

ADVANCED MEDICAL OPTICS INC

Form DEF 14A

April 08, 2005

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**SCHEDULE 14A**

(RULE 14a-101)

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

Confidential,  
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Definitive Proxy  
Statement.

Definitive  
Additional  
Materials.   
Soliciting Material  
Under  
§240.14a-12

**ADVANCED MEDICAL OPTICS, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed  
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(1) Title of each class of securities to which transaction applies:

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(1) Amount  
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Statement No.:

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(4) Date Filed:

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

April 25, 2005

Dear Stockholder:

We invite you to attend our annual meeting of stockholders on Thursday, May 26, 2005, at 10:00 a.m., to be held at our headquarters located at 1700 E. St. Andrew Place, Santa Ana, California.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you about the agenda and the procedures for the meeting. It also describes how the company's board of directors operates and gives certain information about the company. In addition, we have enclosed a copy of the Annual Report to Stockholders and a copy of our Annual Report on Form 10-K, which includes the company's financial statements for 2004.

As of April 25, 2005, our special meeting of stockholders, which we are calling in connection with our pending acquisition of VISX, Incorporated, has not yet been held. We will report to you at the annual meeting on the results of the voting at the special meeting, provided the special meeting has been held prior to the annual meeting.

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

/s/ William R. Grant

/s/ James V. Mazzo

William R. Grant

James V. Mazzo

*Chairman of the Board*

*President and Chief Executive Officer*

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**1700 E. St. Andrew Place, Santa Ana, CA 92705 (714) 247-8200  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Meeting Date:** May 26, 2005  
**Time:** 10:00 a.m.  
**Place:** Advanced Medical Optics, Inc.  
1700 E. St. Andrew Place  
Santa Ana, California 92705

**Purpose:**

To elect two directors

To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2005

To consider such other business as may properly come before the meeting or any adjournment of the meeting

By Order of the Board of Directors

/s/ Aimee S. Weisner

Aimee S. Weisner  
*Corporate Vice President,  
General Counsel and Secretary*

April 25, 2005

**YOUR VOTE IS IMPORTANT**

**YOU MAY VOTE YOUR SHARES BY EITHER (1) CALLING THE TOLL-FREE NUMBER SET FORTH ON YOUR PROXY CARD; (2) ACCESSING THE INTERNET AS INDICATED ON YOUR PROXY CARD; OR (3) SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD PROMPTLY TO ENSURE ITS ARRIVAL IN TIME FOR THE MEETING.**

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**ADVANCED MEDICAL OPTICS, INC.  
PROXY STATEMENT  
FOR  
ANNUAL MEETING OF STOCKHOLDERS  
THURSDAY, MAY 26, 2005  
GENERAL INFORMATION**

The approximate date on which the enclosed proxy card and this proxy statement are first being sent to stockholders is April 25, 2005.

**Outstanding Shares**

On April 6, 2005, 37,184,449 shares of common stock (exclusive of 1,379 shares held in treasury) were outstanding. Each common share has one vote.

**Who May Vote**

Stockholders of Advanced Medical Optics, Inc. as of the annual meeting record date, April 14, 2005, may vote.

**How To Vote**

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

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

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

Access the Internet as indicated on the proxy card.

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

**How Proxies Work**

Advanced Medical Optics, Inc.'s board of directors is asking for your proxy. By giving us your proxy, you authorize the proxy holders (members of Advanced Medical Optics management) to vote your shares at the meeting in the manner you direct. If you do not specify how you wish us to vote your shares, your shares will be voted for all director candidates and for the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor for fiscal year 2005. Proxy holders will also vote shares according to their discretion on any other matter properly brought before the meeting.

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

**Quorum**

In order to carry out the business of the meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in

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person. Shares that abstain from voting on any proposal, or that are represented by broker non-votes, will be treated as shares that are present and entitled to vote at the annual meeting for purposes of determining whether a quorum exists. Shares owned by Advanced Medical Optics (also known as treasury shares) are not voted and do not count for this purpose.

**Changing Your Vote**

You may revoke your proxy before it is voted by submitting a new proxy with a later date, by voting in person at the meeting or by notifying the Secretary of Advanced Medical Optics in writing at the address under Questions? on page 31.

