides that, absent certain exceptions, a person who becomes the beneficial owner of a new range of the voting power of the shares of an issuing public corporation (i.e., from less than 20% to 20% or more, from less than 331/3% to 331/3% or more, or from less than a majority to a majority) will lose voting rights with respect to the shares above any such new percentage level of voting control, in the absence of special shareholder approval. That approval can be obtained only by a resolution adopted by (i) the affirmative vote of the holders of a majority of the voting power of all shares entitled to vote and (ii) the affirmative vote of the holders of a majority of the voting power of all shares entitled to vote, excluding all interested shares (generally, shares held by the acquiring person, any officer of the issuing public corporation, or any director who is also an employee of the issuing public corporation). If such approval is not obtained, the issuing public corporation may redeem the shares that exceed the new percentage level of voting control at their market value. A shareholders meeting to vote on whether to grant voting power to the acquiring person may not be held unless the acquiring person has delivered an information statement to the issuing public corporation. The above provisions do not apply if the issuing public corporation s articles of incorporation or bylaws approved by the corporation s shareholders provide that the statute is inapplicable or if there is an applicable exception. The statute contains several exceptions, including an exception for cash tender offers (i) approved by a majority vote of the members of a committee composed solely of one or more disinterested directors of the issuing public corporation formed pursuant to MBCA Section 302A.673, subdivision 1, paragraph (d), prior to the commencement of, or the public announcement of the intent to commence, the offer, and (ii) pursuant to which the acquiring person will become the owner of over 50% of the voting stock of the issuing public corporation. Under MBCA Section 302A.673, a director or person is disinterested if the director or person is neither an officer nor an employee, nor has been an officer or employee within five years preceding the formation of the committee, of the publicly held Minnesota corporation or of a related organization. The Articles and Bylaws do not exclude the Company from the restrictions imposed by the MCSAA. However, prior to the execution of the Merger Agreement, a committee composed solely of disinterested members of the Board approved the Offer and the Merger for purposes of the MCSAA. Therefore, as an acquisition of shares pursuant to a cash tender offer of all the Shares that will not be consummated unless the Minimum Tender Condition is satisfied, the Offer is not subject to the MCSAA under MBCA Section 302A.671.

Minnesota Business Combination Act.

The Company is currently subject to the Combination Act under Section 302A.673 of the MBCA, which prohibits a publicly held Minnesota corporation, like the Company, from engaging in any business combination, including a merger, with an interested shareholder (defined as any beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding shares of such corporation entitled to vote) for a period of four years after the date of the transaction in which the person became an interested shareholder, unless, among other things, a committee of that corporation s board of directors comprised solely of one or more disinterested directors has given its approval of either the business combination or the transaction which resulted in the shareholder becoming an interested shareholder prior to the shareholder becoming an interested shareholder. Under the Combination Act, a director or person is disinterested if the director or person is neither an officer nor an employee, nor has been an officer or employee within five years preceding the formation of the committee, of the publicly held Minnesota corporation or of a related organization. Prior to the execution of the Merger Agreement, a committee composed solely of the Company s disinterested directors approved Offeror s acquisition of the Shares pursuant to the Offer and the subsequent Merger, which Offeror intends to complete if it consummates the Offer, for the purposes of the Combination Act. Therefore, the restrictions of the Combination Act do not apply to Offeror s intended consummation of the Merger following Offeror s acquisition of the Shares pursuant to the Offer and the Merger.

Fair Price Provision.

MBCA Section 302A.675 provides that an offeror may not acquire shares of a Minnesota publicly held corporation from a shareholder within two years following the offeror s last purchase of shares of the same class pursuant to a takeover offer, including, but not limited to, acquisitions made by purchase, exchange or merger, unless the selling shareholder is afforded, at the time of the proposed acquisition, a reasonable opportunity to dispose of the shares to the offeror upon substantially equivalent terms as those provided in the earlier takeover offer. The provision described above does not apply if the proposed acquisition of shares is approved, before the purchase of any shares by the offeror pursuant to the earlier takeover offer, by a committee of the board of directors of the corporation, composed solely of directors who: (i) are not, nor have been in the preceding five years, officers or directors of the corporation or a related organization, (ii) are not the offerors in the takeover offer or any affiliates or associates of the offeror, (iii) were not nominated for election as directors by the offeror or any affiliates or associates of the offeror and

(iv) were directors at the time of the first public announcement of the earlier takeover offer or were nominated, elected, or recommended for election as directors by a majority of the directors who were directors at that time. Because (i) a committee of the Board comprised solely of disinterested directors approved Offeror s acquisition of Shares pursuant to the Offer and the subsequent Merger, which Offeror intends to complete

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if it consummates the Offer, for the purposes of the MBCA and (ii) the Merger Consideration will be equal to the Offer Price, the restrictions of MBCA Section 302A.675 do not apply to Offeror s intended consummation of the Merger following Offeror s acquisition of the Shares pursuant to the Offer.

Takeover Disclosure Statute.

The Minnesota Takeover Disclosure Law (the *MTDL*), Minnesota Statutes Sections 80B.01-80B.13, by its terms requires certain disclosures and the filing of certain disclosure materials with the Minnesota Commissioner of Commerce (the *Commissioner*) with respect to any offer for a corporation, such as the Company, that owns and controls assets in Minnesota having a fair market value of at least $1,000,000 and has a certain number or percentage of shareholders resident in Minnesota or a specified percentage of its shares owned by Minnesota residents. Offeror has agreed to file a registration statement with the Commissioner on the date of the Offer to Purchase or shortly thereafter. Although the Commissioner does not have an approval right with respect to the Offer, the Commissioner does review the disclosure material for the adequacy of such disclosure and is empowered to suspend summarily the Offer in Minnesota within three days of such filing if the Commissioner determines that the registration statement does not (or the material provided to beneficial owners of the Shares residing in Minnesota does not) provide full disclosure. If such summary suspension occurs, a hearing must be held (within 10 days of the summary suspension) as to whether to permanently suspend the Offer in Minnesota, subject to corrective disclosure. If the Commissioner takes action under the MTDL, such action may have the effect of significantly delaying the Offer. In filing a registration statement under the MTDL, Offeror has not conceded that some or all of the provisions of the MTDL are applicable, valid, enforceable or constitutional.

A number of states have adopted takeover laws and regulations that purport to be applicable to attempts to acquire securities of corporations that are incorporated in those states or that have substantial assets, shareholders, principal executive offices or principal places of business in those states or whose business operations otherwise have substantial economic effects in such states. The Company, directly or through its subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted these laws. To the extent that these state takeover statutes (other than the Minnesota laws described above) purport to apply to the Offer or the Merger, Parent and Offeror have stated their belief that those laws conflict with U.S. federal law and are an unconstitutional burden on interstate commerce. In 1982, in *Edgar v. MITE Corp.,* the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987, in *CTS Corp. v. Dynamics Corp. of America,* the Supreme Court held that the State of Indiana could, as a matter of corporate law, constitutionally disqualify a potential acquiror from voting shares of a target corporation without the prior approval of the remaining shareholders where, among other things, the corporation is incorporated, and has a substantial number of shareholders, in the state. Subsequently, in *TLX Acquisition Corp. v. Telex Corp.,* a U.S. Federal District Court in Oklahoma ruled that the Oklahoma statutes were unconstitutional as applied to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent regulations. Similarly, in *Tyson Foods, Inc. v. McReynolds,* a U.S. Federal District Court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit.

The Company is not aware of any other state takeover laws or regulations which are applicable to the Offer or the Merger and has not attempted to comply with any state takeover laws or regulations, other than as set forth in this Schedule 14D-9. If any government official or third party should seek to apply any state takeover law to the Offer or the Merger or other business combination between Offeror or any of its affiliates and the Company, Offeror has stated it will take such action as then appears desirable, which action may include challenging the applicability or validity of such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover statutes is applicable to the Offer or the Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, Offeror might be required to file certain information with, or to receive approvals from, the relevant state authorities or holders of Shares, and Offeror might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer or the Merger. In that case, Offeror may not be obligated to accept for purchase, or pay for, any Shares tendered.

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Dissenters Rights.

No rights to seek to obtain the fair value of their Shares are available to the Company s shareholders in connection with the Offer. However, if the Merger is consummated, a shareholder of the Company who has not tendered his or her Shares in the Offer will have certain rights under Sections 302A.471 and 302A.473 of the MBCA to dissent from the Merger and obtain payment in cash for the fair value of that shareholder s Shares. Those rights, if the statutory procedures are complied with, could lead to a judicial determination of the fair value (immediately prior to the Effective Time) required to be paid in cash, less any required withholding taxes to dissenting shareholders of the Company for their Shares. Any such judicial determination of the fair value of the Shares would not necessarily include any element of value arising from the accomplishment or expectation of the Merger and could be based upon considerations other than or in addition to the consideration per Share to be paid in the Merger and the market value of the Shares, including asset values and the investment value of the Shares. Moreover, the Company may argue in such a judicial proceeding that, for purposes of such proceeding, the fair value of the Shares is less than the price per Share paid pursuant to the Offer or the consideration per Share payable in the Merger, and the judicially determined value could be more or less than the price per Share paid pursuant to the Offer or the consideration per Share payable in the Merger. Investment banking opinions as to the fairness from a financial point of view of the consideration payable in a sale transaction, such as the Offer or Merger, are not opinions as to fair value under the MBCA. Under Subdivision 4 of Section 302A.471 of the MBCA, a shareholder of the Company s rights with respect to the Merger are limited to the dissenters rights provided under Sections 302A.471 and 302A.473 of the MBCA. A shareholder of the Company has no right, at law or in equity, to set aside the approval of the Merger or the consummation of the Merger, unless such adoption or consummation was fraudulent with respect to such shareholder or the Company. Any Shares which are issued and outstanding immediately prior to the Effective Time and which are held by a holder who has not voted such Shares in favor of the Merger and who has properly exercised dissenters rights with respect to such Shares in accordance with the MBCA (including Sections 302A.471 and 302A.473 thereof) and, as of the Effective Time, has neither effectively withdrawn nor otherwise lost for any reason its right to exercise such dissenters rights, will not be converted into or represent a right to receive the consideration payable in the Merger. The holders of dissenting shares will be entitled to only such rights as are granted by Sections 302A.471 and 302A.473 of the MBCA. If any shareholder of the Company who asserts dissenters rights with respect to its Shares under the MBCA effectively withdraws or otherwise loses for any reason (including failure to perfect) its dissenters rights, then as of the Effective Time or the occurrence of such event, whichever later occurs, such holder s Shares will automatically be canceled and converted into and represent only the right to receive the consideration payable in the Merger, without interest and less any required withholding taxes, upon surrender of the share certificate or share certificates formerly representing such dissenting Shares.

THE PRESERVATION AND EXERCISE OF DISSENTERS RIGHTS REQUIRES STRICT ADHERENCE TO THE APPLICABLE PROVISIONS OF THE MBCA. FAILURE TO FULLY AND PRECISELY FOLLOW THE STEPS REQUIRED BY SECTIONS 302A.471 AND 302A.473 OF THE MBCA FOR THE PERFECTION OF DISSENTERS RIGHTS WILL RESULT IN THE LOSS OF THOSE RIGHTS. THE FOREGOING SUMMARY OF THE RIGHTS OF DISSENTING SHAREHOLDERS UNDER THE MBCA IS NOT A COMPLETE STATEMENT OF THE PROCEDURES TO BE FOLLOWED BY SHAREHOLDERS DESIRING TO EXERCISE ANY DISSENTERS RIGHTS AVAILABLE UNDER THE MBCA AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MBCA.

DISSENTERS RIGHTS CANNOT BE EXERCISED AT THIS TIME. THE INFORMATION SET FORTH ABOVE IS FOR INFORMATIONAL PURPOSES ONLY WITH RESPECT TO ALTERNATIVES AVAILABLE TO SHAREHOLDERS IF THE MERGER IS CONSUMMATED. SHAREHOLDERS WHO WILL BE ENTITLED TO DISSENTERS RIGHTS IN CONNECTION WITH THE MERGER WILL RECEIVE ADDITIONAL INFORMATION CONCERNING DISSENTERS RIGHTS AND THE PROCEDURES TO BE FOLLOWED IN CONNECTION THEREWITH BEFORE SUCH SHAREHOLDERS

HAVE TO TAKE ANY ACTION RELATING THERETO.

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United States Antitrust Compliance.

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the *HSR Act*), and the related rules and regulations that have been issued by the Federal Trade Commission (the *FTC*), certain acquisition transactions may not be consummated until certain information and documentary material has been furnished for review by the FTC and the Antitrust Division of the Department of Justice (the *Antitrust Division*) and certain waiting period requirements have been satisfied. These requirements apply to Offeror s acquisition of the Shares in the Offer and the Merger.

Under the HSR Act, the purchase of Shares in the Offer may not be completed until the expiration of a 15-calendar day waiting period, which begins when Parent has filed a Premerger Notification and Report Form under the HSR Act with the FTC and the Antitrust Division, unless such waiting period is earlier terminated by the FTC and the Antitrust Division, or Parent receives a request for additional information or documentary material prior to that time. If the waiting period expires on a federal holiday or weekend day, the waiting period is automatically extended until 11:59 p.m. the next business day. The Company must file a Premerger Notification and Report Form ten calendar days after Parent files its Premerger Notification and Report Form. Parent expects to file a Premerger Notification and Report Form under the HSR Act with the FTC and Antitrust Division in connection with the purchase of Shares in the Offer and the Merger on or about December 16, 2008, and if so filed, the required waiting period with respect to the Offer and the Merger will expire at 11:59 p.m., New York City time, on or about December 31, 2008, unless earlier terminated by the FTC and the Antitrust Division, or Parent receives a request for additional information or documentary material prior to that time. If within the 15-calendar day waiting period either the FTC or the Antitrust Division requests additional information or documentary material from Parent, the waiting period with respect to the Offer and the Merger would be extended for an additional period of 10 calendar days following the date of Parent s substantial compliance with that request. Only one extension of the waiting period pursuant to a request for additional information is authorized by the HSR Act. After that time, the waiting period may be extended only by court order upon a finding that Parent failed to comply substantially with the HSR Act notification requirements. The FTC or the Antitrust Division may terminate the extended waiting period before its expiration. In practice, complying with a request for additional information and documentary material can take a significant period of time.

The FTC and the Antitrust Division may scrutinize the legality under the antitrust laws of proposed transactions such as the Offeror s acquisition of Shares in the Offer and the Merger. At any time before or after the purchase of Shares by Offeror, the FTC or the Antitrust Division could take any action authorized by the antitrust laws, including seeking to enjoin the purchase of Shares in the Offer and the Merger, the divestiture of Shares purchased in the Offer or the divestiture of substantial assets of Parent, the Company or any of their respective subsidiaries or affiliates. Private parties as well as state attorneys general also may bring legal actions under the antitrust laws under certain circumstances.

