

STAAR SURGICAL CO  
Form DEF 14A  
March 26, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**STAAR Surgical Company**

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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 on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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## **STAAR SURGICAL COMPANY**

**1911 Walker Avenue  
Monrovia, California 91016**

March 28, 2013

You are cordially invited to attend the annual meeting of the stockholders (the "Annual Meeting") of STAAR Surgical Company ("STAAR" or the "Company"). The Annual Meeting will be held on Monday, May 13, 2013 at 8:30 a.m. (Pacific Daylight Time), at STAAR's headquarters at 1911 Walker Avenue, Monrovia, California, 91016.

The actions we expect to take at the Annual Meeting are described in detail in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

Please use this opportunity to take part in the affairs of STAAR by voting on the business to come before the Annual Meeting. If you are a record holder of STAAR's Common Stock at the close of business on March 15, 2013, you are eligible to vote on these matters, either by attending the Annual Meeting in person or by proxy. It is important that your shares be voted, whether or not you plan to attend the Annual Meeting, to ensure the presence of a quorum. Therefore, please follow the instructions for Internet or telephone voting on the Notice Regarding the Availability of Proxy Materials you received for the meeting or, if you received a paper copy of the proxy materials, complete, date, sign, and return the accompanying proxy in the enclosed postage-paid envelope. Returning the proxy or voting electronically does NOT deprive you of your right to attend the Annual Meeting and vote your shares in person at the Annual Meeting.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. We believe these rules allow us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our meeting.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Barry Caldwell  
*President and Chief Executive Officer*

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## **STAAR SURGICAL COMPANY**

**1911 Walker Avenue  
Monrovia, California 91016**

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### NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The annual meeting of the stockholders of STAAR Surgical Company (the "Annual Meeting") will take place on Monday, May 13, 2013, at 8:30 a.m. (Pacific Daylight Time), at STAAR's headquarters at 1911 Walker Avenue, Monrovia, California, 91016. The purpose of the meeting is to do the following:

elect the following six director nominees for a term of one year: Don Bailey, Barry Caldwell, Charles Slacik, Mark B. Logan, Richard A. Meier and John C. Moore;

approve the amendment and restatement of the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan to increase the number of shares of our common stock that are reserved for issuance under the plan by 1.25 million shares;

ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 27, 2013;

hold an advisory vote to approve STAAR's compensation of its named executive officers; and

transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

The Board recommends a vote FOR the election of its nominees, FOR the amendment of the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan, FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 27, 2013 and FOR the approval of the compensation of our named executive officers.

Only stockholders listed on STAAR's records at the close of business on March 15, 2013 ("Stockholders") are entitled to vote.

As stated in the enclosed Proxy Statement, we are soliciting proxies by and on behalf of the Board of Directors of STAAR. All proposals presented above are proposals of the Board of Directors.

### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

You can find our proxy statement and annual report on Form 10-K at [www.staar.com/proxy-materials](http://www.staar.com/proxy-materials). We are making our proxy materials available to stockholders over the Internet. Stockholders will receive a written notice of the Internet availability of these materials, including instruction for obtaining a printed copy by mail.

We cordially invite all Stockholders to attend the Annual Meeting in person. Your vote is important. Please vote as promptly as possible, whether by Internet or telephone or, if you requested a printed proxy and prefer to vote by proxy card, please complete, date, sign and return the accompanying proxy in the enclosed postage-paid envelope. Your prompt electronic voting or return of the proxy will help us in quickly processing votes and in ensuring that a quorum is present. If you return your proxy or vote electronically, you may nevertheless attend the Annual Meeting and vote your shares in person if you wish.



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If you want to revoke your proxy for any reason, you may do so in the manner described in the attached Proxy Statement at any time prior to its exercise.

By Order of the Board of Directors,

Samuel Gesten  
*Vice President, General Counsel and Secretary*  
Monrovia, California  
March 28, 2013

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**STAAR SURGICAL COMPANY**

1911 Walker Avenue  
Monrovia, California 91016

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**PROXY STATEMENT  
ANNUAL MEETING OF STOCKHOLDERS**

To Be Held May 13, 2013

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The Board of Directors of STAAR Surgical Company is soliciting your proxy for use at the 2013 Annual Meeting of Stockholders to be held on Monday, May 13, 2013. The Board of Directors is making proxy materials available on the Internet and mailing notification of availability to stockholders on March 28, 2013.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

**Q:**  
*Why are you providing this proxy statement?*

**A:**  
The Board of Directors is soliciting your proxy to vote at the Annual Meeting because you were a stockholder at the close of business on March 15, 2013 the "Record Date" for the Annual Meeting and as such you are entitled to vote at the meeting. STAAR has made the proxy statement and related materials available to you on the Internet or, on your request, has delivered printed versions of these materials to you by mail, in connection with this solicitation.

**Q:**  
*What is included in the proxy materials I should read?*

**A:**  
The proxy materials include the following:

    this proxy statement; and

    our annual report on Form 10-K for fiscal year 2012.

If you received a printed copy of this proxy statement, you should also have received a proxy card or a voting instruction card. This is only one method to vote your shares; we describe other methods below.