**Votes Needed**

Director nominees receiving the largest number of votes cast are elected, up to the maximum number of directors fixed by the board to be elected at the meeting. As a result, any shares not voted (whether by abstention, broker non-vote or otherwise) will have no impact on the election of directors. The ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2005 will occur upon the affirmative vote of a majority of shares present and entitled to vote on such matter. Abstentions will be counted as shares present and entitled to vote on the auditor ratification proposal, and thus will have the effect of a negative vote. Broker non-votes are not considered shares entitled to vote and will have no impact on the auditor ratification proposal.

**Attending In Person**

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

**ELECTION OF DIRECTORS**

**(Proposal 1)**

**General**

The first proposal to be voted on at the meeting is the election of two directors. Each of these directors is to be elected as a Class III director for a three-year term expiring at the 2008 annual meeting. The board of directors, on the recommendation of the Organization, Compensation and Corporate Governance Committee, which acts as our nominating committee, has nominated Mr. James V. Mazzo and Mr. James O. Rollans for these directorships. Each of these individuals is currently serving as an AMO director. Biographical information about each of the director nominees and the other directors continuing in office is included in Director Information below.

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

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

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

**Director Information**

Our board of directors is separated into three classes, each with a three-year term. The current term of the Class III directors will expire at the 2005 annual meeting, the current term of the Class I directors will

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expire at the 2006 annual meeting, and the current term of the Class II directors will expire at the 2007 annual meeting.

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

**Nominees for Election as Directors Term Expiring 2008**

**James V. Mazzo**

Class III

Age: 47

Director since October 2001

Board committees:

Science and Technology

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

**James O. Rollans**

Class III

Age: 62

Director since June 2002

Board committees:

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

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

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**Directors Continuing in Office Term Expiring 2006**

**William J. Link, Ph.D.**

Class I

Age: 59

Director since June 2002

Board committees:

Audit and Finance;

Science and Technology (Chairman)

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

**Michael A. Mussallem**

Class I

Age: 52

Director since June 2002

Board committees:

Organization, Compensation and Corporate

Governance (Chairman);

Science and Technology

Mr. Mussallem is the Chairman of the Board and Chief Executive Officer of Edwards Lifesciences Corporation, a position he has held since 2000, when Edwards Lifesciences was spun off from Baxter International, Inc. Mr. Mussallem joined Baxter in 1979 and was the Group Vice President of Baxter's CardioVascular business from 1994 to 2000 and Group Vice President of Baxter's Biopharmaceutical business from 1998 to 2000. In addition to serving on the Board of Edwards Lifesciences, Mr. Mussallem serves on the Boards of AdvaMed and the California Healthcare Institute.

**Deborah J. Neff**

Class I

Age: 52

Director since July 2003

Board committees:

Audit and Finance;

Science and Technology

Ms. Neff is the President and Chief Executive Officer of Predicant Biosciences, Inc. (formerly Biospect, Inc.), which she joined in 2003. Prior to joining Predicant, from 1988 to 2003, Ms. Neff held a number of executive positions at Becton Dickinson and Company, a \$4 billion global medical technology and device company. Most recently, from 2000 to 2003, she was Worldwide President of Becton Dickinson Biosciences, and from 1995 to 2000, she was President of the Biosciences and Microbiology Systems as well as the Becton Dickinson Immunocytometry Systems. Before joining Becton Dickinson, Ms. Neff held senior management positions with Organon-Teknica Corporation and CooperBiomedical. In addition to serving on the Board of Predicant, Ms. Neff is on the Advisory Board of the Professional Women's Healthcare Association.

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**Directors Continuing in Office Term Expiring 2007**

**William R. Grant**

Class II

Age: 80

Director since October 2001

Board committees:

Audit and Finance;

Organization, Compensation and Corporate Governance

Mr. Grant is the Chairman of the Board of Directors, a position he has held since January 2002. He is a co-founder of Galen Associates, Inc., a venture capital firm in the health care industry, and has been its Chairman since 1989. Mr. Grant has 50 years of experience in the investment banking and risk-capital fields, including substantial experience in the health care industry. He was President of Smith Barney Inc., Chairman of MacKay-Shields Financial Corporation and a former director of Ocular Sciences, Inc., Allergan, Inc., Coldwell Banker, New York Life Inc., Witco Corporation and Fluor Corporation. Currently Mr. Grant is also a director of Vasogen Inc. (Chairman), Quest Diagnostics Incorporated and Massey Energy Company.