Other Foreign Laws.

The Company and Parent and certain of their respective subsidiaries conduct business in several foreign countries where regulatory filings or approvals may be required or desirable in connection with the consummation of the Offer or the Merger. Parent and the Company are analyzing the applicability of any such laws and currently intend to take such action as may be required or desirable. If any such laws are applicable and any foreign governmental entity takes an action authorized by such laws to prohibit the completion of the Offer prior to its completion, Offeror may not be obligated to accept for payment or pay for any Shares tendered.

Certain Litigation

On December 9, 2008, Steamfitters Local 449 Pension Fund filed a purported shareholder class action complaint in California Superior Court for Santa Barbara County against the Company and its directors in connection with the Offer and the Merger. The suit alleges that the defendants breached and/or aided and abetted the breach of their fiduciary duties to the Company by seeking to sell the Company through an allegedly unfair process. The suit seeks various equitable relief related to the Offer and the Merger and the process by which offers or potential offers are evaluated. The Company believes the allegations are without merit and intends to defend against them vigorously.

Item 9. ***Exhibits.***

Exhibit No.	Description
(a)(1)(A)	Offer to Purchase, dated December 12, 2008.*
(a)(1)(B)	Letter of Transmittal (including Guidelines for Certification of Taxpayer Identification Number (TIN) on Substitute Form W-9).*
(a)(1)(C)	Notice of Guaranteed Delivery.*
(a)(1)(D)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.*
(a)(1)(E)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.*
(a)(1)(F)	Summary Newspaper Advertisement as published in The Wall Street Journal on December 12, 2008.*
(a)(1)(G)	Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 thereunder (incorporated by reference to Annex I attached to this Schedule 14D-9).
(a)(1)(H)	Correction to Global Key Messages (incorporated by reference to the pre-commencement Schedule TO filed with the SEC by Johnson & Johnson on December 2, 2008).
(a)(2)(A)	Letter to Shareholders from the Chief Executive Officer of Mentor Corporation, dated December 12, 2008.
(a)(2)(B)	Joint press release issued by Johnson & Johnson and Mentor Corporation on December 1, 2008 (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(C)	Letter to suppliers of Mentor Corporation from the Chief Executive Officer of Mentor Corporation (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(D)	Slides from standby Investor Relations Talking Points presentation by the Chief Financial Officer of Mentor Corporation to investors (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(E)	Slides from presentation by the Chief Executive Officer of Mentor Corporation to Mentor Corporation employees, dated as of December 1, 2008 (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(F)	Standby Statement for use with Media and Analyst Audiences (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(G)	Letter to key opinion leaders of Mentor Corporation from the Chief Executive Officer of Mentor Corporation (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(H)	Letter to clinical investigators of Mentor Corporation from the Chief Executive Officer of Mentor Corporation (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(I)	E-mail distributed by the Chief Executive Officer of Mentor Corporation to Mentor Corporation employees, dated December 1, 2008 (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(J)	

	Discussion Points for use by Mentor Field Sales & Customer Service (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(K)	Letter to distributors of Mentor Corporation from the Chief Executive Officer of Mentor Corporation (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(L)	Letter to customers of Mentor Corporation from the Chief Executive Officer of Mentor Corporation (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).

Exhibit No.	Description
(a)(2)(M)	Global Key Messages (incorporated by reference to the pre-commencement Schedule 14D-9C filed with the SEC by Mentor Corporation on December 1, 2008).
(a)(2)(N)	Press Release issued by Johnson & Johnson on December 12, 2008.*
(e)(1)	Agreement and Plan of Merger, dated as of December 1, 2008, by and among Johnson & Johnson, Maple Merger Sub, Inc., and Mentor Corporation (incorporated by reference to Exhibit 2.1 attached to the Current Report on Form 8-K filed with the SEC by Mentor Corporation on December 2, 2008).
(e)(2)	Form of Indemnity Agreement with directors of Mentor Corporation (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC by Mentor Corporation on November 29, 2006).
(e)(3)	Employment Agreement, dated as of August 25, 2005, and as amended and restated as of December 21, 2007, by and between Mentor Corporation and Joshua Levine (incorporated by reference to Exhibit 10.7 of the Quarterly Report on Form 10-Q for the quarter ended December 28, 2007 filed with the SEC by Mentor Corporation on February 2, 2008).
(e)(4)	Employment Agreement, dated as of November 13, 2007, and as amended and restated as of December 21, 2007, by and between Mentor Corporation and Michael O Neill (incorporated by reference to Exhibit 10.8 of the Quarterly Report on Form 10-Q for the quarter ended December 28, 2007 filed with the SEC by Mentor Corporation on February 2, 2008).
(e)(5)	Employment Agreement, dated as of February 5, 2007, and as amended and restated as of December 21, 2007, by and between Mentor Corporation and Edward S. Northrup (incorporated by reference to Exhibit 10.10 of the Quarterly Report on Form 10-Q for the quarter ended December 28, 2007 filed with the SEC by Mentor Corporation on February 2, 2008).
(e)(6)	Employment Agreement, dated as of June 26, 2006, and as amended and restated as of December 21, 2007, by and between Mentor Corporation and Joseph A. Newcomb (incorporated by reference to Exhibit 10.9 of the Quarterly Report on Form 10-Q for the quarter ended December 28, 2007 filed with the SEC by Mentor Corporation on February 2, 2008).
(e)(7)	Form of Retention Agreement by and among Johnson & Johnson, Mentor Corporation and employee, dated as of November 30, 2008 (incorporated by reference to Exhibit 10.1 attached to the Current Report on Form 8-K filed with the SEC by Mentor Corporation on December 2, 2008).
(g)	None.
Annex I	Information Statement pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 thereunder.
Annex II	Opinion of Citigroup Global Markets Inc. to the Board of Directors of Mentor Corporation, dated November 29, 2008.
Annex III	Sections 302A.471 and 302A.473 of the Minnesota Business Corporation Act.

* Incorporated by reference to the Schedule TO filed by Maple Merger Sub, Inc. and Johnson & Johnson on December 12, 2008.

Included in materials mailed to shareholders of Mentor Corporation.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

By: /s/ Joshua H. Levine

Name: Joshua H. Levine

Title: President and Chief Executive Officer

Dated: December 12, 2008

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ANNEX I

MENTOR COPORATION
201 MENTOR DRIVE
SANTA BARBARA, CALIFORNIA 93111
INFORMATION STATEMENT PURSUANT TO SECTION 14(f) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 14f-1 THEREUNDER

This Information Statement is being mailed on or about December 12, 2008 as a part of the Solicitation/Recommendation Statement on Schedule 14D-9 (the *Schedule 14D-9*) of Mentor Corporation (the *Company* or *Mentor*) with respect to the cash tender offer by Maple Merger Sub, Inc. (*Offeror*), a Minnesota corporation and a wholly owned subsidiary of Johnson & Johnson (*Johnson & Johnson* or *Parent*), a New Jersey corporation, to the holders of record of shares of all of the outstanding common stock, par value $0.10 per share, of the Company (the *Common Stock* or the *Shares*). Capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Schedule 14D-9. You are receiving this Information Statement in connection with the possible election of persons designated by Johnson & Johnson to a majority of the seats on the board of directors of the Company (the *Board*). Such designation is to be made pursuant to an Agreement and Plan of Merger, dated as of December 1, 2008 (the *Merger Agreement*), by and among Johnson & Johnson, Offeror and the Company.

Pursuant to the Merger Agreement, Offeror commenced a cash tender offer (the *Offer*) on December 12, 2008 to purchase all outstanding shares of Common Stock at a price of $31.00 per share, net to the seller in cash, without interest and less any required withholding taxes, upon the terms and conditions set forth in the Offer to Purchase, dated December 12, 2008 (the *Offer to Purchase*). Unless extended in accordance with the terms and conditions of the Merger Agreement, the Offer is scheduled to expire at 12:00 midnight, New York City time, on January 12, 2009. Copies of the Offer to Purchase and the accompanying Letter of Transmittal have been mailed to the Company s shareholders and are filed as exhibits to the Tender Offer Statement on Schedule TO filed by Offeror and Johnson & Johnson with the Securities and Exchange Commission (the *SEC*) on December 12, 2008.

This Information Statement is being mailed to you in accordance with Section 14(f) of the Securities Exchange Act of 1934, as amended (the *Exchange Act*), and Rule 14f-1 promulgated thereunder in connection with the appointment of Johnson & Johnson s designees to the Board. The information set forth herein supplements certain information set forth in the Schedule 14D-9. Please read this Information Statement carefully. You are not, however, required to take any action.

The Merger Agreement provides that upon the acceptance for payment of shares of the Common Stock pursuant to the Offer and subject to compliance with Section 14(f) of the Exchange Act and Rule 14f-1 thereunder, Johnson & Johnson will be entitled to designate, from time to time, such number of members of the Board as will give Johnson & Johnson representation equal to at least that number of directors, rounded up to the next whole number, that is the product of (a) the total number of directors (giving effect to the directors elected or appointed pursuant to the Merger Agreement) multiplied by (b) the percentage that (i) the number of shares of Common Stock owned by Johnson & Johnson and its controlled subsidiaries (including shares of Common Stock accepted for payment pursuant to the Offer and any Top-Up Shares (as defined in the Merger Agreement)) bears to (ii) the number of shares of the Common Stock then outstanding; provided, however, that Johnson & Johnson shall be entitled to designate at least a majority of the members of the Board (as long as Johnson & Johnson and its affiliates beneficially own a majority of the shares of the Common Stock). Further, subject to applicable law, the Company will cause individuals designated by Johnson & Johnson to constitute such number of members of each committee of the Board, rounded up to the next whole number, that represents the same percentage as such individuals represent on the Board, other than any committee established to take an Independent Director Approval Action (as defined below).

In connection with the foregoing, the Company shall take all action reasonably requested by Johnson & Johnson necessary to effect any such election or appointment, including increasing the size of the Board and/or obtaining the resignation of such number of its current directors as, in each case, is necessary to enable Johnson & Johnson s designees to be elected or appointed to the Board in compliance with applicable law.

The Merger Agreement also provides that following the election or appointment of Johnson & Johnson s designees to the Board and until the Effective Time (as such term is defined in the Merger Agreement), the affirmative vote of a majority of the Independent Directors (as such term is defined in the Merger Agreement) then in office will be required for the Company to consent (a) to amend or terminate the Merger Agreement, (b) to waive any of the Company s rights or remedies under the Merger Agreement or (c) to extend the time for the performance of any of the obligations or other acts of Johnson & Johnson or Offeror (collectively, the *Independent Director Approval Actions*). Further, until the Effective Time, the Company shall cause the Board of the Company to maintain at least three Independent Directors; provided, however, that, if the number of Independent Directors is reduced below three for any reason, the remaining Independent Directors shall be entitled to elect or designate a person to fill such vacancy who shall be deemed to be an Independent Director or, if no Independent Directors then remain, the other directors shall designate three persons to fill such vacancies who are not officers, employees, shareholders or affiliates of the Company, Johnson & Johnson or Offeror, and such persons shall be deemed to be Independent Directors.

The Merger Agreement further provides that the directors of Offeror immediately prior to the Effective Time will be the directors of the surviving corporation in the Merger until the earlier of their resignation or removal or until their respective successors are duly elected and qualified.

The information contained in this Information Statement (including information herein incorporated by reference) concerning Johnson & Johnson, Offeror and Johnson & Johnson s designees has been furnished to the Company by Johnson & Johnson, and the Company assumes no responsibility for the accuracy or completeness of such information.

OFFEROR DESIGNEES

Johnson & Johnson has informed the Company that it will choose its designees for the Board from the list of persons set forth below. The following table, prepared from information furnished to the Company by Johnson & Johnson, sets forth, with respect to each individual who may be designated by Johnson & Johnson as one of its designees, the name, age of the individual as of December 3, 2008, present principal occupation and employment history during the past five (5) years. Johnson & Johnson has informed the Company that each individual is a U.S. citizen and has consented to act as a director of the Company, if so appointed or elected. Unless otherwise indicated below, the business address for each such individual is c/o Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933.

None of the individuals listed below has, during the past five years, (i) been convicted in a criminal proceeding or (ii) been a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, U.S. federal or state securities laws, or a finding of any violation of U.S. federal or state securities laws.

Name	Age	Background
Gary J. Pruden(1)	47	Director of the Offeror. Worldwide President of Ethicon Products. Served as Worldwide President of Ethicon Products since 2006. President of Janssen-Ortho Canada from 2004 to 2006.
Susan E. Morano(1)	44	Chief Executive Officer of the Offeror. Worldwide Vice President, New Business Development, of Ethicon, Inc., a subsidiary of Johnson & Johnson. Served as Worldwide Vice President, New Business Development, of Ethicon,

		Inc. since 2007. Vice President, New Business Development, of Cordis Corporation, a subsidiary of Johnson & Johnson, from 2000 to 2007.
Kenneth J. Tompkins(1)	44	Chief Financial Officer of Offeror. Chief Financial Officer of Ethicon, Inc. Served as Chief Financial Officer of Ethicon, Inc. since 2006. Chief Financial Officer of ALZA Corporation from 2003 to 2006.

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Name	Age	Background
Richard D. Gooding(1)	52	Vice President of the Offeror. Director of New Business Development of Ethicon, Inc. Served as Director of New Business Development of Ethicon, Inc. since 2003.
Allen Y. Kim	40	Assistant General Counsel of Johnson & Johnson since May 2004. Previously served as Senior Counsel to Johnson & Johnson.
Steven Rosenberg	49	Secretary of Johnson & Johnson since 2006. Has served as Assistant General Counsel of Johnson & Johnson for over five years.
Michele Mangini	42	Assistant Patent Counsel for Johnson & Johnson for past five years.
Christi Shaw-Sarubbi(1)	42	Vice President Worldwide Marketing of Ethicon Products since August 2007; Vice President of New Business Development for Ethicon Products from January 2007 to August 2007; Vice President of Future & Business Analytics for Ortho Women s Health USA from January 2006 to January 2007; Vice President of Sales & Marketing for Ortho Women s Health USA from October 2005 to January 2006; Vice President of Marketing for Ortho Women s Health from June 2005 to October 2005; Director of Marketing for Ortho McNeil from December 2004 to June 2005; Group Product Director of Janssen USA Pharmaceuticals from 2003 to December 2004.

(1) The business address for Messrs. Pruden, Tompkins and Gooding and Ms. Morano and Ms. Shaw-Sarubbi is Ethicon, Inc., Route 22 West, Somerville, New Jersey 08876.