**Q:**  
*Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?*

**A:**  
STAAR takes advantage of SEC rules that permit us to use the Internet to provide access to proxy materials. Under those rules, we have sent a Notice of Internet Availability of Proxy Materials to most of our stockholders of record and beneficial owners, and printed Proxy Materials to other of our stockholders. All stockholders can either access the proxy materials on the website referred to in the notice, or request a printed set of the proxy materials. The notice explains how to access proxy materials over the Internet or to request a printed copy. You will also have an option to request to continue receiving future proxy materials in printed form by mail or

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electronically by e-mail. STAAR encourages you to take advantage of the availability of the proxy materials on the Internet in order to help reduce the cost and environmental impact of the Annual Meeting.



**Q:**

*What is the voting requirement to elect the directors and to approve each of the proposals?*

**A:**

In Proposal No. 1, the election of directors, the six persons receiving the highest number of affirmative votes will be elected. Abstentions and broker non-votes have no effect on the vote.

In Proposal No. 2, the approval of the amendment and restatement of the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan to increase the number of shares of our common stock that are reserved for issuance under the plan by 1.25 million shares requires the affirmative vote of a majority of voting power present in person or by proxy and entitled to vote on the proposal. Abstentions have the same effect of a vote "AGAINST" this proposal. Broker non-votes have no effect because by definition they are not entitled to vote on the proposal.

In Proposal No. 3, the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 27, 2013, requires the affirmative vote of a majority of voting power present in person or by proxy and entitled to vote on the proposal. Abstentions have the same effect of a vote "AGAINST" this proposal. Brokers may vote on this proposal if not instructed by their clients.

Proposal No. 4 is an advisory vote to approve the compensation of our named executive officers. The vote standard is a majority of voting power present in person or by proxy and entitled to vote on the proposal. Abstentions have the same effect as a vote "AGAINST" the proposal. Broker non-votes have no effect because by definition they are not entitled to vote on this proposal.

**Q:**

*What are "broker non-votes"?*

**A:**

If a beneficial owner fails to give voting instructions for the 2013 Annual Meeting, the stock broker, bank or other nominee will be able to vote the beneficial owner's shares on routine proposals such as the proposal to ratify the selection of our independent registered public accountant, but may not vote the shares on non-routine proposals, which includes all other matters currently proposed at the 2013 meeting. When a broker or nominee votes a client's shares on routine proposals, those shares are included in the vote (and in establishing a quorum for the meeting) but they will be missing from the vote on non-routine proposals, where brokers are not entitled to vote. These missing votes are called "**broker non-votes**." Broker non-votes have a varying effect on the approval or disapproval of proposals, as described above under the answers to the question "*What is the voting requirement to elect the directors and to approve each of the proposals?*"

**Q:**

*What is the difference between holding shares as a stockholder of record and as a beneficial owner?*

**A:**

If you hold shares through a stock certificate registered directly in your name with STAAR's transfer agent, American Stock Transfer & Trust Company, you are a stockholder of record with respect to those shares.

If you hold shares in a stock brokerage account or through a bank or other nominee, you are considered the "beneficial owner" of shares held in street name. As the beneficial owner, you have the right to instruct your broker, bank or nominee how to vote your shares by the various methods described below.

**Q:**

*How do I vote before the Annual Meeting?*

**A:**

There are three ways to vote before the meeting:

**By Internet.** If you have Internet access, we encourage you to vote on [www.proxyvote.com](http://www.proxyvote.com) by following instructions on the Notice of Availability of Proxy Materials or proxy card.

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**By telephone.** You may vote by making a toll-free telephone call from the U.S. or Canada to 1-800-690-6903.

**By mail.** You can vote by mail by requesting a paper copy of the materials, which will include a proxy card. Please see the instructions on the Notice of Availability of Proxy Materials.

**Q:**  
*How can I vote at the Annual Meeting?*

**A:**  
If you are a stockholder of record, you may vote in person at the Annual Meeting, or vote through a representative at the meeting by executing a proper proxy designating that person.

If you are a beneficial owner and wish to vote in person, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot at the Annual Meeting.

**Q:**  
*How many votes do I have?*

**A:**  
You are entitled to one vote for each share of common stock that you hold.

**Q:**  
*Can I cumulate votes?*

**A:**  
No, STAAR does not have cumulative voting for directors. This means you have one vote per share for each of the six seats subject to election.

**Q:**  
*What can I do if I change my mind after I vote my shares?*

**A:**  
If you change your mind, you can revoke your proxy by any of the following methods:

By voting again by proxy over the Internet or by telephone until 11:59 p.m. on May 12, 2013 only your last Internet or telephone vote will be counted.

By mailing a new proxy card.

If you are a record holder, by attending the Annual Meeting and voting in person; attending the Meeting in person will not automatically revoke your proxy unless you vote again at the Meeting or file a written revocation with STAAR's Secretary at or before the Meeting.

If you are a beneficial holder, you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the Annual Meeting if you obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot at the Annual Meeting.

**Q:**  
*Who will count the vote?*

**A:**  
An automated system independently maintained by Broadridge Financial Solutions, Inc. will tabulate the vote and submit the results to officers of STAAR who will be designated as the inspectors of election.