**Christopher G. Chavez**

Class II

Age: 49

Director since June 2002

Board committees:

Organization, Compensation and Corporate Governance; Science and Technology

Mr. Chavez joined Advanced Neuromodulation Systems (ANS) as President, Chief Executive Officer and Director in April 1998. Prior to joining ANS, Mr. Chavez was Vice President of Worldwide Marketing and Strategic Planning for Eastman Kodak's Health Imaging Division where the division's five worldwide profit centers reported to him. From 1981 to 1997, Mr. Chavez was with Johnson & Johnson Medical, Inc., a major division of Johnson & Johnson. While with J&J, he progressed through several positions in finance, strategic planning, domestic and international marketing, new business development and general management. His most recent position was Vice President and General Manager of the Infection Prevention Business Unit, one of four worldwide business units with approximately one-half billion dollars in sales. Mr. Chavez currently serves on the Board of Directors of the North Texas Visiting Nurse Association, the Medical Device Manufacturers Association (Chairman) and the Dallas/ Fort Worth Health Industry Council.

**New Board Member**

Under the Agreement and Plan of Merger between AMO and VISX, Incorporated, as amended, AMO has agreed to increase the size of the AMO board of directors by one member, effective upon completion of the merger, and to appoint one member from the existing VISX board of directors reasonably agreed to by AMO and VISX to fill this spot and serve as a Class II AMO director for a two-year term. The parties have agreed that Elizabeth H. Dávila will serve as the new AMO board member. Ms. Dávila, 60, has been a director of VISX since 1995 and, since 2001, has served as its Chairman of the Board of Directors and Chief Executive Officer. From 1995 through the present, Ms. Dávila has held a number of positions at VISX, including Executive Vice President, President, and Chief Operating Officer. Prior to joining VISX, Ms. Dávila was at Syntex Corporation from 1977 to 1994 where she held senior management positions in its medical device, medical diagnostics, and pharmaceutical divisions. Ms. Dávila serves on the Board of Directors of Nugen Technologies, Inc. and Cholestech Corporation. She holds a masters degree in Chemistry from Notre Dame and an M.B.A. from Stanford University. Under existing AMO compensation policies, Ms. Dávila would become entitled to receive the compensation paid by AMO to its non-employee directors (other than the lead director), currently consisting of (i) an annual retainer of \$30,000 per year, plus meeting fees, and (ii) annual equity grants.

**Attendance at Meetings**

Our board of directors met 14 times in 2004. Each of the directors attended more than 75% of the aggregate number of regularly scheduled and special board and committee meetings held during the year. In addition, each of the directors attended the annual meeting of stockholders held on May 20, 2004.

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**Conduct of Meetings Executive Sessions**

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

**Director Compensation**

In 2004, our non-employee directors received the following annual retainers:

Non-executive Chairman of the Board: \$150,000

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

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

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

Other Board Members: \$30,000

In addition to the annual retainers, the non-employee directors receive the following meeting fees:

Full Board: \$1,200 per meeting

Committee: \$1,000 per meeting

In 2004, non-employee directors other than the Chairman of the Board received an annual stock option grant under the 2002 Incentive Compensation Plan of 9,500 options and the Chairman received 13,000 options. The Board amended the 2002 plan in November 2004 to eliminate the automatic grant of stock options to our non-employee directors, including our Chairman. Beginning in 2005, we intend to award shares of restricted stock or other incentive awards to our non-employee directors in lieu of stock options.

Beginning in April 2003, the non-employee directors were permitted to forego some or all of their annual cash retainer in lieu of restricted shares of our stock issued under our 2002 Incentive Compensation Plan, with a face value equal to the amount of the annual cash retainer foregone. Our non-employee directors have the ability to make this election each year prior to the Annual Meeting. These restricted shares vest at the following year's Annual Meeting.