None of Johnson & Johnson s designees is a director of, or holds any position with, the Company. Johnson & Johnson has advised the Company that, to its knowledge, except as disclosed in the Offer to Purchase, none of its designees beneficially owns any securities (or rights to acquire any securities) of the Company or has been involved in any transactions with the Company or any of its directors, executive officers or affiliates that are required to be disclosed pursuant to the rules of the SEC. Johnson & Johnson has advised the Company that, to its knowledge, none of its designees has any family relationship with any director, executive officer or key employees of the Company.

It is expected that Johnson & Johnson s designees may assume office at any time following the time at which such designees are designated in accordance with the terms of the Merger Agreement and that, upon assuming office, Johnson & Johnson s designees will thereafter constitute at least a majority of the Board. It is anticipated that this step will be accomplished at a meeting or by written consent of the Board providing that the size of the Board will be increased and/or sufficient numbers of current directors will resign such that, immediately following such action, the number of vacancies to be filled by Johnson & Johnson s designees will constitute at least a majority of the available positions on the Board. It is currently not known which of the current directors of the Company will resign.

CERTAIN INFORMATION CONCERNING THE COMPANY

The authorized capital stock of the Company consists of 150,000,000 shares of Common Stock and 25,000,000 shares of preferred stock. As of the close of business on December 3, 2008, there were 33,770,050 shares of Common Stock outstanding.

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The Common Stock is the Company s only outstanding class of voting securities that is entitled to vote at a meeting of the Company s shareholders. Each share of Common Stock entitles the record holder to one vote on all matters submitted to a vote of the shareholders.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Set forth below are the name, age and position of each director and executive officer of the Company as of December 3, 2008.

Name	Age	Position(s)
Joseph E. Whitters	50	Chairman of the Board
Michael L. Emmons	67	Director
Walter W. Faster	75	Director
Margaret H. Jordan	65	Director
Joshua H. Levine	50	President, Chief Executive Officer and Director
Katherine S. Napier	53	Director
Burt E. Rosen	59	Director
Edward S. Northup	60	Vice President, Chief Operating Officer
Michael O Neill	49	Vice President, Chief Financial Officer and Treasurer
Joseph A. Newcomb	58	Vice President, General Counsel and Secretary

The following are brief biographies of each current director and executive officer of the Company (including present principal occupation or employment, and material occupations, positions, offices or employment for the past five years). Unless otherwise indicated, to the knowledge of the Company, no current director or executive officer of the Company has been convicted in a criminal proceeding during the last five years and no director or executive officer of the Company was a party to any judicial or administrative proceeding during the last five years (except for any matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws. There are no family relationships between directors and executive officers of the Company.

Joseph E. Whitters has served as a director since 2004. Mr. Whitters has served as an Advisor to Frazier Healthcare Ventures, a health care focused venture capital firm, since 2005. From 1986 until 2005 he held various financial, accounting and tax positions at First Health Group Corp., a managed health care company, including serving as Chief Financial Officer from 1988 until 2004. First Health Group Corp. was acquired in January 2005. Prior to joining First Health Group Corp., Mr. Whitters was employed in various financial, accounting and tax positions by United HealthCare Corp., Overland Express and Peat Marwick. Mr. Whitters is a certified public accountant. He is also a director of Omnicell, Inc. and Luminent Mortgage Capital.

Michael L. Emmons has served as a director since 2004. Mr. Emmons retired from Accenture, a worldwide consulting firm (formerly known as Andersen Consulting) in August 2001 where he had developed and managed its worldwide tax function since 1995. Prior to joining Accenture, he had been a tax partner with Arthur Andersen & Co., where he was employed for over 28 years in various tax and management positions. Mr. Emmons is a certified public accountant and an attorney. Mr. Emmons holds a BA and JD from University of Washington and a LLM in Taxation from New York University Graduate School of Law.

Walter W. Faster has served as a director since 1980. Mr. Faster was Vice President, Corporate Growth and Development with General Mills Inc., a manufacturer and marketer of consumer foods and other consumer goods, when he retired in 1997. In earlier positions during his 34 year career with the company he served in various executive marketing and finance capacities. Prior to General Mills he served as a management consultant with Booz, Allen and Hamilton, an international consulting firm, in an engineering capacity with General Electric and as an Officer in the US Army Signal Corp. Mr. Faster has been a director of several nonprofit and for profit boards, including service with Volunteers of America as Chair for its National Board. He holds an MBA in marketing and

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finance from the Wharton Graduate School of the University of Pennsylvania and a BS in Engineering from the University of Illinois.

Margaret H. Jordan has served as a director since 2007. Ms. Jordan has had a 44 year career focused on private and public healthcare management, and has served as the President of Dallas Medical Resource since 2004. Prior to that position, she has held management positions with organizations such as Texas Health Resources, Southern California Edison Company, Kaiser Foundation Health Plan and the U.S. Public Health Service. Ms. Jordan serves as a director of the Federal Reserve Bank of Dallas, and on several nonprofit boards, including the American Hospital Association, the Dallas Museum of Art and the Women s Museum. She holds an MPH from the University of California-Berkeley and BSN from Georgetown University.

Joshua H. Levine has served as Mentor s President and Chief Executive Officer and a director since June of 2004. Mr. Levine began his career with Mentor in October of 1996 as Vice President, Sales-Aesthetic Products and advanced through positions of increasing responsibility in the aesthetic business franchise including V.P., Sales and Marketing-Domestic and V.P., Sales and Marketing-Global. In June of 2002, Mr. Levine was named Senior V.P., Global Sales and Marketing and an executive officer of the Company. In December of 2003, Mr. Levine was promoted to President and Chief Operating Officer, the position he held until being named to his current position as Chief Executive Officer. Prior to joining Mentor, Mr. Levine was employed from 1989 through 1996 with Kinetic Concepts, Inc., a specialty medical equipment manufacturer, in a variety of executive level sales and marketing positions, ultimately serving as Vice President and General Manager of KCI s Home Care Division. Mr. Levine began his career in healthcare with American Hospital Supply Corporation in 1982 and continued with the organization after it was acquired by Baxter Travenol. From 1982 through 1988, Mr. Levine held line management sales and marketing positions across a variety of manufacturing, distribution and service businesses. Mr. Levine earned his bachelor s degree in Communications from The University of Arizona in Tucson.

Katherine S. Napier has served as a director since 2007. Ms. Napier has had a 29 year career in general management and marketing. She served as Senior Vice President, Marketing, for McDonald s Corporation in both Europe and the U.S. from 2002 to 2006. Prior to that, she retired from a 23 year career at the Procter & Gamble Company, most recently as Vice President and General Manager of the North American Pharmaceuticals Division and Corporate Women s Health Group. Ms. Napier serves on the board of the Alberto-Culver Company (ACV), Catholic Health Care Partners a $5 billion hospital conglomerate, and she served on the board of Third Wave Technologies until its July 2008 sale to Hologic. Ms. Napier also serves on the board of Xavier University in Cincinnati, the Board of Visitors for Wake Forest University Calloway School of Business, and the National Breast Cancer Network of Strength (formerly Yme). She holds an MBA in marketing and finance from Xavier University and a BA in Economics and Studio Fine Arts from Georgetown University.

Burt E. Rosen has served as a director since 2007. Mr. Rosen has over 30 years experience in developing and implementing federal and state government relations communication strategies for five major pharmaceutical, consumer products and medical device companies. He has served as Vice President Federal Government Relations for Purdue Pharmaceuticals since 2002. He has also served in a government relations capacity for Novartis, SmithKline Beecham (now GlaxoSmithKline), Bristol-Myers Squibb and Pfizer, Inc. Mr. Rosen began his career in public policy when he joined U.S. Senator Ernest F. Hollings (D-SC) as his Legislative Aide in Washington D.C. in 1973. Mr. Rosen holds a BS in Economics from the University of South Carolina and a JD from the University of South Carolina Law Center.

Edward S. Northup has served as Vice President and Chief Operating Officer since February 2007. Prior to joining Mentor, Mr. Northup was employed with Boston Scientific Corporation for nine years and served most recently as President of Boston Scientific s pain management business. Mr. Northup joined Boston Scientific in 1997 as Vice President, General Manager of Asia Pacific. In 1999, he was promoted to President, Boston Scientific Japan and in

2001 to the concurrent role of President, Boston Scientific International. From 1995 to 1997, Mr. Northup was the President of the Dynacor Division of the privately-held Medline Industries. From 1978 to 1995, Mr. Northup was employed by Baxter Healthcare and American Hospital Supply Corporation in a variety of senior level positions and businesses, including Vice President of Baxter Cardiovascular-Far East, Vice President, General Manager of Euromedical Industries and Director of Operations for the Pharmaseal Division. Over the past 28 years, Mr. Northup has lived and managed businesses in North America, Latin America, Asia/Pacific and

Europe. Mr. Northup earned his bachelor s of science degree in Pre-Med from the University of Santa Clara and began his career in basic research in intracellular immunity and infectious diseases at the Palo Alto Medical Research Foundation.

Michael O Neill has served as Vice President and Chief Financial Officer since November 2007. Prior to joining Mentor, Mr. O Neill was employed with Johnson & Johnson, most recently serving as the Vice President of Finance, Worldwide Information Technology. From 2001 through 2007 Mr. O Neill was the Vice President of Finance, Chief Financial Officer for the Lifescan business, a $2+ billion leading supplier of blood glucose monitoring systems. Mr. O Neill joined Johnson & Johnson in 1987 with Site Microsurgical as a financial manager/analyst and moved through a progressively responsible series of positions including International Controller, Operations Controller, Finance Director and Group Finance Director before being named to the Chief Financial Officer position at Lifescan. Mr. O Neill received a bachelor s degree in Economics and Statistics from the University of Exeter, Devon, United Kingdom and is a Fellow of the Chartered Institute of Management Accountants of Great Britain.

Joseph A. Newcomb has served as Vice President, Secretary and General Counsel since June 2006. Mr. Newcomb previously served as Executive Vice President, General Counsel and Secretary of Inamed Corporation from August 2002 until its acquisition by Allergan, Inc. in March 2006. From August 1997 to July 2002, Mr. Newcomb provided legal, tax and financial services to early stage and start-up companies. From May 1989 to July 1997, he was Vice President and General Counsel for the U.S. affiliate and portfolio companies of Brierley Investments Limited, an international holding company, where he was an active participant in the origination of investments and the management and operations of the portfolio companies. Mr. Newcomb earned a bachelor s degree in Business Administration from the University of Notre Dame, a J.D. from the University of Connecticut and a LL.M. (Taxation) from Georgetown University Law Center. Mr. Newcomb is a Certified Public Accountant and member of the American Institute of CPAs. Mr. Newcomb is a member of the bar in Massachusetts, Connecticut, Colorado and the District of Columbia, and is a Registered In-House Counsel in California.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Corporate Governance

Pursuant to Minnesota law and Mentor s bylaws, Mentor s business and affairs are managed by or under the direction of the Board. Members of the Board are kept informed of Mentor s business through discussions with the Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees.

The Board has adopted a Code of Ethics for Senior Financial Officers and a Code of Business Conduct and Ethics, which applies to all of Mentor s employees, officers and directors. Copies of the written committee charters for the Audit, Compensation and Nominating and Governance Committees, as well as Mentor s Corporate Governance Guidelines, Code of Ethics for Senior Financial Officers and Code of Business Conduct and Ethics are available on Mentor s website, and can be found under the Investors and Corporate Governance links. Mentor s website is http://www.mentorcorp.com. Copies are also available in print, free of charge, by writing to Investor Relations, Mentor Corporation, 201 Mentor Drive, Santa Barbara, California 93111. Mentor may post amendments to or waivers of the provisions of the Code of Ethics for Senior Financial Officers and Mentor s Code of Business Conduct and Ethics, if any, on the website.

Director Independence

The Board has determined that all of the directors, other than Mr. Levine, including those who serve on the Audit, Compensation and Nominating and Governance Committees, are independent under the listing standards of the New

York Stock Exchange (the *NYSE*), and that the members of the Audit Committee are also independent for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934. The Board based this determination primarily on a review of the responses of the directors to questions regarding employment and compensation history, affiliations and family and other relationships, and on discussions with the directors.

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Board Structure, Committees and Meetings

As of the date of this Information Statement, the Board has seven directors. The Board held ten meetings during the fiscal year ended March 31, 2008 and acted by written consent without a meeting four times. The Board has standing Compensation, Audit and Nominating and Governance Committees. Each incumbent director attended at least 80% of the total number of meetings of the Board and Board committees on which that director served during the fiscal year ended March 31, 2008. Members of the Board and its committees also consulted informally with management from time to time.

Mentor s bylaws give the Board the authority to increase the number of directors by no more than two over the number last established by the shareholders. At a meeting of the Board in March 2007, the authorized number of directors was increased from seven to eight, which remains the current authorized number of directors.

Directors are elected at each annual meeting of shareholders and hold office until the next annual meeting of shareholders, or until their successors are duly elected and qualified.

Audit Committee.

The Audit Committee acts pursuant to a written charter, which is available on Mentor s website (as described above). The charter requires that the Audit Committee be comprised of at least three members, all of whom must be independent as defined in the listing standards of the NYSE, and the Board has determined that all members of the Board satisfy this requirement. The Board has also determined that each member of the Committee is independent, as that term is defined under Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended. The current members of the Audit Committee are Messrs. Emmons, Faster and Whitters. Although more than one member of the Audit Committee is believed to qualify as an audit committee financial expert as that term is defined in the rules promulgated under the Securities Act of 1933, as amended, the Audit Committee has designated Mr. Emmons as that expert.

The Audit Committee assists the Board in discharging its responsibilities to oversee the integrity of Mentor s financial statements, Mentor s compliance with legal and regulatory requirements, the independent auditor s qualifications and independence, and the performance of Mentor s internal auditors. It has direct responsibility for the appointment, compensation, retention and oversight of the work of any independent registered public accountants employed by Mentor for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services. The Audit Committee is also responsible for producing an Audit Committee Report for inclusion in Mentor s proxy statement. The Audit Committee held ten meetings during the fiscal year ended March 31, 2008.

Compensation Committee.

The Compensation Committee acts pursuant to a written charter, which is available on Mentor s website. The charter requires that the Compensation Committee be comprised of at least two members, both of whom (or all of whom, as the case may be) must be independent as defined in the listing standards of the NYSE, and the Board has determined that all current members satisfy this requirement. The current members of the Compensation Committee are Messrs. Whitters and Faster and Ms. Napier.

The Compensation Committee assists the Board in discharging its responsibilities in respect of compensation of Mentor s executive officers and directors, including, among other things, annual salaries and bonuses, equity-based awards, and other incentive compensation arrangements. In addition, it administers Mentor s stock incentive plans. Pursuant to its charter, the Compensation Committee may delegate any of its responsibilities to subcommittees of the Compensation Committee, provided that the subcommittee is composed entirely of independent directors and has a published committee charter. Executive officers are not authorized to make discretionary grants or awards to any Company employees. The Compensation Committee held a total of eight meetings and acted by written consent without a meeting five times during the fiscal year ended March 31, 2008.