**Q:**

***What constitutes a quorum?***

**A:**

As of the record date, 36,740,713 shares of common stock were issued and outstanding. A majority of the outstanding shares, or 18,370,357 shares, present or represented by proxy, constitutes a quorum for the purpose of electing directors and adopting proposals at the Annual Meeting. If you submit a properly executed proxy, then you will be considered part of the quorum.

**Q:**

***Who can attend the Annual Meeting?***

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A:

Any Stockholder as of the Record Date may attend the Annual Meeting. Stockholders of record will be required to show valid identification. Beneficial owners must request an admission ticket in advance of the meeting by writing to the Office of the Secretary, STAAR Surgical Company, 1911 Walker Ave., Monrovia, California 91016, or faxing the request to (626) 358-3049. You must provide evidence of your ownership of shares with your request, which you can obtain from your broker, bank or nominee. We encourage you or your broker to fax your ticket request and proof of ownership in order to avoid any mail delays.

**Q:**

***What authority does my broker have to vote my shares?***

A:

If you are a beneficial owner holding your shares through a broker or other nominee, and you do not return your voting instruction card to your broker, the broker or other nominee has the ability to vote your shares at the Annual Meeting on matters that are defined as "routine" under the rules of the New York Stock Exchange. The ratification of the selection of BDO USA, LLP to serve as our independent registered public accountants is considered a routine matter on which brokers will generally have the discretion to give a proxy to vote common stock. None of the other proposals at the Annual Meeting is considered routine and your broker has no authority to vote on them.

**Q:**

***What happens if a nominee for director is unable to serve?***

A:

If a nominee becomes unavailable for election a circumstance we do not expect the proxy holders will vote for a substitute nominee designated by the Board of Directors.

**Q:**

***When are stockholder proposals due for the 2014 Annual Meeting?***

A:

If a stockholder seeks to include a proposal in the proxy statement for STAAR's 2014 annual meeting, our corporate secretary must receive the proposal at our offices at 1911 Walker Avenue, Monrovia, California 91016 no later than November 28, 2013 in a form that complies with the regulations of the Securities and Exchange Commission (the "SEC"). If we advance or delay the date of the 2014 annual meeting more than 30 days from the anniversary date of the 2013 Annual meeting, stockholder proposals intended to be included in the proxy statement for the 2014 annual meeting must be received by us within a reasonable time before STAAR begins to print and mail the proxy statement for the 2014 annual meeting. If we determine that the date of the 2014 annual meeting will be advanced or delayed by more than 30 days from the anniversary date of the 2013 annual meeting, we will disclose the change in the earliest practicable Quarterly Report on Form 10-Q.

If we receive notice after February 11, 2014 that a stockholder intends to present a proposal at our 2014 Annual Meeting, we will have the right to exercise discretionary voting authority over the proposal, if it is presented at the meeting, without including information regarding the proposal in our proxy materials.

**Q:**

***Can Stockholders nominate candidates for the Board of Directors at the Annual Meeting?***

A:

Our Bylaws provide that stockholders may nominate candidates for the Board of Directors only if they have delivered notice to the Secretary of STAAR, or mailed notice to the Secretary of STAAR by first class United States mail, postage prepaid, at least 14 days and no more than 50 days prior to the Annual Meeting, except that, if we give less than 20 days' notice of the Annual Meeting to Stockholders, the written notice must be delivered or mailed to the Secretary of STAAR no later than the close of the seventh day following the day on which we mail notice of the Annual Meeting to Stockholders. Each such written notice nominating a candidate must include (1) the name and address of the stockholder making the recommendation; (2) a

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representation that the stockholder is a holder of stock of STAAR; (3) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (4) the principal occupation or employment of each such nominee, (5) the number of shares of stock of STAAR that are beneficially owned by each nominee, and (6) the consent of the nominee to serve as a director of STAAR if so elected.

**Q:**

***Can stockholders propose individuals to be considered as the Board of Directors' nominees for the 2014 Annual Meeting?***

**A:**

A stockholder may recommend a person to be considered as a nominee for election at the 2014 Annual Meeting by a written submission received by the Secretary of STAAR via mail or express delivery no later than November 28, 2013, the same date stockholder proposals for the 2014 Annual Meeting are due. If the date of the 2014 Annual Meeting is altered or delayed more than 30 days from the date of the 2013 Annual Meeting, the submission must be received by us within a reasonable time before we begin to print and mail the proxy statement for the 2014 Annual Meeting. The submission must contain the information set forth in the previous answer, along with the following additional information: (1) a description of all arrangements or understandings between the stockholder and each person recommended and any other party pursuant to which the recommendation is being made and (2) all other information regarding the recommended person that would be required to be included in a proxy statement under the proxy rules of the SEC if the person were nominated by the Board of Directors.

**Q:**

***How often will STAAR conduct an advisory vote to approve executive compensation?***

**A:**

STAAR currently intends to conduct an advisory vote to approve executive compensation sometimes referred to as "say on pay" at each annual meeting of the stockholders. In an advisory vote at the 2011 annual meeting, approximately 98% of the voting power present in person or by proxy and entitled to vote on the matter voted in favor of annual advisory votes on executive compensation.

**Q:**

***How often will STAAR conduct an advisory vote on the frequency of holding future advisory votes on executive compensation?***

**A:**

The rules under the Securities Exchange Act require STAAR to conduct an advisory vote every six years on whether "say on pay" votes shall take place every one, two or three years. Therefore, the next such vote will take place no later than our annual meeting of stockholders in 2017.