**CORPORATE GOVERNANCE**

From its inception, AMO has been committed to integrity and responsible conduct, as evidenced by our adoption in June 2002 of the Advanced Medical Optics, Inc. Code of Ethics. We believe that AMO's commitment to ethical conduct is the personal responsibility of each manager and employee of our company, and no other objective shall have a higher priority. In addition, the board of directors has adopted Corporate Governance Guidelines that reflect our board's commitment to the highest possible standards of corporate governance. These guidelines, which were further updated in March 2005, are being published in this proxy statement to inform our stockholders of the board's current thinking with respect to selected corporate governance issues that we believe may be of interest to stockholders. These are guidelines, not rigid rules. The guidelines include, among other things, a description of the manner in which stockholders can send communications to the board of directors, AMO's policy with regard to board members' attendance at annual meetings, and which director will preside at executive sessions of the board.

**Corporate Governance Guidelines**

The Board of Directors of Advanced Medical Optics, Inc. (the Company) recognizes the importance of good corporate governance as a means of addressing the needs of the Company's stockholders, employees, customers, suppliers and community. These guidelines are intended to serve as flexible principles and to be

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interpreted in the context of all applicable laws and the Company's Certificate of Incorporation, Bylaws and other governing legal documents, all of which necessarily take precedence. The Board of Directors recognizes that corporate governance is a developing and dynamic area warranting periodic review. Accordingly, the following guidelines are subject to review and change from time to time by the Board of Directors.

***Role of the Board of Directors***

1. The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company, except with respect to those matters reserved to the stockholders. It appoints the senior management team, which is charged with the conduct of the Company's business. Having appointed the senior management team, the Board's role is to oversee management. The Board also acts as an advisor and counselor to senior management and ultimately monitors its performance. The Board has complete access to the Company's management. The Board also has access, as necessary and appropriate, to independent legal, financial and accounting advisors to assist in their duties to the Company and its stockholders.

2. The Board of Directors shall support a corporate environment of internal controls, fiscal accountability, ethical standards and compliance with applicable governance policies, laws and regulations. Under Delaware law, each director owes duties of loyalty and care to the Company and is expected to act in the best interests of the Company's stockholders as a whole. The Company has adopted a Code of Ethics that is applicable to each of its directors, officers and employees.

3. It is the general policy of the Company that all major decisions be considered by the Board as a whole. The Board has delegated certain basic responsibilities to three committees: Audit and Finance; Organization, Compensation and Corporate Governance (OCCG); and Science and Technology. The responsibilities of these committees are set forth in their respective written charters, which shall be publicly available at all times.

4. The OCCG is responsible for setting annual and long-term performance goals for the CEO and for evaluating his or her performance against those goals on an annual basis. The evaluation is submitted for consideration by the outside directors of the Board in an executive session. The evaluation is then used in the consideration of the CEO's compensation.

5. The OCCG is also responsible for undertaking an annual assessment of the Board's performance. This report will be discussed with the full Board. The assessment will focus on the Board's contribution as a whole and areas in which the Board or management believes a better contribution could be made.

6. The Board plans for succession to the position of Chief Executive Officer as well as certain other senior management positions. To assist the Board, the Chief Executive Officer annually provides the Board with an assessment of senior managers and of their potential to succeed him or her. The Board or the OCCG should also receive at that time an assessment of persons considered potential successors to certain senior management positions and the Company's management development plans.

7. The Chief Executive Officer is responsible for establishing effective communications with the Company's stakeholders. It is the policy of the Company that designated management speaks for the Company. Stockholders may communicate directly with the Board of Directors or with any of the non-management directors in writing, mailed or delivered to such person or group in care of the Secretary at the Company's headquarters.

***Composition of the Board of Directors***

8. The members and chairs of Board committees are recommended to the Board by the OCCG in consultation with the Chairman and Chief Executive Officer. The Audit and Finance Committee and the OCCG are comprised solely of independent directors. Committee members will be rotated as needed. Each committee is responsible for preparing an annual self-evaluation.