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Nominating and Governance Committee.

The Nominating and Governance Committee acts pursuant to a written charter, which is available on Mentor s website. The charter requires that the Nominating and Governance Committee be comprised of at least two members, both of whom (or all of whom, as the case may be) must be independent as defined in the listing standards of the NYSE, and the Board has made the determination that all current members satisfy this requirement. The current members of the Nominating and Governance Committee are Mr. Faster, Ms. Jordan and Mr. Rosen.

Director Nomination Process

The Nominating and Governance Committee is responsible for identifying individuals qualified to become Board members and recommending to the full Board nominees for election as directors. To fulfill this role, the Nominating and Governance Committee reviews the composition of the full Board to determine the qualifications and areas of expertise needed to further enhance the composition of the Board and works with management in attracting candidates with those qualifications. In considering candidates for directors, the Nominating and Governance Committee takes into account a number of factors, including the following: (i) independence under applicable listing standards; (ii) relevant business experience; (iii) judgment, skill, integrity and reputation; (iv) number of other boards on which the candidate serves; (v) other business and professional commitments; (vi) potential conflicts of interest with other pursuits; (vii) whether the candidate is a party to any action or arbitration adverse to Mentor; (viii) financial and accounting background to enable the Nominating and Governance Committee to determine whether the candidate would be suitable for possible Audit Committee membership or qualify as an audit committee financial expert ; (ix) executive compensation background, to enable the committee to determine whether a candidate would be suitable for Compensation Committee membership; (x) whether the candidate has agreed to be interviewed by the Nominating and Governance Committee if requested; (xi) the size and composition of the existing Board; and (xii) diversity the candidate offers to the Board and Mentor as a company.

In addition, candidates must be willing and able to devote the required amount of time to Mentor s business. In evaluating candidates, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

On September 18, 2007, Mentor s Board unanimously amended Mentor s Amended and Restated Bylaws to add a new Section 1.12, which provides, among other things, for a formal director nomination process such that candidates for director nominated by shareholders for election at a meeting of shareholders shall be considered by the Board and the shareholders in an orderly fashion, with sufficient time and information to evaluate the merits of such candidate. Section 1.12 provides that a shareholder must provide notice to the Company of its intent to nominate one or more persons (as the case may be) for election as director(s) at an annual meeting of shareholders not less than one hundred twenty (120) calendar days in advance of the date that the Company s proxy statement was released to shareholders in connection with the previous year s annual meeting of shareholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) calendar days from the date contemplated at the time of the previous year s proxy statement, notice by the shareholder must be received by the Company not later than the close of business on the tenth (10th) day following the day on which notice of the date of the meeting was mailed or a public announcement of the meeting date was made. In the event the Company calls a special meeting of shareholders for the purpose of electing one or more directors to the Board, a shareholder may nominate a person or persons (as the case may be) for election to such position(s) as are specified in the Company s notice of meeting, if the shareholder s notice shall be received at the principal executive offices of the Company not earlier than the ninetieth (90th) day prior to such special meeting and not later than the close of business on the later of the seventieth (70th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

Pursuant to Section 1.12, a shareholder s notice to the Company concerning the nomination of directors must set forth: (i) the name and address of the shareholder who intends to make the nomination, or the beneficial owner, if any, on whose behalf the nomination is being made and of the person or persons to be nominated, (ii) a representation that the shareholder is a holder of record of stock of the Company entitled to vote for the election of directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iii) a description of all arrangements or understandings between the shareholder or such beneficial owner and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder, (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board and (v) the consent of each nominee to serve as a director of the Company if so elected. Shareholders must also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder.

Before nominating a sitting director for reelection at an annual meeting, the Nominating and Governance Committee will consider the director s performance on the Board and whether the director s reelection will be consistent with Mentor s corporate governance guidelines.

When seeking candidates for director, the Nominating and Governance Committee may solicit suggestions from incumbent directors, management or others. After conducting an initial evaluation of the candidate, the Nominating and Governance Committee will interview the candidate if it believes the candidate might be suitable for a director. The Nominating and Governance Committee may also ask the candidate to meet with management. If the committee believes the candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate s election.

In addition to the above, the Nominating and Governance Committee is responsible for developing and recommending to the Board a set of corporate governance principals for the Company and overseeing the evaluation of the Board and management. The Nominating and Governance Committee held five meetings during the fiscal year ended March 31, 2008.

Executive Sessions

Non-management directors meet regularly in executive session without management. Non-management directors are all those who are not Mentor s officers and include directors, if any, who are not considered independent under NYSE listing standards. Executive sessions are led by the Chairman of the Board. An executive session is held in conjunction with each regularly scheduled quarterly Board meeting and other sessions may be called by the Chairman or at the request of other directors.

Compensation Committee Interlocks and Insider Participation

During fiscal 2008 Messrs. Faster, Rossi, Whitters and Nakonechny (until his resignation from the Board in May 2007) and Ms. Napier served on the Compensation Committee. Mr. Rossi resigned from the Board in May 2008. No member of the Compensation Committee was employed by Mentor at any time during fiscal year 2008 or at any other time. None of Mentor s current executive officers served as members of the Board or Compensation Committee of any entity which has one or more executive officers serving as a member of Mentor s Board or Compensation Committee.

Director Attendance at Annual Meetings

Mentor typically schedules a Board meeting in conjunction with Mentor s annual meeting of shareholders and expects that Mentor s directors will attend, absent a valid reason. Last year, all of Mentor s directors attended Mentor s annual meeting of shareholders.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This Compensation Discussion and Analysis reviews the compensation policies and discussions of the Compensation Committee with respect to Mentor s named executive officers listed in the Summary Compensation Table (the *NEOs*).

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The design and operation of Mentor s compensation program is intended to:

- attract, motivate, retain and reward employees of outstanding ability;
- link changes in employee compensation to individual and corporate performance;
- facilitate the development of a progressive, results-oriented high performance culture;
- provide opportunities for employee involvement, development and meaningful contribution;
- support the achievement of annual and long-term financial and strategic goals by rewarding employees for superior results; and
- align employees interests with those of the shareholders.

The Compensation Committee s approach emphasizes fixed compensation elements of salary and benefits and variable compensation opportunities contingent on individual and company performance. The ultimate objective of Mentor s compensation program is to improve shareholder value. In furtherance of that objective, Mentor evaluates both performance and compensation of employees to ensure that Mentor maintains Mentor s ability to attract and retain employees and that compensation provided to employees remains competitive relative to the compensation paid to similarly-situated employees of peer companies.

The above policies guide the Compensation Committee in assessing the compensation to be paid to Mentor s NEOs. The Compensation Committee endeavors to ensure that the total compensation paid to NEOs is fair, reasonable, competitive and consistent with Mentor s compensation policies. The above policies also guide the Compensation Committee as to the proper allocation between long-term compensation, current cash compensation, and annual bonus compensation.

Each of the NEOs is a member of Mentor s Executive Leadership Team (*ELT*), consisting of approximately 13 of Mentor s most senior executives. NEOs and the remaining ELT members participate in the same fixed and variable compensation programs. All ELT members participate in other compensatory programs such as life insurance and disability benefits, certain perquisites, and severance protection.

In determining the particular elements of compensation that will be used to implement Mentor s overall compensation policies, the Compensation Committee may also take into consideration a number of factors related to Mentor s performance, such as earnings per share, profitability, product pipeline developments, revenue growth and competitive developments among peer companies.

Role of Executive Officers in Compensation Decisions

The Compensation Committee reviews and approves the compensation paid to Mentor s President and Chief Executive Officer (the *CEO*). With regard to the compensation paid to the NEOs other than the CEO, the CEO reviews on an annual basis the compensation paid to each such executive officer during the past year and submits to the Compensation Committee his recommendations regarding the compensation to be paid to such persons during the next year. Following a review of such recommendations, the Compensation Committee will take such action regarding such compensation as it deems appropriate, including approving compensation in an amount the Compensation Committee deems reasonable.

The CEO plays a significant role in the compensation-setting process for NEOs, other than himself, by:

- evaluating each NEO s performance;
- recommending business performance targets and establishing objectives; and
- recommending salary levels, bonuses and equity-based awards.

Management also prepares meeting information for most Compensation Committee meetings, and the CEO participates in Compensation Committee meetings at the Compensation Committee s request to provide:

- background information regarding Mentor s strategic objectives;
- his evaluation of the performance of the NEOs (other than himself); and
- compensation recommendations as to NEOs (other than himself).

Peer Group Benchmarking

In making compensation decisions, the Compensation Committee believes that information regarding pay practices at peer companies is useful because the Compensation Committee recognizes that Mentor s compensation practices must be competitive in the marketplace. In fiscal 2007, the Compensation Committee engaged Pearl Meyer & Partners (*Pearl Meyer*), an independent human resources consulting firm, to provide the Compensation Committee with relevant market data and alternatives to consider when making compensation decisions for the NEOs. Pearl Meyer reported directly to the Compensation Committee and did not perform any other services for Mentor. The Compensation Committee s charter grants the Compensation Committee the authority, without consulting or obtaining the approval of any officer in advance, to retain and terminate any consultant that it uses to assist in the Compensation Committee s evaluation of director or executive officer compensation.

As part of its service to the Compensation Committee, Pearl Meyer provided research regarding compensation programs and compensation levels among a peer group of publicly traded healthcare/pharmaceutical companies. The data included a survey of the cash and equity compensation programs of the following companies: Adams Respiratory Therapeutics, Inc.; Advanced Medical Optics, Inc.; American Medical Systems Holdings, Inc.; Arrow International, Inc.; CYTYC Corp.; Gen Probe, Inc.; IDEXX Laboratories, Inc.; ImClone Systems, Inc.; Kyphon, Inc.; Medicis Pharmaceutical Corp.; MGI Pharma, Inc.; Resmed, Inc.; and Techne Corp (collectively, the *Peer Group*). This data is objective, available to others who engage Pearl Meyer, and may be used by companies comparable to Mentor. While benchmarking may not always be appropriate as a stand-alone tool for setting compensation due to the aspects of Mentor s business and objectives that may be unique to Mentor, Mentor generally believes that gathering this information is an important part of Mentor s compensation-related decision-making process.

For fiscal year 2008, the Compensation Committee sought to establish total compensation for NEOs at between approximately the fiftieth percentile and the seventy-fifth percentile of the compensation paid by the Peer Group. The ultimate target that the Compensation Committee plans to achieve is the seventy-fifth percentile of Peer Group, but the Compensation Committee plans to take several fiscal years of gradual increases to reach this benchmark.

2008 Executive Compensation Components

For the fiscal year ended March 31, 2008, the principal components of compensation for the NEOs were:

- base salary;
- performance-based annual incentive bonus;
- long-term equity incentive compensation; and
- perquisites and other personal benefits.

Total Compensation

In making decisions with respect to any element of an NEO s compensation, the Compensation Committee considers the total compensation that may be awarded to the NEO, including salary, annual bonus, long-term incentive compensation and perquisites. In addition, in reviewing and approving employment agreements for NEOs, the Compensation Committee considers the other benefits to which the NEO is entitled by the agreement, including compensation payable upon termination of the agreement under a variety of circumstances. The Compensation Committee s goal is to award a total compensation package that is reasonable when all elements of compensation are considered.

In addition to peer benchmarking data and internal alignment considerations, the Compensation Committee relies upon its judgment and, when appropriate, management s judgment, of each individual s performance and responsibilities in determining the amount and mix of compensation elements awarded to that individual. The Compensation Committee strives to design each particular payment and award to provide an appropriate incentive and reward for performance that sustains and enhances shareholder value. Key factors affecting this judgment include:

individual performance compared to the operational and strategic goals established for the NEO at the beginning of the year;

Mentor s financial results for the fiscal year;

the nature, scope and level of responsibilities;

contribution to Mentor s financial results, particularly with respect to key metrics such as cash flow, margins, revenue, operating income and earnings per share; and

effectiveness in leading Mentor s initiatives.

Base Salary

Mentor provides NEOs with base salary to compensate them for services rendered during the fiscal year. In setting base salaries, the Compensation Committee reviewed the data provided by Pearl Meyer with respect to the Peer Group. The base salary for each of the NEOs is guided by the salary levels for comparable positions in the industry, as well as the individual s personal performance and internal alignment considerations. The relative weight given to each factor varies with each individual at the Compensation Committee s discretion. Mentor s overall performance and profitability also may be a factor in determining the base salaries for the executive officers.

In fiscal 2008, the base salary of Joshua Levine, Mentor s CEO, was increased by approximately 7% over his prior year salary. The base salary of Joseph Newcomb, Mentor s Vice President, General Counsel and Secretary, was increased by approximately 4% over his prior year base salary. In approving these increases, the Compensation Committee emphasized its longer term objective of providing total compensation packages between the fiftieth and seventy-fifth percentiles of the Peer Group, as well as the elimination of certain perquisites that had been provided in prior years. The base salaries of Michael O Neill, Mentor s Vice President, Chief Financial Officer, and Edward Northup, Mentor s Vice President, Chief Operations Officer, were both determined through negotiations in connection with the commencement of their services. The Compensation Committee relied in large part on the data regarding Peer Group compensation for executives with similar responsibilities in setting their base salaries.

Performance-Based Annual Incentive Bonus

Mentor has adopted a performance-based annual incentive bonus plan (*AIB*) which provides the Compensation Committee with the flexibility to design a cash-based incentive compensation program to motivate and reward performance for the year for eligible employees, including the NEOs. The Compensation Committee considers each year whether a performance-based annual incentive bonus plan should be established for the year and, if so, approves the group of employees eligible to participate in such plan for that year. The AIB includes various incentive levels based on the participant s position, with the pay-out targets for NEOs ranging from 75% to 125% of base salary. Cash bonuses under the AIB have the effect of linking a significant portion of the NEO s total cash compensation to overall company performance and to position the NEO s cash compensation within the range for comparable positions at the Peer Group companies when performance is achieved against pre-defined objectives.

The Compensation Committee sets minimum, target and maximum levels for Mentor s financial and strategic objectives each year and the payment and amount of any bonus depends upon whether Mentor achieves those performance goals. The financial objective has typically been a measure of corporate operating income (*COI*). The Compensation Committee generally establishes financial and strategic objectives that it believes can be reasonably achieved with strong individual performance over the fiscal year. The Compensation Committee retains wide discretion to interpret the terms of the AIB plan and to interpret and determine whether Mentor s COI objectives and strategic objectives or an individual s performance objectives have been met in any particular fiscal year. The Compensation Committee also retains the right to exclude extraordinary charges, gains or other special circumstances in determining whether Mentor s COI objectives were met during any particular fiscal year. Similarly, the Compensation Committee retains the right to consider special circumstances in determining the

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extent that strategic objectives were met in any particular fiscal year. Further, the Compensation Committee may consult with the Board or seek ratification from the Board with respect to interpretations of the terms of the AIB. The Compensation Committee did not exercise this discretion with respect to the 2008 AIB awards.