**Q:**

***How much did this proxy solicitation cost and who is paying for it?***

**A:**

STAAR will bear the costs of this solicitation, including the expense of preparing, printing, assembling and mailing this Proxy Statement and any other material used in this solicitation of Proxies. We expect officers and regular employees of STAAR to communicate with Stockholders, banks, brokerage houses, custodians, nominees and others by telephone, facsimile, email or in person to request that Proxies be furnished. No additional compensation will be paid for these services. We will reimburse banks, brokerage firms and other persons representing beneficial owners of Common Stock for their reasonable out-of-pocket expenses in forwarding solicitation materials to the beneficial owners.

**Q:**

***Will other business be presented at the Annual Meeting?***

**A:**

As of the date of this Proxy Statement, the Board of Directors knows of no business to be presented for consideration at the Annual Meeting other than those matters described in the Notice of Annual Meeting. If, however, other matters are properly brought before the Annual

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Meeting, including a motion to adjourn the Annual Meeting to another time or place in order to solicit additional proxies in favor of the recommendations of the Board, the proxy holders intend to vote the shares represented by the Proxies on such matters in accordance with the recommendation of the Board, and the authority to do so is included in the Proxy.

**Q:**

*Can I obtain additional information on STAAR's website?*

**A:**

STAAR's home page is [www.staar.com](http://www.staar.com). In the Investor Information area of the website you can find the following information:

Audit Committee Charter;

Compensation Committee Charter;

Nominating and Governance Committee Charter;

Code of Business Conduct and Ethics; and

Guidelines on Significant Corporate Governance Issues.

### Security Ownership of Principal Stockholders and Management

The following table shows, as of the Record Date, information concerning the shares of common stock beneficially owned by each person known by STAAR to be the beneficial owner of more than 5% of our Common Stock (other than directors and executive officers). This information is based on publicly available information filed with the SEC as of the Record Date.

Name and Address	Shares Beneficially Owned	Percent of Class(1)
Broadwood Partners, L.P.(2) 724 Fifth Ave., 9th Floor New York, NY 10019	6,427,539	17.5%
Putnam Investments, LLC(3) One Post Office Square Boston, MA 02109	4,251,882	11.6%
Palo Alto Investors, LLC(4) 470 University Ave. Palo Alto, CA 94301	3,549,405	9.7%
Ameriprise Financial, Inc.(5) 145 Ameriprise Financial Center Minneapolis, MN 55474	2,258,159	6.1%
Blackrock, Inc.(6) 40 East 52 <sup>nd</sup> Street New York, NY 10022	1,979,193	5.4%
The Vanguard Group(7) 100 Vanguard Blvd Malvern, PA 19355	1,886,277	5.1%

- (1) Based on 36,740,713 shares of common stock outstanding on the Record Date. Under Rule 13d-3 of the Securities Exchange Act of 1934, certain shares may be deemed to be beneficially owned by more than one person (if, for example, a person shares the power to vote or the power to dispose of the shares). As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of Common Stock actually outstanding on the Record Date.
- (2) In its Form 4 filed November 19, 2012 with respect to its ownership of STAAR securities as of November 15, 2012, Broadwood Capital, Inc. and Broadwood Partners, L.P. state that they own 6,427,539 shares. Of this amount, Neal C. Bradsher states that he owns 25,900 shares.
- (3) In its Schedule 13G filed on February 14, 2013 with respect to its ownership of STAAR securities, Putnam Investments, LLC states that it has sole voting power as to 182,327 shares, shared voting power as to no shares, sole dispositive power as to 4,251,882 shares, and shared dispositive power as to no shares. Putnam Investment Management, Inc., states that it has sole voting power as to 7,597 shares, shared voting power as to no shares, sole dispositive power as to 4,052,571 shares, and shared dispositive power as to no shares. The Putnam Advisory Company, LLC states that it has sole voting power as to 174,640 shares, shared voting power as to no shares, sole dispositive power as to 199,311

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shares, and shared dispositive power as to no shares. Putnam Equity Spectrum Fund states that it has sole voting power as to no shares, shared voting power as to no shares, sole dispositive power as to 3,384,080 shares, and shared dispositive power as to no shares.