9. It is the policy of the Company that a majority of the members of the Board of Directors be independent directors and that the number of directors not exceed a number that can function efficiently as a

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body. The OCCG will analyze the independence of its members annually and report to the Board. After receiving the OCCG's report, the Board shall annually review the affiliations of each outside director to affirmatively determine his or her independence, and the Company will publicly disclose these determinations. The Company generally will not classify a director as independent if:

(a) the director is, or has been within the last three years, an employee of the Company, or an immediate family member (defined below) is, or has been within the last three years, an executive officer of the Company;

(b) the director is a current employee, or an immediate family member is a current executive officer, of a company that has made significant (defined below) payments to, or received significant payments from, the Company for property or services in any of the last three fiscal years;

(c) the director beneficially owns or is affiliated with an entity that owns more than 20% of the Company's common stock;

(d) the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(e) the director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; the director is a current employee of such a firm; the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;

(f) the director or an immediate family member is, or has been within the last three years employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee; and

(g) the director is an executive officer of a tax-exempt entity that receives significant contributions from the Company;

Immediate family member includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. Significant means amounts exceeding in any single fiscal year the greater of \$1 million or 2% of either entity's consolidated gross revenues.

The Board may make exceptions to the above classification on a case by case basis, provided, however, that so long as the Company has a class of securities registered under federal securities laws, the Board will comply with applicable corporate governance rules promulgated by the U.S. Securities and Exchange Commission and each stock exchange on which the securities of the Company are then listed.

For purposes of membership on the Audit and Finance Committee, in order to be independent, its members must receive no compensation from the Company other than director fees (be they in cash, equity or some other form) and may not serve on the audit committees of more than five public companies at any time without prior Board approval. In addition, no member of the Audit and Finance Committee may be an affiliated person of the Company, as that term is defined under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. At least one member of the Audit and Finance Committee should also qualify as an audit committee financial expert, as defined in Item 401(e) of Regulation S-K.

10. The OCCG, in consultation with the Chairman and Chief Executive Officer, considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The OCCG also performs the



functions that otherwise would be delegated to a standing nominating committee. In this capacity, the OCCG considers and recommends to the full Board candidates to fill new positions created by expansion and vacancies. Board candidates are selected for their character, judgment, business experience and

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acumen. Scientific expertise and familiarity with issues affecting the Company are also relevant. Final approval of a new candidate is determined by the OCCG before the decision to invite someone to join the Board is made. The OCCG will consider director candidates recommended by stockholders, using the process for stockholder communications detailed in Section 7 above.

11. The roles of Chairman of the Board and Chief Executive Officer need not be separate. The Board will make this decision in each circumstance in the best interests of the stockholders.

12. Individual directors who change the responsibility they held when they were elected to the Board should tender their resignations to the OCCG for consideration. The OCCG will then recommend to the Board the action, if any, to be taken with respect to the resignation.

13. The Board does not believe that it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations.

14. The Company is committed to the continuous education of its Board members. New directors will receive an orientation about the Company, its industry and its corporate governance philosophy.

***Board and Committee Meetings; Director Responsibilities***

15. The outside directors will meet without management present in executive session at regularly scheduled meetings. The Chairman, if an outside director, will preside over such meetings. If the Chairman is not an outside director, a director will be selected by a majority of the outside directors to chair such discussions.

16. The Chairman and the CEO set the agenda for Board meetings, and the committee chairs set the agendas for the committee meetings. Any member of the Board may request that an item be included on the agenda.

17. Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings where necessary to allow the directors to prepare for discussion of the items at the meeting. Directors are expected to review such materials prior to the meeting so that Board meeting time may be conserved and discussion time focused on questions that the Board may have about the materials.

18. Regular attendance at Board meetings is important. Directors should attend meetings in person whenever possible. Managers other than the CEO are encouraged to attend Board meetings as necessary. Directors are strongly encouraged to attend annual meetings of stockholders.

***Director Compensation***

19. The Board recognizes that questions as to a director's independence may be raised when director fees and emoluments exceed what is customary or are outside the scope of fees directly attributable to a director's service on the Board. The OCCG will critically evaluate these matters when periodically determining the form and amount of director compensation. Such determination also may be based upon information provided by Company management and outside consultants. Changes in Board compensation, if any, will be made with the full discussion and approval by the Board.