The amount of each NEO s target AIB award may be adjusted based upon the evaluation of the individual NEO s performance and contribution for the fiscal year. If Mentor meets both minimum COI and minimum strategic objectives for the year and the NEO s individual performance exceeds individual target goals for the fiscal year, his bonus payment for the year may be increased by up to 10%. If, on the other hand, Mentor meets minimum COI and strategic objectives for the year but the NEO s individual performance is below target goals for the fiscal year, his bonus payment for the year may be less than the targeted percentage of his annual base salary.

In addition, the Compensation Committee may approve cash bonuses outside of the AIB plan. For example, the Compensation Committee may approve bonus awards in connection with an executive officer s efforts and accomplishments with respect to Mentor s strategic initiatives and milestones, and such bonus awards may overlap with or be in addition to bonus awards under the AIB plan. For example, in May 2007, with respect to fiscal year 2007, the Compensation Committee approved a special cash bonus award to Mr. Levine in the amount of $250,000 as a reward for his leadership in Mentor s multi-year efforts to obtain Food and Drug Administration approval of Mentor s MemoryGel™ silicone gel-filled breast implants. This FDA approval, with conditions, was received in November 2006. No bonuses to NEOs outside of the AIB were made with respect to performance during fiscal 2008.

For fiscal 2008, the amount that could have been received by Mr. Levine under the AIB if minimum COI and strategic objectives were achieved ranged from 4% to 150% of annual base salary, with a targeted bonus amount of 125% of base salary at attainment of 100% of budgeted COI and strategic objectives. For NEOs other than the CEO, the amount such officers could have received under the AIB plan if minimum COI and strategic objectives were achieved ranged from 4% to 90% of base salary, with targeted bonus amounts of 75% of annual base salary at attainment of 100% of budgeted COI and strategic objectives. Each executive officer would have received 0% of his base salary if minimum objectives had not been met. The table entitled Fiscal Year 2008 Grants of Plan-Based Awards in this Information Statement sets forth the estimated range of cash payouts to executive officers under the AIB plan assuming minimum, target or maximum performance objectives were met for fiscal year 2008.

For fiscal 2008, the Compensation Committee set minimum, target and maximum levels based upon Mentor s achievement of (i) target COI for the 2008 fiscal year of $80 million and (ii) specified strategic objectives, focused primarily in fiscal 2008 on achievements in Mentor s clinical and regulatory and product development functions. At minimum, target and maximum levels, the weighting of the fiscal year 2008 AIB was 50% for COI achievement and 50% for strategic objectives achievement. Minimum levels were set below the target level, while maximum levels were set above the target level. In making its determination of whether minimum, target or maximum levels were achieved, the Compensation Committee considered the specific circumstances facing Mentor during the year. The target level with respect to COI was based on Mentor s internal performance goals and not on published estimates of Mentor s financial performance for the year. The strategic goals were comprised of targeted patient enrollment in Mentor s MemoryGel post-approval study; clinical milestones in Mentor s phase IIIa, IIIb and IIIc trials in Mentor s neurotoxin program; regulatory milestones for Mentor s hyaluronic acid dermal-fillers development program; and certain manufacturing cost reduction strategies.

Under the 2008 AIB, because the minimum COI objectives and minimum strategic performance objectives were met, NEOs were eligible to receive a bonus payment, with the specific amount that such NEO received dependent on his individual performance. If Mentor had not met minimum COI objectives or minimum strategic objectives for fiscal 2008, no bonus payments would have been made under the AIB plan, regardless of individual performance.

Each of the following NEOs (with the exception of Mr. McFarland) received the following payments in June 2008 under the AIB plan for fiscal year 2008 performance:

Name	2008 AIB Award
Joshua H. Levine	$ 658,125
Michael O Neill	$ 114,257
Loren L. McFarland	$ 153,281
Joseph A. Newcomb	$ 239,118
Edward S. Northup	$ 303,469

Mr. McFarland, who resigned effective November 12, 2007, received his payment in May 2008 per the terms of his Separation and Release Agreement, dated October 27, 2007. The 2008 AIB Awards to the NEOs (other than Mr. McFarland) were at 97.5% of each NEO s respective target. In arriving at this amount, the Compensation Committee determined that actual COI of $79.1 million exceeded the minimum target but was less than 100% of budgeted COI. The actual COI achieved equated to an 85% payout, before a 50% weighting, or 42.5% for the calculation of the 2008 AIB Awards. The Compensation Committee also determined that the strategic objectives were achieved at a 110% level, before a 50% weighting, or 55% for the calculation of the 2008 AIB Awards. The aggregate 2008 AIB awards of 97.5% of each NEO s respective target was arrived at by combining the COI (42.5%) and the strategic objectives (55%) results.

Cash awards made to executive officers under the AIB for fiscal year 2008 are reflected in column (g) of the Fiscal Year 2008 Summary Compensation Table.

Long-Term Equity Incentive Compensation

The Board has delegated to the Compensation Committee the authority to make grants of stock options, shares of restricted stock, and performance stock units (*PSUs*) to NEOs and other employees under Mentor s 2005 Long-Term Incentive Plan, as amended (the *2005 Plan*). All of Mentor s NEOs participate in Mentor s equity compensation program and have received grants of stock options, shares of restricted stock and PSUs. These grants are designed to:

- attract superior managerial and professional talent;
- retain key managerial and professional talent to support Mentor s continued growth and success; and
- align management incentives with goals of the shareholders.

The size of the grants of stock options, Sub-Plan options (as described below), shares of restricted stock and PSUs to each NEO is set by the Compensation Committee at a level that is intended to create a meaningful opportunity for stock ownership and participation in the increases in Mentor s equity value, based upon the individual s current position, the individual s personal performance in recent periods and his or her potential for future responsibility and promotion over the term of the particular grants. The size of the grants is also determined with reference to equity-based awards made to executive officers by Peer Group companies. The relevant weight given to each of these factors can vary from individual to individual.

Stock Options

Each stock option grant allows the NEO to acquire shares of Common Stock at an exercise price equal to or greater than the closing price of the Common Stock on the grant date over a specified period of time not to exceed 10 years. Generally, shares subject to the option grant become exercisable in a series of installments over a four-year period, contingent upon the NEO s continued employment. Accordingly, the option grant will provide a positive return to the NEO only if he or she continues to provide services to Mentor during the vesting period, and then only if the market price of the shares appreciates over the option term. During fiscal 2008, the only stock options granted to a NEO (other than the Sub-Plan options described below) were issued to Mr. O Neill upon commencement of his employment. Mr. O Neill received an option to purchase 125,000 shares of Common Stock, subject to Mentor s standard terms. In approving this grant, the Compensation Committee considered the Peer Group data regarding equity compensation as well as the overall compensation package that Mr. O Neill negotiated in his employment agreement and internal alignment issues.

During fiscal 2008, Mentor established the 2007 Strategic Equity Incentive Plan (the *Sub-Plan*) under the 2005 Plan. The Sub-Plan was created to provide a long-term incentive plan for approximately 40 of Mentor s top executives and senior managers, including the NEOs, and was designed to reward the participants for Mentor s achievement of superior financial results over a period of approximately four fiscal years. In designing the Sub-Plan, the Compensation Committee consulted extensively with Pearl Meyer, and Pearl Meyer provided the Compensation Committee with relevant market data and alternatives to consider when considering adoption of the Sub-Plan.

The Sub-Plan provides for the grants of nonqualified stock options to Mentor s key employees. The Compensation Committee made the following grants under the Sub-Plan during fiscal 2008: (i) an option to purchase 350,000 shares with an exercise price of $53.76 per share was granted to Mr. Levine on September 18, 2007; (ii) an option to purchase 150,000 shares with an exercise price of $51.52 per share was granted to Mr. Northup on September 18, 2007; (iii) an option to purchase 100,000 shares with an exercise price of $51.52 per share was granted to Mr. Newcomb on September 18, 2007; and (iv) an option to purchase 100,000 shares with an exercise price of $43.47 per share was granted to Mr. O Neill on December 3, 2007, in each case representing a significant premium to the closing trading price of the Common Stock as reported by the New York Stock Exchange, which was $43.74 on September 18, 2007 and $37.07 on December 3, 2007. The shares subject to the options vest subject to the attainment of specified earnings per share (*EPS*) targets over the second half of fiscal 2008 and the full fiscal years 2009, 2010 and 2011. The vesting percentages are disproportionately skewed to the achievement of the EPS targets in fiscal years 2010 and 2011, and the EPS targets represent compounded growth rates that are in excess of Mentor s recent EPS growth rates.

The Sub-Plan provides that the attainment or non-attainment of an EPS target for one fiscal year shall not affect a participant s ability to achieve vesting in a subsequent fiscal year nor to vest pursuant to the provisions for catch up vesting. Catch up vesting allows a percentage of the shares subject to the options to vest as of the last day of fiscal year 2011 if the cumulative EPS for fiscal years 2008 to 2011 meets or exceeds certain thresholds.

As a consequence of the design of the Sub-Plan, the participants will only realize the Sub-Plan s possible full payout if Mentor achieves superior EPS results and the trading price of the Common Stock increases materially. The Compensation Committee believes that the Sub-Plan provides an incentive for the participants to deliver superior, not easily achieved, financial results to Mentor s shareholders over the fiscal years covered by the Sub-Plan, and the Sub-Plan increases the alignment of the participants interests with those of Mentor s shareholders.

Grants of Sub-Plan options during fiscal 2008 to the NEOs were as follows:

Name	**Sub-Plan Option Grants**
Joshua H. Levine	350,000
Michael O Neill	100,000
Joseph A. Newcomb	100,000
Edward S. Northup	150,000

Messrs. Levine, Northup and Newcomb each received their respective Sub-Plan grants as of September 18, 2007, and Mr. O Neill received his grant as of December 3, 2007. The size of the grants of the Sub-Plan options was set by the Compensation Committee at a level that was intended to create a meaningful opportunity for stock ownership and participation in the increases in Mentor s equity value, based upon the individual s current position with the Company. The size of the grants was also determined with reference to equity-based awards made to executive officers by Peer Group companies. The size of Mr. O Neill s grant was arrived at when the Sub-Plan was adopted. At that time, the Compensation Committee made a determination as to the appropriate size of the grant for the Company s Chief Financial Officer. Mr. O Neill was not employed by the Company at that time, but received the grant subsequent to joining the Company in November 2007.

While the EPS target of $0.69 for the second half of fiscal 2008 was not achieved, some or all of the Sub-Plan options may vest in the future depending upon Mentor s financial performance. Due to the size of the Sub-Plan and the aggregate grants made to date, it is not contemplated that additional Sub-Plan options will be granted for several years, if at all.

Please see the Schedule 14D-9, under Arrangements with Current Executive Officers, Directors and Affiliates of the Company for the estimated value of the stock options held by current NEOs.

Restricted Stock Awards

Each grant of shares of restricted stock vests in equal annual installments over a five-year period. Apart from receiving dividends with respect to these shares on the same basis as all other shareholders, the shares of restricted stock will provide a positive return to the executive officer only if he or she remains employed by Mentor during the vesting period. Additionally, the NEO, by accepting the grant of shares of restricted stock, agrees to be bound by certain stock ownership guidelines as set forth in the restricted stock award agreement. Generally, the NEO agrees to attain, by no later than the fifth anniversary of the award date, a level of stock ownership at least equal to two times the NEO s annual base salary (three times for the CEO), calculated by dividing (i) the product of the NEO s salary times two (or three, as the case may be) by (ii) the fair market value of a share of Common Stock on the award date. Once attained, the NEO must maintain this level of stock ownership throughout the remainder of his/her employment. Additional shares of restricted stock may be granted over time to executive officers in connection with performance and promotions. No restricted stock awards were made to NEOs during fiscal 2008, with the exception of Mr. O Neill, who was awarded 27,500 shares upon his commencement of employment with the Company.

Please see the Schedule 14D-9, under Arrangements with Current Executive Officers, Directors and Affiliates of the Company for the estimated value of the restricted stock awards held by current NEOs.

Performance Stock Units

PSUs vest subject to the attainment of specified targets for total shareholder return as defined by the Compensation Committee. The PSUs vest on a percentage basis by calculating a percentage based on the performance of the Common Stock for the performance period of June 23, 2006 to March 31, 2009 relative to the performance of the Russell 2500 Growth Index for the same performance period (the *TSR Percentage*). If the TSR Percentage is less than 85%, no portion of the PSUs will vest. If the TSR Percentage equals or exceeds 150%, then 200% of the targeted PSU number will vest. The PSUs will not vest unless the NEO is continuously employed or providing service through March 31, 2009. The PSUs will provide a positive return to the executive officer only if he or she remains employed through March 31, 2009 and the market price of the Common Stock performs better than, on a relative basis, the Russell 2500 Growth Index as described above. As of March 31, 2008, the TSR Percentage through that date was less than 85%. No PSUs were granted in fiscal 2008.

See the table entitled Fiscal Year 2008 Grants of Plan-Based Awards in this Information Statement for additional information on the number of options granted to the executive officers during fiscal year 2008.

Please see the Schedule 14D-9, under Arrangements with Current Executive Officers, Directors and Affiliates of the Company for the estimated value of the PSUs held by current NEOs.

Perquisites and Other Personal Benefits

Mentor provides the NEOs with perquisites and other personal benefits that the Compensation Committee believes are reasonable and consistent with its overall compensation program to better enable Mentor to attract and retain superior employees for key positions. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to NEOs.

Mentor has a policy with respect to both the recruitment of key executives and requesting existing key executives to relocate which provides for a lump-sum relocation allowance. This amount is intended to cover various costs and expenses such as temporary housing, travel for house hunting trips, new and old home closing costs, and duplicate mortgage costs.

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Mentor has also entered into severance agreements with each of Mentor s NEOs. These severance agreements are designed to promote stability and continuity of senior management. Information regarding applicable payments under such agreements for the executive officers is provided under the heading Potential Payments on Termination or Change of Control.

Fiscal Year 2009 Compensation Decisions

The Compensation Committee has engaged Pearl Meyer to help it evaluate Mentor s executive compensation program for fiscal year 2007 and future fiscal years, including advising the Compensation Committee on Mentor s compensation mix and the structure of Mentor s equity program and providing the Compensation Committee with comparison information on compensation practices followed by other comparable companies.