- (4) In its Schedule 13G filed February 14, 2013 with respect to its ownership of STAAR securities as of December 31, 2012, Palo Alto Investors, LLC states that it has sole voting power as to no shares, shared voting power as to 3,549,405 shares, sole dispositive power as to no shares and shared dispositive power as to 3,549,405 shares. Patrick Lee, MD states that he has sole voting power as to no shares, shared voting power as to 3,549,405 shares, sole dispositive power as to no shares and shared dispositive power as to 3,549,405 shares. Anthony Joonkyoo Yun, MD states that he has sole voting power as to no shares, shared voting power as to 3,549,405 shares, sole dispositive power as to no shares and shared dispositive power as to 3,549,405 shares. Palo Alto Healthcare Master Fund II, L.P. states that it has sole voting power as to no shares, shared voting power as to 2,140,824 shares, sole dispositive power as to no shares and shared dispositive power as to 2,140,824 shares.
- (5) In its Schedule 13G filed February 13, 2013 with respect to its ownership of STAAR securities as of December 31, 2012, Ameriprise Financial, Inc. states that it has sole voting power as to no shares, shared voting power as to 1,460,239 shares, sole dispositive power as to no shares and shared dispositive power as to 2,258,159 shares. Columbia Management Investment Advisors, LLC states that it has sole voting power as to no shares, shared voting power as to 1,460,239 shares, sole dispositive power as to no shares and shared dispositive power as to 2,258,159 shares.
- (6) In its Schedule 13G filed February 11, 2013 with respect to its ownership of STAAR securities as of December 30, 2012, Blackrock, Inc. states that it has sole voting power as to 1,979,193 shares, shared voting power as to no shares, sole dispositive power as to 1,979,193 shares and shared dispositive power as to no shares.
- (7) In its Schedule 13G filed February 11, 2013 with respect to its ownership of STAAR securities as of December 31, 2012, The Vanguard Group states that it has sole voting power as to 41,087 shares, shared voting power as to no shares, sole dispositive power as to 1,847,790 shares and shared dispositive power as to 38,487 shares.

The following table shows, as of the Record Date, information with respect to the shares of Common Stock beneficially owned by (1) each director and director nominee, (2) each person (other



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than a person who is also a director or a director nominee) who is an executive officer named in the Summary Compensation Table below, and (3) all current executive officers and directors as a group.

Name(1)	Shares Beneficially Owned Shares Subject to Options		Total (#)	Percent of Class(4)
	Shares of Common Stock Owned(2) (#)	Exercisable on or Before May 14, 2013(3) (#)		
Barry Caldwell**	266,839(5)	293,332	560,171	1.5%
Don Bailey**	148,137	175,000	323,137	*
Don Duffy**	57,000	55,000	112,000	*
Mark B. Logan**	21,600	45,136	66,736	*
Richard Meier**	28,000	75,000	103,000	*
John C. Moore**	48,000	72,500	120,500	*
Charles Slacik**	2,000	10,000	12,000	*
Deborah Andrews	41,400(5)	226,665	268,065	*
Robin Hughes	78,500(5)	99,998	178,498	*
Samuel Gesten	16,697(5)	23,332	40,029	*
James Francese	7,500(5)		7,500	*
All current directors and executive officers as a group (11 individuals)	715,673	1,075,963	1,791,636	4.9%

\*  
Less than 1%.

\*\*  
Director or Nominee

(1)  
The business address of each person named is c/o STAAR Surgical Company, 1911 Walker Avenue, Monrovia, California 91016.

(2)  
Pursuant to Rule 13d-3(a), includes all shares of common stock over which the listed person has, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, voting power, which includes the power to vote, or to direct the voting of, the shares, or investment power, which includes the power to dispose, or to direct the disposition of, the shares. STAAR believes that each individual or entity named has sole investment and voting power with respect to shares of Common Stock indicated as beneficially owned by him or her, subject to community property laws, where applicable, except where otherwise noted. Restricted shares are listed even when unvested and subject to forfeiture because the holder has the power to vote the shares.

(3)  
In accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, each listed person is deemed the beneficial owner of shares that the person has a right to acquire by exercise of a vested option or other right on or before May 14, 2013 (60 days after the Record Date).

(4)  
Based on 36,740,713 shares of Common Stock outstanding on the stock records as of the Record Date. The percentages are calculated in accordance with Rule 13d-3(d)(1), which provides that shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable on or before May 14, 2013 (60 days after the Record Date) are deemed outstanding for the purpose of calculating the number and percentage that each person owns, but not deemed outstanding for the purpose of calculating the percentage that any other listed person owns.

(5)  
Includes the following shares that are restricted and subject to forfeiture pursuant to vesting conditions that expire on March 15, 2014 March 2, 2015 and March 4, 2016, respectively, as follows: Barry Caldwell, 15,000, 15,000 and 15,000 shares; Deborah Andrews, 7,500, 7,500 and 7,500 shares; Robin Hughes, 7,500, 7,500 and 7,500 shares; Samuel Gesten, 0, 7,500 and 7,500; and James Francese, 0, 0 and 7,500.



**PROPOSAL NO.1  
ELECTION OF DIRECTORS**

STAAR's directors each serve a one-year term and are subject to election at each annual meeting of the stockholders. Our Bylaws permit the Board of Directors to fix the number of its members, so long as there are no fewer than three directors and no more than seven directors. The Board of Directors has provided that the number of its members will be fixed at six on the date of the Annual Meeting.

The Board of Directors has nominated Don Bailey, Barry Caldwell, Mark B. Logan, Richard A. Meier and John C. Moore for re-election and Charles Slacik for initial election to their seats. Each of these nominees has indicated his willingness to serve and, unless otherwise instructed, the Proxy holders will vote the Proxies received by them for those six nominees. If any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting or any continuation, postponement or adjournment of the meeting, the Proxy holders will vote the Proxies for another nominee the current Board of Directors designates to fill the vacancy. STAAR has no reason to believe that any of its six nominees will be unable or unwilling to serve if elected as a director. Mr. Donald Duffy's term as a director will end as of the 2013 Annual Meeting as he previously announced his intent to retire.