20. Each director is encouraged to maintain ownership of the Company's common stock. In furtherance of this objective, the Board in September 2004 increased the stock ownership guidelines applicable to non-employee directors that were first adopted in January 2003. Such guidelines now encourage each outside director to own a minimum of shares of the Company's common stock equal to five times the director's annual cash retainer, within five years of the individual first becoming a director.

These Corporate Governance Guidelines, the Company's Code of Ethics and the Charters for each of the committees of the Board of Directors are to be included on the Company's website and publicly disclosed in such other manner as management deems appropriate.

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### **Additional Corporate Governance Information**

Of the seven persons serving on our board of directors, six are non-employees, and we have determined that each of these six non-employee directors (namely, Mr. Grant, Mr. Chavez, Dr. Link, Mr. Mussallem, Ms. Neff and Mr. Rollans) is independent of management and free of any relationship that would interfere with the exercise of his or her independent judgment as a board member. The basis for this determination is that each of such non-employee directors meets the criteria for independence set forth under Item 9 in our Corporate Governance Guidelines (published above). We have made no contributions in any fiscal year to a tax exempt organization in which an independent director serves as an executive officer in an amount exceeding \$1 million or 2% of such organization's consolidated gross revenues.

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

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

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

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

#### ***Audit and Finance Committee***

The Audit and Finance Committee is composed of Dr. Link, Messrs. Rollans and Grant and Ms. Neff. Our board has determined that none of the committee members has a relationship to AMO that may interfere with the exercise of his or her independence from management and the company. Consequently, the board has unanimously determined that each of these committee members is independent under current New York Stock Exchange (NYSE) listing standards and Section 10A(m)(3)(B) of the Securities Exchange Act of 1934. Our board of directors has determined that, as of March 1, 2005, no member of our Audit and Finance Committee serves on the audit committees of more than three public companies.

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

an understanding of generally accepted accounting principles and financial statements;

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

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

an understanding of internal control over financial reporting; and

an understanding of audit committee functions.

In 2004, the Audit and Finance Committee met eight times.

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

reviews the scope of the audit by the independent auditors;

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

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

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

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

Our independent auditors and our internal financial personnel have regular private meetings and unrestricted access with this committee.

The report of the committee begins on page 29.

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

The Organization, Compensation and Corporate Governance Committee is composed solely of directors who are independent of management. The current members are Messrs. Mussallem, Chavez, Grant and Rollans. Each member meets the independence criteria for NYSE nominating and compensation committee members in our board of directors' business judgment. This committee met five times in 2004. As set forth in the written Charter of the Organization, Compensation and Corporate Governance Committee, the committee:

determines the compensation of executive officers and outside directors;

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

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

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

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

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



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The Organization, Compensation and Corporate Governance Committee, which performs the functions of a standing nominating committee, will consider director candidates proposed by stockholders. The board may engage a third party recruiter to identify nominees. The function of the recruiter is to identify and screen nominees who meet AMO's needs. Candidates, whether proposed by management or stockholders, are selected for their character, judgment, business experience and acumen, and scientific expertise and familiarity with issues affecting AMO are also relevant. To be considered by the committee for the 2006 annual meeting, stockholder submissions must be received at the offices of the company to the attention of the Secretary, Advanced Medical Optics, Inc., 1700 E. St. Andrew Place, Santa Ana, California 92705, between January 20, 2006 and February 19, 2006. When the board seeks new members, the committee reviews the suitability of board candidates, including any recommended by a stockholder, by first screening resumes, and, if there is interest, conducting substantially the following process: (a) set up preliminary interviews, possibly with the aid of an outside recruiting firm, and, if there is continued interest, (b) set up additional interviews with the committee Chair, the Chairman of the Board, the Chief Executive Officer and/or such other persons as may be helpful to the process, and, if there is continued interest, (c) recommend the board candidate to the full board.

The report of the committee begins on page 20.

***Science and Technology Committee***

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

projects to evaluate investment allocations, and

portfolio of strategic patents and major technology-based transactions.