The Compensation Committee has approved fiscal year 2009 base salaries for the NEOs and has finalized and approved minimum, target and maximum level bonus objectives for the NEOs under the fiscal year 2009 AIB. In fiscal 2009, the base salaries for Messrs. Levine, Northup and O Neill were not changed from the fiscal 2008 base salaries, and Mr. Newcomb s base salary was increased by approximately 10% over his prior year base salary. The Compensation Committee did not approve increases in the base salaries of Messrs. Levine and Northup because the Compensation Committee determined that a substantial increase in operating expenses most likely would result in limited earnings per share growth for fiscal 2009. Mr. O Neill did not receive an increase because he was hired shortly before the beginning of fiscal year 2009. In approving Mr. Newcomb s increase, the Compensation Committee reviewed salary levels for comparable positions in the industry, his personal performance, and internal alignment considerations.

The amount of the award of any cash bonuses under the AIB plan for fiscal year 2009 performance will be based on Mentor s achievement of both specified results with respect to earnings per share from continuing operations and strategic initiatives for fiscal year 2009. If the minimum performance objectives are met, NEOs will be eligible to receive bonus payments under the AIB, with the specific amount that such participant receives dependent on his or her individual performance. Consistent with the AIB parameters for fiscal 2008, the maximum amount that could be received by Mentor s CEO under the AIB if objectives are achieved is 150% of base salary, with a target bonus amount of 125% of base salary. For the other NEOs, the maximum amount they could receive under the AIB if objectives are achieved is 90% of base salary, with target bonus amounts of 75% of base salary. Executive officers will each receive 0% of their base salary if minimum objectives are not met. The Compensation Committee retains wide discretion to interpret the terms of the 2009 AIB and to interpret and determine whether Mentor s EPS objectives and strategic objectives or an individual s performance objectives have been met in any particular fiscal year. The Compensation Committee also retains the right to exclude extraordinary charges or other special circumstances in determining whether Mentor s EPS objectives were met during fiscal 2009. Similarly, the Compensation Committee retains the right to consider special circumstances in determining the extent that strategic objectives were met in fiscal 2009. Further, the Compensation Committee may consult with the Board or seek ratification from the Board with respect to interpretations of the terms of the 2009 AIB.

Stock Ownership Guidelines

Generally, Mentor requires that an executive officer agrees to attain, by no later than the fifth anniversary of the initial award date of shares of restricted stock, a level of stock ownership at least equal to two times the officer s annual base salary (three times for the CEO), calculated by dividing (i) the product of the officer s salary times two (or three, as the case may be) by (ii) the fair market value of a share of Common Stock on the award date. Once attained, the officer must maintain this level of stock ownership throughout the remainder of his/her employment.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code, as amended, disallows a tax deduction to publicly held companies for compensation paid to certain of their executive officers, to the extent that such compensation exceeds $1.0 million per covered officer in any fiscal year. The limitation applies only to compensation which is not considered to be performance-based. Non-performance based compensation paid to the executive officers for the fiscal year ended March 31, 2008 did not exceed the $1.0 million limit for any executive officer. The 2005 Plan has

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been structured so that any compensation deemed paid in connection with the exercise of stock options, vesting of shares of restricted stock, and vesting of PSUs under that plan will qualify as performance-based compensation which will not be subject to the $1.0 million limitation. While Mentor did not take any action during fiscal year 2008 to limit or restructure the elements of cash compensation payable to executive officers, cash compensation payable to executive officers in the future may exceed the $1.0 million limit.

Fiscal Year 2008 Summary Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)
ne and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total Compens ($)
hua H. Levine	2008	533,846		1,584,263	329,676	658,125	19,710	3,125,6
ident, Chief cutive Officer	2007	500,000	450,000	1,934,875	702,318	500,000	18,746	4,105,9
hael O Neill	2008	142,788		183,780	225,960	114,257	32,810	699,5
e President, ef Financial Officer	2007							
en L. McFarland(5)	2008	245,045		616,093	58,070	153,281	1,021,031	2,093,5
mer Vice President, Chief ncial Officer	2007	300,000	225,000	639,251	132,411	225,000	16,540	1,538,2
eph A. Newcomb	2008	322,846		635,005	587,590	239,118	21,435	1,805,9
e President, eral Counsel and retary	2007	230,770		543,443	675,773	225,000	12,280	1,687,2
ard S. Northup	2008	412,693		743,229	1,049,275	303,469	18,662	2,527,3
e President, ef Operations Officer	2007							

(1) The amounts shown in column (e) reflect the dollar amount recognized for financial statement reporting purposes of awards, pursuant to Mentor s 2005 Long Term Incentive Plan for the fiscal years ended March 31, 2008 and March 31, 2007 in accordance with SFAS 123(R), and thus may include amounts from awards granted in and prior to fiscal year 2008 and fiscal year 2007. Assumptions used in the calculation of these amounts are included in footnote G to Mentor s consolidated financial statements for the fiscal year ended March 31, 2008, included in Mentor s Annual Report on Form 10-K.

(2) The amounts shown in column (f) represent the compensation cost of stock options for financial reporting purposes for fiscal year 2008 and fiscal year 2007 under SFAS 123(R), rather than an amount paid to or realized by the named executive officer. The SFAS 123(R) value as of the grant date for options is spread over the number of months of service required for the grant to become non-forfeitable. Compensation costs shown in column (f) reflect ratable amounts expensed for grants that were made in fiscal years 2004 to 2008. The SFAS 123(R) amounts may never be realized.

(3) The amounts in column (g) reflect the cash awards to named executive officers under Mentor s AIB plan.

(4) The table below shows the components of column (i), which includes perquisites to the named executive officers.

	Life Ins Premiums ($)	Car Allowance ($)	Auto Lease ($)	Commuting Expenses ($)	401k Match Contribution ($)	Financial Planning Reimbursement ($)	Gifts ($)	Health Exams ($)	Severance ($)	Consultant Fees ($)	Total Other Compens ($)
ua H. ne	926		3,954		12,619			2,211			19,
ael O Neill	225			29,556	3,029						32,
n L. arland	260	1,846			4,780		15	1,930	981,000	31,200	1,021,
ph A. comb	1,328	1,846			9,246	7,500	15	1,500			21,
ard S. hup	2,872	2,308			10,785		268	2,429			18,

(5) Mr. McFarland left the Company on November 12, 2007.

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The following table includes information on the estimated possible payouts under Mentor s performance-based annual incentive bonus plan (*AIB*) for fiscal 2008 based on certain assumptions about the achievement of performance objectives for the Company and the individual named executive officer. The table does not set forth actual payments awarded to the named executive officers, which are reported in the Fiscal Year 2008 Summary Compensation Table under the column Non-Equity Incentive Plan Compensation .

Fiscal Year 2008 Grants Of Plan-Based Awards

	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			**Estimated Future Payouts Under Equity Incentive Plan Awards(2)**			**All Other Stock Awards: Number of Shares of Stock or Units(3)**	**All Other Option Awards: Number of Securities Underlying Options(4)**	**Exercise or Base Price of Option Awards**
	Grant Date	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**(#)**	**($/Sh)**
ne	N/A	21,600	675,000	810,000						
	9/18/2007(6)				35,000	350,000	350,000			53.76
ill(9)	N/A	15,000	281,250	337,500						
	12/03/2007(6)				10,000	100,000	100,000			43.47
	12/03/2007(7)								125,000	37.80
	12/03/2007(8)							27,500		
	N/A	13,080	245,250	294,300						
	N/A	13,080	245,250	294,300						
	9/18/2007(6)				10,000	100,000	100,000			51.52
chup	N/A	16,600	311,250	373,500						
	9/18/2007(6)				15,000	150,000	150,000			51.52

(1) Amounts shown in columns (c), (d) and (e) are the estimated possible payouts for fiscal year 2008 under Mentor s AIB plan based on the achievement of certain identified objectives for the Company and the individual named executive officer. The actual bonuses awarded to the named executive officers are reported in the Fiscal Year 2008 Summary Compensation Table under the column Non-Equity Incentive Plan Compensation. The AIB plan includes various incentive levels based on the participant s position, with the pay-out targets for executives ranging from 75% to 125% of base salary. The Committee sets minimum, target and maximum levels for Mentor s financial objectives each year and the payment and amount of any bonus is dependent upon whether Mentor achieves those performance goals.

For fiscal year 2008, the amount that could have been received by Mr. Levine under the AIB plan ranged from between 0% (assuming the minimum objectives were not met) of annual base salary and 150% of annual base salary, with a targeted bonus amount of 125% of base salary at attainment of 100% of budgeted COI and strategic objectives. For executive officers other than Mr. Levine, the amount such officers could have received ranged from 0% to 90% of base salary, with targeted bonus amounts of 75% of annual base salary at attainment of 100% of budgeted COI and strategic objectives. The table sets forth the estimated range of cash payouts to executive officers under the AIB plan assuming threshold, target or maximum performance objectives were met for fiscal year 2008.

(2) Represents options that have been granted under the Sub-Plan. For options granted under the Sub-Plan, the executive officer may acquire shares of Common Stock at an exercise price set at a premium to the closing price of the Common Stock on the grant date. These options were granted on September 18, 2007 and vest at a rate of 10% on March 31, 2008 (the amount in column (f)); 20% on March 31, 2009, 30% on March 31, 2010 and 40% on March 31, 2011, if the company achieves certain specified EPS targets. The specified EPS target for the fiscal year ended March 31, 2008 was not met and the 10% vesting did not occur.

(3) Each grant of restricted stock vests in installments over a five-year period. Apart from receiving dividends with respect to these shares, the shares of restricted stock will provide a positive return to the executive officer only if he or she remains employed by Mentor during the vesting period. Additionally, the executive officer, by accepting the grant of shares of restricted stock, agrees to be bound by certain stock ownership guidelines as set forth in his/her restricted stock award agreement. Generally, the executive officer agrees to attain, by no later than the fifth anniversary of the award date, a level of stock ownership at least equal to two times the

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executive officer s annual base salary (three times for the Chief Executive Officer), calculated by dividing (i) the product of the executive officer s salary times two (or three, as the case may be) by (ii) the fair market value of a share of the Common Stock on the award date. Once attained, the officer must maintain this level of stock ownership throughout the remainder of his/her employment. Additional shares of restricted stock may be granted over time to executive officers in connection with performance and promotions.

(4) Most stock option grants allow the executive officer to acquire shares of Common Stock at an exercise price equal to the closing price of the Common Stock on the grant date over a specified period of time not to exceed 10 years. Generally, shares subject to the option grant become exercisable in a series of installments over a four-year period, contingent upon the executive officer s continued employment.

(5) The amounts shown in column (l) reflect the grant date fair value of each option award computed in accordance with FAS 123(R).

(6) Represents grants of stock options approved under the Sub-Plan.

(7) Represents grants of stock options under the 2005 Plan.

(8) Represents shares of restricted stock under the 2005 Plan.

(9) Upon his employment with Mentor, Mr. O Neill received an option to purchase 125,000 shares of Common Stock with an exercise price of $37.80 per share, 27,500 shares of restricted stock, and 100,000 options under the Sub-Plan with an exercise price of $43.47 per share.

(10) Mr. McFarland s employment with the Company terminated during fiscal year 2008. He received a percentage of the non-equity incentive award pursuant to the terms of his separation and release agreement, which is further described in Potential Payments on Termination or Change of Control .

Employment Agreements

Mentor has entered into employment agreements with Mr. Levine, Mr. Northup, Mr. O Neill and Mr. Newcomb. In connection with entering into the Merger Agreement, Mr. Levine, Mr. Northup and Mr. Newcomb entered into letter agreements with the Company and Parent which amend such employment agreements. A description of the amendments to such employment agreements is found in the Schedule 14D-9, under Arrangements with Current Executive Officers, Directors and Affiliates of the Company. The following information describes such employment agreements as in effect as of March 31, 2008. Pursuant to the terms of these employment agreements and in connection with salary increases effective June 1, 2007, Mr. Levine receives a current base salary of $540,000, Mr. Northup receives a current base salary of $415,000, Mr. O Neill receives a current base salary of $375,000 and Mr. Newcomb receives a current base salary of $360,000. Each of the executives is also entitled to receive an annual incentive bonus of up to a specified percentage of his base salary (125% in the case of Mr. Levine, 97.5% in the case of Mr. Northup, and 75% in the case of each of the other executives) and future grants of options or other equity awards consistent with Mentor s executive compensation program. In addition, each of these employment agreements also provides for certain severance benefits in the event of termination of employment, as described in Potential Payments on Termination or Change of Control below.

Potential Payments on Termination or Change of Control

Mentor s standard employment agreement with named executive officers provides a number of benefits in case of termination by Mentor without cause or resignation by the executive for good reason (as those terms are defined in the agreements), upon the condition that the executive officer executes a general release of claims. Pursuant to the terms of their employment agreements, each executive is entitled to receive severance compensation equal to a multiple of their then-current base salary, payment of full COBRA premiums for 24 months following termination and a prorated amount of their annual incentive bonus based upon the timing of termination in relation to the end of the then fiscal year. In the case of termination within 12 months following a change of control of the Company (as defined in the agreement), each executive is entitled to receive the same severance compensation as above, except that they will receive 100% of their annual incentive bonus rather than a prorated amount, and all outstanding stock options, performance stock units, and shares of restricted stock will vest and the related restrictions shall lapse.

Loren L. McFarland. On October 27, 2007, Mentor approved a separation and release agreement and a consulting agreement for Loren L. McFarland, Mentor s former Vice President and Chief Financial Officer, following his resignation from the Company. Pursuant to the terms of Mr. McFarland s separation and release agreement, he received a severance payment equal to 36 months of his base salary and payment of his prorated bonus equal to approximately 62.5% of his eligible bonus amount for fiscal 2008. Mr. McFarland is also entitled to payments of COBRA premiums for up to 24 months. Additionally, the Company agreed to (i) reimburse Mr. McFarland up to $8,000 for continuing professional education during the period of November 12, 2007 through April 30, 2009; (ii) continue for 12 months health exam and financial and estate planning benefits; and (iii) make available executive placement benefits or, if Mr. McFarland declines to use such placement benefits, pay the sum of $12,000. Such amounts were payable on May 15, 2008. Mr. McFarland executed a release of claims in favor of the Company and agreed not to solicit Mentor s employees for a period of 12 months. Pursuant to the terms of the consulting agreement, he will provide consulting services from the date of the agreement through April 30, 2009. During the consulting term, Mr. McFarland will provide up to sixteen hours of services per month and the Company will pay for such services at a rate of $5,200 per month. Mr. McFarland s unvested options, performance stock units, and restricted stock awards will continue to vest during the term of the consulting agreement.