The qualifications of the individual directors upon which the Nominating and Governance Committee based its nominations are described along with the biography of each nominee below.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE BOARD OF DIRECTORS' NOMINEES.**

The following table shows the composition of our Board of Directors on the date of this Proxy Statement. All terms expire at the 2013 Annual Meeting.

Name of Director	Board Positions and Committee Memberships	Independent(1)
Don Bailey	Chairman of the Board Chairman, Nominating and Governance Committee	ü
Barry Caldwell	Member	
Donald Duffy	Chairman, Audit Committee	ü
Charles Slacik	Member, Audit Committee	ü
Mark B. Logan	Chairman, Compensation Committee Member, Nominating and Governance Committee	ü
Richard A. Meier	Member, Audit Committee Member, Compensation Committee	ü
John C. Moore	Member, Compensation Committee Member, Nominating and Governance Committee Member, Audit Committee	ü

(1) Directors designated as "independent" have been determined by the Board of Directors to be independent as that term is defined under the rules of the Nasdaq Global Market and the SEC.

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Information regarding the business experience of each current director nominee and each executive officer is provided below.

### Director Nominees

#### ***Don Bailey***

Director since April 2005

Chairman of the Board

Chairman of the Nominating and Governance Committee

Age 67

*Background.* Don Bailey has served as a director and our Chairman since April 2005, and serves as the chairman of the Nominating and Governance Committee of the Board of Directors. Since November 26, 2007, Mr. Bailey has served as President, Chief Executive Officer and a director of Questcor Pharmaceuticals, Inc., having served as its interim President from May 2007 and as a director since May 2006. In addition, he served as Chairman of the Board of Comarco, Inc., a provider of wireless test products for the wireless industry and a maker of emergency call box systems and mobile power products for handheld devices, from 1998 until August 31, 2007. He also served from June 1990 to April 2000 as President of Comarco, Inc. and as its Chief Executive Officer from January 1991 to April 2000. Mr. Bailey earned his Bachelor of Science degree in Mechanical Engineering from Drexel University in 1968, his Master of Science degree in Operations Research from the University of Southern California in 1971 and his Master of Business Administration degree from Pepperdine University in 1986.

*Qualifications.* When STAAR separated the roles of CEO and Chairman in 2005, Mr. Bailey was selected for the newly created independent Chairman role because during his ten-year tenure as CEO of Comarco, Inc. he had demonstrated significant skills in strategy, development and execution, change management, business building, acquisitions and divestitures and balance sheet management. Moreover, since joining STAAR he has also demonstrated his ability to manage change within the life sciences industry in his role as Chief Executive Officer of Questcor Pharmaceuticals, Inc. The Committee further believes that his expertise in financial analysis and familiarity with public markets have been assets to STAAR. On that basis the Board unanimously recommends his re-election.

#### ***Barry Caldwell***

Director since May 2007

President and Chief Executive Officer

Age 62

*Background.* Barry Caldwell was elected to STAAR's Board of Directors at its 2007 Annual Meeting, and he has served as STAAR's President and Chief Executive Officer since November 27, 2007. Mr. Caldwell previously served as President, Chief Executive Officer and director of Iridex Corporation, a worldwide provider of therapeutic laser systems and delivery devices used to treat eye diseases and skin conditions, from 2005 through 2007. From 1979 to 2002, Mr. Caldwell served in various capacities with Alcon Laboratories, Inc., a leading developer, manufacturer and marketer of ophthalmology products. His executive positions included Vice President and General Manager of Alcon's U.S. Surgical Division and Vice President of Alcon Canada. Mr. Caldwell has served on the Boards of Directors of Laser Diagnostic Technologies, A.R.C. Laser, Inc. and Tekia, Inc. In addition, he has served on the Boards of Directors for three ophthalmic industry groups, AdvaMed, NAEVR and EyeRx Coalition. He is also a former member of the Kentucky State Legislature where he served three consecutive terms in the State's House of Representatives. Mr. Caldwell has a Bachelor of Arts degree in Political Science and English from Georgetown College and a Juris Doctorate from the Northern Kentucky University Chase College of Law.

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*Qualifications.* The Nominating and Governance Committee believes it is important that STAAR's CEO also serves on its Board of Directors. Even before Mr. Caldwell became CEO, he was selected by the Committee and elected to serve as an independent director because of his extensive experience in the ophthalmic industry, including specifically the IOL business, and record of successfully leading ophthalmic companies and other medical device makers. The Committee believes that Mr. Caldwell has been highly effective both as leader of STAAR's management and as a member of the Board, and on that basis the Board unanimously recommends his re-election.