This committee met four times in 2004. The full text of its Charter has been published in the Investors section on our Internet site at [www.amo-inc.com](http://www.amo-inc.com). A copy will be provided without charge to any stockholder upon request.

**INDEPENDENT PUBLIC ACCOUNTANTS**

**(Ratification of Independent Registered Public Accounting Firm)**

**(Proposal 2)**

The Audit and Finance Committee, composed of independent members of the Board of Directors, is responsible for the appointment, compensation, retention and oversight of the work of our independent auditor. The Audit and Finance Committee has selected PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditor for the year 2005. In selecting PricewaterhouseCoopers LLP as our independent auditor for 2005, the Audit and Finance Committee considered whether PricewaterhouseCoopers LLP's provision of services other than audit services is compatible with maintaining independence as our independent auditor.

PricewaterhouseCoopers LLP audited our consolidated financial statements for the fiscal year ended December 31, 2004 and our internal control over financial reporting as of December 31, 2004. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Although ratification by stockholders is not a prerequisite to the ability of the Audit and Finance Committee to select PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, we believe such ratification to be desirable. If the stockholders do not ratify the selection of PricewaterhouseCoopers LLP, the selection of independent auditor will be reconsidered by the Audit and Finance Committee; however, the Audit and Finance Committee may select PricewaterhouseCoopers LLP, notwithstanding the failure of the stockholders to ratify its selection. The Audit and Finance Committee believes ratification is advisable and in the best interests of the stockholders. If the appointment of

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PricewaterhouseCoopers LLP is ratified, the Audit and Finance Committee will continue to conduct an ongoing review of PricewaterhouseCoopers LLP's scope of engagement, pricing and work quality, among other factors, and will retain the right to replace PricewaterhouseCoopers LLP at any time.

The following proposal will be presented at the Annual Meeting:

Action by the Audit and Finance Committee appointing PricewaterhouseCoopers LLP as the Advanced Medical Optics, Inc. independent registered public accounting firm to conduct the annual audit of the consolidated financial statements of Advanced Medical Optics, Inc. and its subsidiaries for the fiscal year ending December 31, 2005 and an audit of our internal control over financial reporting as of December 31, 2005 is hereby ratified, confirmed and approved.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005.**

**Independent Auditor Fees**

Aggregate fees billed to Advanced Medical Optics, Inc. for the fiscal years ended December 31, 2004 and December 31, 2003, by our independent registered public accounting firm are as follows:

<b>Type of Fees</b>	<b>2004</b>	<b>2003</b>
Audit Fees(1)	\$ 1,969,600	\$ 798,700
Audit-Related Fees(2)	373,900	186,500
Tax Fees(3)	999,000	327,000
All Other Fees(4)	2,000	4,200
Total	\$ 3,344,500	\$ 1,316,400

- (1) Represents the aggregate fees billed to us by PricewaterhouseCoopers LLP for professional services rendered to us and our subsidiaries for the audit of our annual consolidated financial statements and for the reviews of the condensed consolidated financial statements included in our Form 10-Q filings for each fiscal quarter, for audits of our international operations, preparation of comfort letters, review of registration statements and consents and internal control evaluation. In 2004, the amount also includes the fees billed to us for the audit of our internal control over financial reporting.
- (2) Represents the aggregate fees billed to us by PricewaterhouseCoopers LLP for assurance and related services that are reasonably related to the performance of the audit and review of our and our subsidiaries' financial statements that are not already reported in Audit Fees. These services include employee benefit plan audits, due diligence and accounting research and consultation. Amount in 2003 also includes Sarbanes-Oxley Section 404 readiness work.
- (3) Represents the aggregate fees billed to us by PricewaterhouseCoopers LLP for permissible tax services rendered to us and our subsidiaries for tax planning and advice and review of tax returns. The 2004 services also included acquisition-related tax advice.
- (4) Aggregate fees billed for all other services rendered to AMO and its subsidiaries consisted of a subscription fee for an online accounting research tool.