The estimated payments and benefits that would be provided to each Named Executive Officer as a result of a termination (i) without cause or good reason, (ii) with cause or without good reason, (iii) upon a change in control, or (iv) upon death or disability are set forth in the table below. Calculations for this table are based on the assumption that the termination took place on March 31, 2008 and the individual was employed for the full year of fiscal 2008. For Mr. McFarland, the payments and benefits represent the actual amounts received or to be received by him in connection with his separation and release agreement.

(a)	**(b) Termination without Cause or Resignation for Good Reason ($)**	**(c) Termination for Cause or Resignation Other Than for Good Reason ($)**	**(d) Termination Upon Change in Control ($)**	**(e) Termination for Death or Disability ($)(2)**
Joshua H. Levine				
Bonus	$ 658,125	$	$ 658,125	$ 658,125
Severance Payment	1,620,000		1,620,000	
Value of Accelerated Stock Options				
Value of Accelerated Restricted Stock			1,234,560	1,234,560
Value of Accelerated PSUs			1,157,400	1,157,400
Value of Benefits Continuation	33,072		33,072	33,072
Total Payment Upon Termination	$ 2,311,197	$	$ 4,703,157	$ 3,083,157
Michael O Neill(1)				
Bonus	114,257		274,219	114,257
Severance Payment	750,000		750,000	
Value of Accelerated Stock Options				
Value of Accelerated Restricted Stock			707,300	707,300

Value of Accelerated PSUs				
Value of Benefits Continuation	33,072		33,072	33,072
Total Payment Upon Termination	$ 897,329	$	$ 1,764,591	$ 854,629
Loren L. McFarland				
Bonus	153,281			
Severance	981,000			
Value of Benefits Continuation	51,072			
Outplacement Assistance	12,000			
Total Payment Upon Termination	$ 1,197,353	$	$	$

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(a)	(b) Termination without Cause or Resignation for Good Reason ($)	(c) Termination for Cause or Resignation Other Than for Good Reason ($)	(d) Termination Upon Change in Control ($)	(e) Termination for Death or Disability ($)(2)
Joseph A. Newcomb				
Bonus	239,118		239,118	239,118
Severance Payment	654,000		654,000	
Value of Accelerated Stock Options				
Value of Accelerated Restricted Stock			411,520	411,520
Value of Accelerated PSUs			643,000	643,000
Value of Benefits Continuation	33,072		33,072	33,072
Total Payment Upon Termination	$ 926,190	$	$ 1,980,710	$ 1,326,710
Edward S. Northup				
Bonus	303,469		303,469	303,469
Severance Payment	830,000		830,000	
Value of Accelerated Stock Options				
Value of Accelerated Restricted Stock			679,008	679,008
Value of Accelerated PSUs				
Value of Benefits Continuation	33,072		33,072	33,072
Total Payment Upon Termination	$ 1,166,541	$	$ 1,845,549	$ 1,015,549

(1) Pursuant to Michael O Neill s employment agreement, termination through non-renewal of his employment agreement is treated the same as termination without cause or resignation for good reason.

(2) Accelerated vesting for equity awards applies only to termination as a result of death. Termination as a result of disability would not have resulted in accelerated vesting as of March 31, 2008.

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Outstanding Equity Awards At Fiscal Year-End March 31, 2008

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
	Number of Securities Underlying Unexercised Options (Exercisable)(1) (#)	Number of Securities Underlying Unexercised Options (Unexercisable) (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(2) (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(3) (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(4) (#)	E Inc I Av Ma Pa Va Unc Sh Un O R T Ha V
. Levine	20,000			19.0100	05/22/2012				
	35,000			21.0000	05/21/2013				
	50,000			21.7000	11/19/2013				
	75,000	25,000(5)		32.4700	05/26/2014				
	75,000	75,000(6)		37.7000	04/27/2015				
			35,000(7)	53.7600	09/18/2014				
						48,000(16)	1,234,560		
								45,000	1,
O Neill(21)		125,000(8)		37.800	12/03/2017				
			10,000(9)	43.470	12/03/2014				
						27,500(17)	707,300		
d(22)	50,000			8.312	05/05/2010				
	20,000			13.3050	05/23/2011				
	14,000			19.0100	05/22/2012				
	20,000			21.0000	05/21/2013				
	18,750	6,250(10)		32.1500	06/09/2014				
	10,000	10,000(11)		37.7000	04/27/2015				
						12,000(18)	308,640		
								25,000	(
. Newcomb	31,250	93,750(12)		41.2200	06/26/2016				
			10,000(13)	51.5200	09/18/2014				

						16,000(19)	411,520	
								25,000
. Northup	31,250	93,750(14)		52.6800	02/05/2017			
			15,000(15)	51.5200	09/18/2014			
						26,400(20)	679,008	

(1) Most stock options vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(2) Options granted under the Sub-Plan vest at 10% on March 31, 2008, 20% on March 31, 2009, 30% on March 31, 2010 and 40% on March 31, 2011 if the Company achieves certain specified EPS targets. The specified EPS target was not met for March 31, 2008 and the initial 10% did not vest.

(3) The restrictions with respect to restricted stock awards lapse ratably over a five-year period commencing on the date of grant, with 20% vesting on each anniversary of the date of grant.

(4) The unvested shares consist of Performance Stock Units that will vest on March 31, 2009 only if the Company achieves certain specified targets.

(5) These options were granted on May 26, 2004 and vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(6) These options were granted on April 27, 2005 and vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(7) These options were granted on September 18, 2007 and vest at 10% on March 31, 2008, 20% on March 31, 2009, 30% on March 31, 2010 and 40% on March 31, 2011 if the Company achieves certain specified EPS targets. The specified EPS target was not met for March 31, 2008 and the initial 10% did not vest.

(8) These options were granted on December 3, 2007 and vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(9) These options were granted on December 3, 2007 and vest at 10% on March 31, 2008, 20% on March 31, 2009, 30% on March 31, 2010 and 40% on March 31, 2011 if the Company achieves certain specified EPS targets. The specified EPS target was not met for March 31, 2008 and the initial 10% did not vest.

(10) These options were granted on June 9, 2004 and vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(11) These options were granted on April 27, 2005 and vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(12) These options were granted on June 26, 2006 and vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(13) These options were granted on September 18, 2007 and vest at 10% on March 31, 2008, 20% on March 31, 2009, 30% on March 31, 2010 and 40% on March 31, 2011 if the Company achieves certain specified EPS targets. The specified EPS target was not met for March 31, 2008 and the initial 10% did not vest.

(14) These options were granted on February 5, 2007 and vest ratably over a four-year period commencing on the date of grant, with 25% vesting on each anniversary of the date of grant.

(15) These options were granted on September 18, 2007 and vest at 10% on March 31, 2008, 20% on March 31, 2009, 30% on March 31, 2010 and 40% on March 31, 2011 if the Company achieves certain specified EPS targets. The specified EPS target was not met for March 31, 2008 and the initial 10% did not vest.

(16) The unvested shares were awarded on October 5, 2005, and vest ratably over a five-year period commencing on the date of grant, with 20% of the total grant vesting on each anniversary of the date of grant.

(17) The unvested shares were awarded on December 3, 2007, and vest ratably over a five-year period commencing on the date of grant, with 20% of the total grant vesting on each anniversary of the date of grant.

(18) The unvested shares were awarded on October 5, 2005, and vest ratably over a five-year period commencing on the date of grant, with 20% of the total grant vesting on each anniversary of the date of grant.

(19) The unvested shares were awarded on June 26, 2006, and vest ratably over a five-year period commencing on the date of grant, with 20% of the total grant vesting on each anniversary of the date of grant.

(20) The unvested shares were awarded on February 5, 2007, and vest ratably over a five-year period commencing on the date of grant, with 20% of the total grant vesting on each anniversary of the date of grant.

(21) In connection with the commencement of Mr. O Neill s employment with Mentor, he received options to purchase 125,000 shares of Common Stock with an exercise price of $37.80, which vest ratably over four years,

27,500 shares of restricted stock, which vest ratably over five years, and 100,000 options under the Sub-Plan which vest at 10% on March 31, 2008, 20% on March 31, 2009, 30% on March 31, 2010 and 40% on March 31, 2011 if the Company achieves certain specified EPS targets. The specified EPS target was not met for March 31, 2008 and the initial 10% did not vest.

(22) Mr. McFarland left the Company on November 12, 2007.

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Fiscal Year 2008 Options Exercises And Stock Vested

(a)	(b)	(c)
	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Joshua H. Levine	16,000	761,120
Michael O Neill		
Loren L. McFarland	4,000	190,280
Joseph A. Newcomb	4,000	163,240
Edward S. Northup	6,600	209,814

No stock options were exercised during fiscal year 2008.

DIRECTOR COMPENSATION

Non-employee members of the Board receive cash compensation as follows:

Board members who are employees of the Company receive no additional compensation for their services as directors;

each non-employee member of the Board receives an annual base fee of $60,000; the Chairman of the Board, who is a non-employee director, receives an annual fee of $75,000;

the Chairman of the Audit Committee, who is a non-employee director, receives an annual fee of $25,000;

the Chairman of each of the Compensation Committee and the Nominating and Governance Committees, each of whom is also a non-employee director, receives an annual fee of $10,000;

each member of a committee of the Board receives a per meeting fee of $1,000 for attending any committee meetings other than those scheduled on the same day or the day following the quarterly Board meeting; and

each member of the Board receives a per meeting fee of $1,000 for attendance at Board meetings other than quarterly Board meetings.

All director fees are paid quarterly. Beginning with the 2008 annual meeting of shareholders, an option to purchase 10,000 shares of Common Stock will be granted to each director on the date of each annual meeting of shareholders. The exercise price for such options will be the closing price of the Common Stock as reported by the New York Stock Exchange as of the date of grant. Each option will have a term of ten years and fully vests two years after the grant date, with 50% vesting after the first year following the grant date.

Each director also receives a grant of 7,500 shares of restricted stock upon his or her initial election to the Board, valued at the closing price of the Common Stock as reported by the New York Stock Exchange as of the date of grant. The shares of restricted stock vest with respect to one-fifth of the total number of shares of restricted stock on each of the first, second, third, fourth and fifth anniversaries of the award date. The vesting schedule requires continued service through each applicable vesting date as a condition to the vesting of the applicable installment of the restricted stock.

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Fiscal Year 2008 Director Compensation Table

The following table summarizes compensation that the Company s directors (other than directors who are named executive officers) earned during fiscal year 2008 for services as members of the Board:

(a) Name(1)	(b) Fees Earned or Paid in Cash ($)	(c) Stock Awards(2) ($)	(d) Option Awards(3) ($)	(h) Total ($)
Michael L. Emmons	87,500	96,697	37,799	221,996
Walter W. Faster	65,333	96,697	18,309	180,339
Margaret H. Jordan	58,333	165,286	18,309	241,928
Michael Nakonechny(4)	10,333	52,223		62,556
Katherine S. Napier	60,333	165,286	18,309	243,928
Burt E. Rosen	32,283	87,394	18,309	137,986
Ronald J. Rossi(5)	69,500	96,697	18,309	184,506
Joseph E. Whitters	148,667	96,697	63,947	309,311

(1) Director Joshua Levine is Mentor s President and Chief Executive Officer. He is not included in this table, as he receives no compensation for his services as a director. The compensation received by Mr. Levine as Mentor s employee is shown in the Fiscal Year 2008 Summary Compensation Table.

(2) The amounts shown in column (c) reflect the dollar amount recognized for financial statement reporting purposes in accordance with SFAS 123(R) for restricted stock awards made for the fiscal year ended March 31, 2008 pursuant to Mentor s 2005 Plan, and thus may include amounts from awards granted in and prior to fiscal year 2008. As of March 31, 2008, each of the above held the aggregate number of restricted shares shown in Note 3 below.

(3) The amounts shown in column (d) represent the compensation costs of stock options for financial reporting purposes for fiscal year 2008 under SFAS 123(R), rather than an amount paid to or realized by the director. The SFAS 123(R) value for options as of the grant date is spread over the requisite service period (four years). As of March 31, 2008, each of the above held the following aggregate number of stock options and restricted shares:

Name	Stock Options	Restricted Shares
Michael L. Emmons	22,500	4,915
Walter W. Faster	62,500	4,915
Margaret H. Jordan	2,500	6,000
Michael Nakonechny		
Katherine S. Napier	2,500	6,000
Burt E. Rosen	2,500	7,500
Ronald J. Rossi	2,500	4,915
Joseph E. Whitters	42,500	4,915

(4) Mr. Nakonechny resigned from the Board in May 2007. In connection with his resignation, vesting was accelerated for all of his unvested stock options and restricted shares.

(5) Mr. Rossi resigned from the Board in May 2008.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the beneficial ownership of the shares of Common Stock as of December 3, 2008, by:

each person known to the Company to be the beneficial owner of 5% or more of the outstanding shares of such Common Stock;

each of the Company s directors;

each executive officer listed in the Summary Compensation Table; and

the Company s current executive officers and directors as a group.

Unless otherwise indicated, the address of each individual listed in the table is c/o Mentor Corporation, 201 Mentor Drive, Santa Barbara, California 93111.

Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Class of Shares Beneficially Owned(1)
Fidelity Management & Research (US)(2) 82 Devonshire Street Boston, MA 02109	5,023,671	14.88%
Capital Research Global Investors(3) 333 South Hope Street Los Angeles, CA 90071	4,135,500	12.25%
Kornitzer Capital Management, Inc.(4) P.O. Box 918 Shawnee Mission, KS 66201	2,061,400	6.10%
Directors		
Michael L. Emmons(5)	33,743	*
Walter W. Faster(6)	201,793	*
Margaret H. Jordan(7)	10,300	*
Katherine S. Napier(8)	10,246	*
Burt E. Rosen(9)	10,000	*
Joseph E. Whitters(10)	52,357	*
Named Executive Officers		
Joshua H. Levine(11)	382,667	1.12%
Michael O Neill(12)	56,783	*
Joseph A. Newcomb(13)	81,070	*
Edward S. Northup(14)	58,108	*
All current directors and executive officers as a group (10 persons)	897,067	2.61%

* Represents less than 1%

(1) Applicable percentage ownership is based on 33,770,050 shares of Common Stock outstanding as of December 3, 2008. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock issuable pursuant to options that are currently exercisable or exercisable within 60 days of December 3, 2008 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Except in cases in which spouses share authority under applicable law or as indicated in the footnotes to this table, Mentor believes that each shareholder identified in the table possesses sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by such shareholder.

(2) According to a Schedule 13G/A filed by FMR LLC and Edward C. Johnson 3d with the SEC on February 14, 2008, FMR LLC and Edward C. Johnson, in his capacity as Chairman of FMR LLC, have sole power to dispose of 5,023,671 shares. The following affiliates of FMR LLC are also beneficial owners of such shares in the following amounts: Fidelity Mid Cap Stock Fund, 1,750,000 shares and Magellan Fund, 3,094,971 shares.