***Mark B. Logan***

Director since November 17, 2010  
Chairman of the Compensation Committee  
Member of the Nominating and Governance Committee  
Age 74

*Background.* Mr. Logan has 35 years of executive level experience in the healthcare products industry. He served as Chairman and Chief Executive Officer of VISX, Inc. from 1994 to 2001. VISX was subsequently acquired by Advanced Medical Optics (now a part of Abbott Laboratories). VISX was a pioneer with the excimer laser approach to refractive surgery. Prior to joining VISX, Mr. Logan served as Chairman and CEO of Insmed Pharmaceuticals, Inc., and before that he was a principal at McManus Associates (a healthcare research and management firm), with clients including Merck, Bristol Myers Squibb and American Diabetes Association. Before that, he spent four years as Executive Vice President and Chief Operating Officer and board member at Bausch & Lomb. Bausch & Lomb is one of the largest companies in the ophthalmic surgical sector. His prior experience includes senior executive positions at Becton, Dickinson & Company and Wyeth, Inc. Mr. Logan is Chairman of the Board of VIVUS, Inc., a biopharmaceutical company developing therapies to address obesity, sleep apnea, diabetes and male sexual health. Mr. Logan also serves on the board of the University of Virginia Heart & Vascular Center, serves on the Board of Advisors of Gencia Inc., and serves as a trustee of the Southern Environmental Law Center. Mr. Logan earned a Bachelor of Arts degree in Biology from Hiram College. He was a Woodrow Wilson Fellow at New York University and has completed the Program for Management Development (PMD) at Harvard University.

*Qualifications.* The Nominating and Governance Committee believes Mr. Logan's expertise in management of an expanding ophthalmic business, especially in the area of refractive surgery, brings valuable insight and experience to the Board. In particular, as Chairman and Chief Executive Officer of VISX from 1994 to 2001, Mr. Logan oversaw the successful introduction of the leading excimer laser system used in custom LASIK. Through his chairmanship of VIVUS he has current experience in the FDA-regulated environment and familiarity with best current practices in corporate governance. The Board unanimously recommends his re-election at the Annual Meeting based on his broad experience, record of success in the industry and the valuable insights he has provided during his service.

***Richard A. "Randy" Meier***

Director since June 2009  
Member of the Audit Committee  
Member of the Compensation Committee  
Age 53

*Background.* Since March 2013, Mr. Meier has served as Executive Vice President, Chief Financial Officer of Owens & Minor, Inc., a global provider of healthcare services. Mr. Meier has served as a director of BioMarin Pharmaceutical Inc. since 2006, and has served as the Chairman of its Audit Committee since March 2010. Mr. Meier served as Executive Vice President and Chief Financial Officer of Teleflex Incorporated, a global provider of medical devices, from January 2010 to March 2012. Prior to that position he was President and Chief Operating Officer of Advanced Medical Optics (AMO) from February 2007 through April 2009, when it was acquired by Abbott Laboratories. AMO is

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one of the largest companies in the ophthalmic surgical sector. From April 2006 to February 2007, Mr. Meier was AMO's Executive Vice President, Operations, President, Global Eye Care, and Chief Financial Officer. From February 2004 to April 2006, he was AMO's Executive Vice President of Operations and Finance and Chief Financial Officer, and from April 2002 to February 2004, Mr. Meier was Corporate Vice President and Chief Financial Officer. Prior to joining AMO, Mr. Meier was the Executive Vice President and Chief Financial Officer of Valeant Pharmaceuticals, Inc., from October 1999, and Senior Vice President & Treasurer from May 1998 to October 1999. Before joining Valeant, Mr. Meier was an executive with the investment banking firm of Schroder & Co. Inc. in New York, from 1996 to 1998. Prior to Mr. Meier's experience at Schroder & Co., he held various financial and banking positions at Salomon Smith Barney, Manufacturers Hanover Corporation, Australian Capital Equity, and Greyhound Lines, Inc. Mr. Meier is a graduate of Princeton University with a Bachelor of Arts degree in Economics.

*Qualifications.* The Nominating and Governance Committee believes that Mr. Meier's experience in the ophthalmic industry, including several years at one of STAAR's largest competitors, has provided key insights to the Board in areas such as marketing, strategic planning, mergers and acquisitions, FDA regulatory process, financial management, public company reporting, investor relations, and public finance. Mr. Meier is the only member of the Board with significant investment banking experience. To secure the continued availability of Mr. Meier's guidance the Board unanimously recommends his re-election.

***John C. Moore***

Director since January 2008

Member of the Nominating and Governance Committee

Member of the Compensation Committee

Member of the Audit Committee

Age 69

*Background.* Since December 2012, Mr. Moore has served as Chairman of the Board of Optovue, Inc. Mr. Moore has more than 25 years of executive experience at ophthalmic medical device companies, where he managed R&D, operations, marketing, sales, business development, service, and finance teams. Between April 2005 and January 2007, Mr. Moore served as CEO of Notal Vision, an Israel-based ophthalmic company that develops comprehensive diagnostic solutions for the early detection and monitoring of age-related macular degeneration (AMD). Mr. Moore served as the President and CEO of Laser Diagnostic Technologies, a manufacturer of ophthalmic diagnostic laser devices used for the early detection of glaucoma, from 2000 until it was acquired by Carl Zeiss Meditec, Inc. in 2004. Before this, Mr. Moore was a vice president at Alcon Laboratories one of the largest companies in the ophthalmic surgical sector where he was responsible for pursuing and executing strategic acquisitions and partnerships to broaden that company's product portfolio. Mr. Moore also spent more than 10 years at Carl Zeiss, Inc., a multinational ophthalmic company with primary businesses in optics, medical, scientific and semiconductor products. Mr. Moore received his Bachelor of Science degree in General Science from University of Rochester.