**Auditor Independence**

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

During the fiscal years ended December 31, 2001 and 2002 and through March 26, 2003 (the date of our engagement of PricewaterhouseCoopers LLP), we did not consult with PricewaterhouseCoopers LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed, or



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the type of audit opinion that might be rendered on our consolidated financial statements, or any other matters or reportable events listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

**Pre-Approval of Services Provided by the Independent Public Accountant**

During 2003, the Audit and Finance Committee of our Board of Directors adopted a Pre-Approval Policy, which requires that all audit and non-audit services performed by our independent auditor be pre-approved by the committee in order to assure that the provision of such services does not impair the auditor's independence. The policy also prohibits the independent auditor from providing certain other services. We may not engage our independent auditor to render any audit or non-audit service unless the service is approved in advance by the Audit and Finance Committee or the engagement to render the service is entered into pursuant to the policy. At least once per year the committee will consider and pre-approve services that are expected to be provided to AMO by the independent auditor during the fiscal year. At the time such pre-approval is granted, the Audit and Finance Committee specifies the pre-approved services and establishes a monetary limit with respect to each particular pre-approved service, which limit may not be exceeded without obtaining further pre-approval under the policy. For any pre-approval, the Audit and Finance Committee considers whether such services are consistent with the rules of the Securities and Exchange Commission on auditor independence. Management periodically updates the Audit and Finance Committee on the services performed by and fees paid to the independent auditor during the current fiscal year and previous quarter. The Audit and Finance Committee may delegate pre-approval authority to one or more of its members, but such authority is not delegated to management. A committee member or members to whom such authority is delegated reports any pre-approval decisions to the committee at its next scheduled meeting. All of the audit, audit-related, tax and other services provided by PricewaterhouseCoopers LLP in 2003 and 2004 described above were pre-approved by the Audit and Finance Committee in accordance with its Pre-Approval Policy.

**Prior Auditors**

For 2002, our independent auditors were KPMG LLP ( KPMG ). On March 26, 2003, the Audit and Finance Committee dismissed KPMG as our independent public accountants and engaged PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2003.

In connection with its audits for our fiscal years ended December 31, 2001 and 2002 and the subsequent interim period through March 26, 2003, there were no disagreements between us and KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures which disagreements, if not resolved to their satisfaction, would have caused them to make reference in connection with their opinion to the subject matter of the disagreement. There were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The audit reports of KPMG on our consolidated financial statements for each of the years ended December 31, 2001 and 2002 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that the audit reports of KPMG on our and our subsidiaries consolidated financial statements refers to a change in the method of accounting for goodwill and intangibles in 2002 and to a change in the method of accounting for derivative instruments and hedging activities in 2001. These changes in methods of accounting were required by U.S. generally accepted accounting principles.

We provided KPMG with a copy of the foregoing disclosures.

**Table of Contents****OWNERSHIP OF OUR STOCK**

*Beneficial Owners of More than 5% of the Company's Common Stock.* The following table sets forth information with respect to the beneficial ownership of our outstanding common stock by each person who is known by us to be the beneficial owner of 5% or more of our common stock:

<b>Name and Address of Beneficial Owner</b>	<b>Shares of Common Stock Beneficially Owned(1)</b>	<b>Percent of Class</b>
FMR Corp. 82 Devonshire Street Boston, MA 02109	3,090,266(2)	8.31%
Westfield Capital Management Co. LLC One Financial Center Boston, MA 02111	2,367,028(3)	6.37%
North Sound Capital LLC 53 Forest Avenue, Suite 202 Old Greenwich, CT 06870	2,232,900(4)	6.01%

- (1) Beneficial ownership is calculated based on 37,180,809 shares of our common stock outstanding as of February 28, 2005 (excluding treasury shares). Beneficial ownership is determined in accordance with Securities and Exchange Commission rules.
- (2) The amount shown and the following information was provided by FMR Corp. in a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2005, indicating ownership as of December 31, 2004. The Schedule 13G was filed by FMR Corp. as a parent holding company on behalf of itself and certain affiliates, including its subsidiary Fidelity Management and Research Company ( Fidelity ), Fidelity Management Trust Company ( FMTC ), Fidelity International Limited ( FIL ), Edward C. Johnson 3d, Abigail Johnson, and other members of the Johnson family. According to the Schedule 13G, no one person's interest in our common stock is more than five percent of our total outstanding common stock.