(3) According to a Schedule 13G filed by Capital Research Global Investors with the SEC on July 10, 2008, Capital Research Global Investors has sole power to vote and dispose of 4,135,500 shares.

(4) According to a Schedule 13G filed by Kornitzer Capital Management, Inc. with the SEC on March 5, 2008, Kornitzer Capital Management has sole power to vote 2,061,400 shares, sole power to dispose of 1,935,060 shares and shared power to dispose of 126,340 shares.

(5) Includes options to purchase 22,500 shares exercisable within 60 days of December 3, 2008.

(6) Includes options to purchase 62,500 shares exercisable within 60 days of December 3, 2008.

(7) Includes options to purchase 2,500 shares exercisable within 60 days of December 3, 2008.

(8) Includes options to purchase 2,500 shares exercisable within 60 days of December 3, 2008.

(9) Includes options to purchase 2,500 shares exercisable within 60 days of December 3, 2008.

(10) Includes options to purchase 37,500 shares exercisable within 60 days of December 3, 2008.

(11) Includes options to purchase 317,500 shares exercisable within 60 days of December 3, 2008.

(12) Includes options to purchase 31,250 shares exercisable within 60 days of December 3, 2008.

(13) Includes options to purchase 62,500 shares exercisable within 60 days of December 3, 2008.

(14) Includes options to purchase 31,250 shares exercisable within 60 days of December 3, 2008.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures With Respect To Related Person Transactions

Pursuant to the Company s Audit Committee charter, all transactions between the Company and any of its directors, executive officers or related persons, as defined by SEC rules and regulations, are subject to review by the Audit Committee.

Transactions with Related Persons

Since April 1, 2007, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which Mentor was or is a party in which the amount involved exceeds $120,000 and in which any director, executive officer or beneficial holder of more than 5% of any class of Mentor s voting securities or members of such person s immediate family had or will have a direct or indirect material interest.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Mentor s directors and executive officers, among others, to file with the SEC and New York Stock Exchange an initial report of ownership of Mentor s stock on Form 3 and reports of changes in ownership on a Form 4 or a Form 5. Persons subject to Section 16 are required by SEC regulations to furnish Mentor with copies of all Section 16(a) forms that they file. Under SEC rules, certain forms of indirect ownership and ownership of Company stock by certain family members are covered by these reporting rules. As a matter of practice, Mentor s administrative staff assists Mentor s executive officers and directors in preparing initial reports of ownership, reports of changes in ownership and in filing these reports on their behalf.

To Mentor s knowledge, based solely upon a review of the copies of such reports furnished to Mentor and written representations that no other reports were required, during the fiscal year ended March 31, 2008, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with, except that Mr. Emmons filed one late report with respect to 136 shares of Common Stock acquired on June 6, 2007 and Mr. Northup filed one late report with respect to 2,142 shares of Common Stock withheld for taxes for restricted stock that vested on February 5, 2008.

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ANNEX II

OPINION OF CITIGROUP GLOBAL MARKETS INC.

November 29, 2008

The Board of Directors
Mentor Corporation
201 Mentor Drive
Santa Barbara, California 93111

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of the common stock of Mentor Corporation (Mentor) of the Cash Consideration (defined below) to be received by such holders, other than Johnson & Johnson (J&J), Maple Merger Sub, Inc., a wholly owned subsidiary of J&J (Acquisition Sub), and their respective affiliates, pursuant to the terms and subject to the conditions set forth in an Agreement and Plan of Merger to be entered into among J&J, Acquisition Sub and Mentor (the Agreement). As more fully described in the Agreement or as otherwise described to us by Mentor, (i) J&J will cause Acquisition Sub to commence a tender offer to purchase all outstanding shares of the common stock, par value $0.10 per share, of Mentor (Mentor Common Stock) at a purchase price of $31.00 in cash per share (the Cash Consideration and, such tender offer, the Tender Offer) and (ii) subsequent to consummation of the Tender Offer, Acquisition Sub will be merged with and into Mentor (the Merger and, together with the Tender Offer, the Transaction) and each outstanding share of Mentor Common Stock not previously tendered will be converted into the right to receive the Cash Consideration.

In arriving at our opinion, we reviewed a draft dated November 28, 2008 of the Agreement and held discussions with certain senior officers, directors and other representatives and advisors of Mentor concerning the business, operations and prospects of Mentor. We reviewed certain publicly available business and financial information relating to Mentor as well as certain financial forecasts and other information and data relating to Mentor prepared by the management of Mentor under alternative industry, business and growth scenarios. We reviewed the financial terms of the Transaction as set forth in the Agreement in relation to, among other things: current and historical market prices and trading volumes of Mentor Common Stock; the historical and projected earnings and other operating data of Mentor; and the capitalization and financial condition of Mentor. We analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations we considered relevant in evaluating those of Mentor and considered, to the extent publicly available, the financial terms of certain other transactions which we considered relevant in evaluating the Transaction. In addition to the foregoing, we conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as we deemed appropriate in arriving at our opinion. The issuance of our opinion has been authorized by our fairness opinion committee.

In rendering our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and upon the assurances of the management of Mentor that it is not aware of any relevant information that has been omitted or that remains undisclosed to us. With respect to financial forecasts and other information and data relating to Mentor provided to or otherwise reviewed by or discussed with us, we have been advised by the management of Mentor, and we have assumed, with your consent, that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Mentor as to the future financial performance of Mentor under the alternative industry, business and growth scenarios reflected therein. We have relied, at your direction, without independent verification, upon the assessments of the management of Mentor as to the products and product candidates of Mentor and the risks associated with such products and product candidates (including, without limitation, the probability of successful testing, development and marketing, and approval by appropriate governmental authorities, of such products and product candidates). We have not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Mentor nor have we made any physical inspection of the properties or assets of Mentor.

We have assumed, with your consent, that the Transaction will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory or third party approvals, consents, releases, waivers and agreements for the Transaction, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Mentor or the Transaction. In addition, representatives of Mentor have advised us, and we have assumed, that the final terms of the Agreement will not vary materially from those set forth in the draft reviewed by us. We express no view as to and our opinion does not address any terms or other aspects or implications of the Transaction (other than the Cash Consideration to the extent expressly specified herein) or any aspects or implications of any other agreement, arrangement or understanding to be entered into in connection with, or otherwise contemplated by, the Transaction. We also express no view as to, and our opinion does not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the Transaction, or any class of such persons, relative to the Cash Consideration. We were not requested to, and we did not, solicit third party indications of interest in the possible acquisition of all or a part of Mentor, nor were we requested to consider, and our opinion does not address, the underlying business decision of Mentor to effect the Transaction, the relative merits of the Transaction as compared to any alternative business strategies that might exist for Mentor or the effect of any other transaction in which Mentor might engage. Our opinion is necessarily based upon information available to us, and financial, stock market and other conditions and circumstances existing and disclosed to us, as of the date hereof.

Citigroup Global Markets Inc. has acted as financial advisor to Mentor in connection with the proposed Transaction and will receive a fee for such services, a significant portion of which is contingent upon the consummation of the Transaction. We also will receive a fee in connection with the delivery of this opinion. We and our affiliates in the past have provided, currently are providing and in the future may provide, services to J&J unrelated to the proposed Transaction, for which services we and such affiliates have received and expect to receive compensation, including, without limitation, having acted as (i) joint book-running manager and/or co-manager for J&J in connection with $2.6 billion investment-grade note offerings in August 2007, 1.0 billion and £500 million investment-grade note offerings in October 2007 and $1.6 billion investment-grade note offerings in June 2008 and (ii) joint bookrunner in connection with, and lender under, a $7.7 billion revolving credit facility of J&J in 2008. In the ordinary course of our business, we and our affiliates may actively trade or hold the securities of Mentor and J&J for our own account or for the account of our customers and, accordingly, may at any time hold a long or short position in such securities. In addition, we and our affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Mentor, J&J and their respective affiliates.

Our advisory services and the opinion expressed herein are provided for the information of the Board of Directors of Mentor in its evaluation of the proposed Transaction, and our opinion is not intended to be and does not constitute a recommendation to any stockholder as to whether such stockholder should tender shares of Mentor Common Stock in the Tender Offer or how such stockholder should vote or act on any matters relating to the proposed Transaction.

Based upon and subject to the foregoing, our experience as investment bankers, our work as described above and other factors we deemed relevant, we are of the opinion that, as of the date hereof, the Cash Consideration to be received in the Transaction by holders of Mentor Common Stock (other than J&J, Acquisition Sub and their respective affiliates) is fair, from a financial point of view, to such holders.

Very truly yours,

/s/ Citigroup Global Markets Inc.

CITIGROUP GLOBAL MARKETS INC.

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ANNEX III

DISSENTERS RIGHTS UNDER THE MINNESOTA BUSINESS CORPORATION ACT

§ 302A.471. Rights of Dissenting Shareholders.

Subdivision 1. **Actions creating rights.**

A shareholder of a corporation may dissent from, and obtain payment for the fair value of the shareholder s shares in the event of, any of the following corporate actions:

(a) unless otherwise provided in the articles, an amendment of the articles that materially and adversely affects the rights or preferences of the shares of the dissenting shareholder in that it:

(1) alters or abolishes a preferential right of the shares;

(2) creates, alters, or abolishes a right in respect of the redemption of the shares, including a provision respecting a sinking fund for the redemption or repurchase of the shares;

(3) alters or abolishes a preemptive right of the holder of the shares to acquire shares, securities other than shares, or rights to purchase shares or securities other than shares;

(4) excludes or limits the right of a shareholder to vote on a matter, or to cumulate votes, except as the right may be excluded or limited through the authorization or issuance of securities of an existing or new class or series with similar or different voting rights; except that an amendment to the articles of an issuing public corporation that provides that section 302A.671 does not apply to a control share acquisition does not give rise to the right to obtain payment under this section; or

(5) eliminates the right to obtain payment under this subdivision;

(b) a sale, lease, transfer, or other disposition of property and assets of the corporation that requires shareholder approval under section 302A.661, subdivision 2, but not including a disposition in dissolution described in section 302A.725, subdivision 2, or a disposition pursuant to an order of a court, or a disposition for cash on terms requiring that all or substantially all of the net proceeds of disposition be distributed to the shareholders in accordance with their respective interests within one year after the date of disposition;

(c) a plan of merger, whether under this chapter or under chapter 322B, to which the corporation is a constituent organization, except as provided in subdivision 3, and except for a plan of merger adopted under section 302A.626;

(d) a plan of exchange, whether under this chapter or under chapter 322B, to which the corporation is a party as the corporation whose shares will be acquired by the acquiring organization, except as provided in subdivision 3;

(e) a plan of conversion adopted by the corporation; or

(f) any other corporate action taken pursuant to a shareholder vote with respect to which the articles, the bylaws, or a resolution approved by the board directs that dissenting shareholders may obtain payment for their shares.

Subd. 2. **Beneficial owners.**

(a) A shareholder shall not assert dissenters rights as to less than all of the shares registered in the name of the shareholder, unless the shareholder dissents with respect to all the shares that are beneficially owned by another person but registered in the name of the shareholder and discloses the name and address of each beneficial owner on whose behalf the shareholder dissents. In that event, the rights of the dissenter shall be determined as if the shares as to which the shareholder has dissented and the other shares were registered in the names of different shareholders.

(b) A beneficial owner of shares who is not the shareholder may assert dissenters rights with respect to shares held on behalf of the beneficial owner, and shall be treated as a dissenting shareholder under the terms of this section and section 302A.473, if the beneficial owner submits to the corporation at the time of or before the assertion of the rights a written consent of the shareholder.

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Subd. 3. **Rights not to apply.**

(a) Unless the articles, the bylaws, or a resolution approved by the board otherwise provide, the right to obtain payment under this section does not apply to a shareholder of (1) the surviving corporation in a merger with respect to shares of the shareholder that are not entitled to be voted on the merger and are not canceled or exchanged in the merger or (2) the corporation whose shares will be acquired by the acquiring organization in a plan of exchange with respect to shares of the shareholder that are not entitled to be voted on the plan of exchange and are not exchanged in the plan of exchange.

(b) If a date is fixed according to section 302A.445, subdivision 1, for the determination of shareholders entitled to receive notice of and to vote on an action described in subdivision 1, only shareholders as of the date fixed, and beneficial owners as of the date fixed who hold through shareholders, as provided in subdivision 2, may exercise dissenters rights.

(c) Notwithstanding subdivision 1, the right to obtain payment under this section, other than in connection with a plan of merger adopted under section 302A.621, is limited in accordance with the following provisions:

(1) The right to obtain payment under this section is not available for the holders of shares of any class or series of shares that is listed on the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, or the NASDAQ Global Select Market.

(2) The applicability of clause (1) is determined as of:

(i) the record date fixed to determine the shareholders entitled to receive notice of, and to vote at, the meeting of shareholders to act upon the corporate action described in subdivision 1; or

(ii) the day before the effective date of corporate action described in subdivision 1 if there is no meeting of shareholders.

(3) Clause (1) is not applicable, and the right to obtain payment under this section is available pursuant to subdivision 1, for the holders of any class or series of shares who are required by the terms of the corporate action described in subdivision 1 to accept for such shares anything other than shares, or cash in lieu of fractional shares, of any class or any series of shares of a domestic or foreign corporation, or any other ownership interest of any other organization, that satisfies the standards set forth in clause (1) at the time the corporate action becomes effective.

Subd. 4. **Other rights.**

The shareholders of a corporation who have a right under this section to obtain payment for their shares, or who would have the right to obtain payment for their shares absent the exception set forth in paragraph (c) of subdivision 3, do not have a right at law or in equity to have a corporate action described in subdivision 1 set aside or rescinded, except when the corporate action is fraudulent with regard to the complaining shareholder or the corporation.

§ 302A.473. Procedures for Asserting Dissenters Rights.

Subdivision 1. **Definitions.**

(a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) *Corporation* means the issuer of the shares held by a dissenter before the corporate action referred to in section 302A.471, subdivision 1 or the successor by merger of that issuer.

(c) *Fair value of the shares* means the value of the shares of a corporation immediately before the effective date of the corporate action referred to in section 302A.471, subdivision 1.

(d) *Interest* means interest commencing five days after the effective date of the corporate action referred to in section 302A.471, subdivision 1, up to and including the date of payment, calculated at the rate provided in section 549.09 for interest on verdicts and judgments.

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Subd. 2. **Notice of action.**

If a corporation calls a shareholder meeting at which any action described in section 302A.471, subdivision 1 is to be voted upon, the notice of the meeting shall inform each shareholder of the right to dissent and shall includ