*Qualifications.* Mr. Moore's long experience in the ophthalmic and medical device industries encompasses both large, well established companies and innovative start-ups. The Nominating and Governance Committee believes that Mr. Moore's familiarity with the technical side of the industry and the challenges faced by emerging technology companies has been an important resource for the Board and for stockholders, and has been especially valuable in guiding the management of research and development, strategic planning and "right-sizing." The Committee believes his familiarity with international operations in the medical device industry will be especially important in light of STAAR's worldwide business and initiatives to integrate global operations. For these reasons the Board unanimously recommends his re-election.

***Charles Slacik***

Director since September 2012  
Member of the Audit Committee  
Age 58

*Background.* Mr. Slacik has over 30 years of executive level experience in the health care industry, serving most recently as the Senior Vice President and Chief Financial Officer of Beckman Coulter Inc. from October 2006 until June 2011. Prior to joining Beckman Coulter, Mr. Slacik served as Executive Vice President and Chief Financial Officer of Watson Pharmaceuticals Inc. from 2003 to 2006. From 1999 to 2003 he served as Senior Vice President and Chief Financial Officer of C.R. Bard, Inc. Previously, Mr. Slacik held positions of growing responsibility for numerous divisions of Wyeth (formerly American Home Products Corporation) starting in 1982 in various financial and operating positions including Corporate Controller, Executive Vice President of Whitehall-Robins Consumer Products, Sherwood-Davis & Geck Medical Device Group, and American Cyanamid Agricultural Products Group. In his last Wyeth role, he served as Chief Operating Officer of the Solgar Division, one of Wyeth's acquired companies. Early in his career, he earned his Certified Public Accountant (CPA) license and worked as a senior auditor for Arthur Andersen & Co. He is a member of the Orange County Chapter of Financial Executives International and the Connecticut Society of CPAs. Mr. Slacik received his Bachelor of Science degree in Accounting and Finance from the University of Connecticut. Mr. Slacik currently serves as a Director of the Board and Member of the Audit Committee at Sequenom, Inc., and has done so since May 2011.

*Qualifications.* The Committee believes that Mr. Slacik brings a significant amount of senior executive experience in finance, administration and operations from varied healthcare, pharmaceuticals, medical devices and consumer products companies. His experience with implementing and overseeing financial controls and procedures, as well as his experience with ensuring the professionalism and integrity of a public company's financial department, are greatly valued. The Committee believes that his depth of experience in accounting and auditing, which includes experience as a CPA and CFO will significantly contribute to stockholder value. To secure the continued availability of Mr. Slacik's expertise and skills the Board unanimously recommends his election.

**Executive Officers**

***Deborah Andrews***

Vice President and Chief Financial Officer  
Age 55

Ms. Andrews has served as Chief Financial Officer since August 2005 and as Vice President since April 2005. She has been employed by STAAR since 1995, serving as Principal Financial Officer from April 2005 to August 2005, Global Controller from 2001 to 2005, Vice President, Finance, of STAAR Surgical AG (Switzerland) from 1999 to 2001, and Assistant Controller from 1995 to 1999. She previously served as an internal auditor for Bourns, Inc., a maker of electronic components, from 1994 to 1995, and an auditor for KPMG Peat Marwick from 1991 to 1994. Ms. Andrews earned her Bachelor of Science degree in Accounting from California State University, San Bernardino.

***James Francese***

Vice President, Global Marketing  
Age 48

Mr. Francese has 22 years of experience in ophthalmology, including 14 years marketing surgical products with Abbott Medical Optics (AMO), formerly Advanced Medical Optics and Allergan. During his time at AMO from 1990 to 2012, Mr. Francese held several positions of executive level responsibilities, including Head of Marketing, Americas for all surgical, refractive and corneal products, Head of Global Corneal Marketing responsible for all consumer products, and V.P. of Asia Pacific

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Region where he had full P&L responsibility for cataract and refractive during his tenure. He received his Bachelor of Science degree from Cornell University, Master of Science degree from the University of Washington and Master of Business Administration degree from the University of Southern California.

### ***Samuel Gesten***

Vice President, General Counsel and Corporate Secretary  
Age 51

Mr. Gesten has served as Vice President, General Counsel and Secretary since April 2012. From 2009 through 2011, he served as Executive Vice President, General Counsel and as a member of the Executive Committee of Allergan, Inc. Prior to that, he spent 11 years at Thermo Fisher Scientific Inc. in a variety of positions, including General Counsel and Assistant Secretary of the Laboratory Products Group and Vice President, Deputy General Counsel. Prior to his work at Thermo Fisher, Mr. Gesten spent 11 years practicing law. He holds a Bachelor of Arts degree in Economics from Brandeis University and a Juris Doctor degree from Boston University.

### ***Robin Hughes***

Vice President, Global Research and Development, Regulatory and Quality  
Age 49

From 2007 until the fall of 2012, Mr. Hughes served as STAAR's Vice President, Global Marketing, and thereafter he assumed the role as STAAR's Vice President, Global Research and Development, Regulatory and Quality. Mr. Hughes joined STAAR in 2007 from H Consulting, LLC, a consulting firm specializing in marketing and strategy. Prior to founding that firm in 2006, Mr. Hughes spent 13 years at Bausch & Lomb one of the largest companies in the ophthalmic surgical sector, most recently as Vice President of Global Strategy and Commercialization for refractive surgery from 2002 until 2006, and as Vice President of Marketing for Europe, Middle East and Africa (EMEA) from 2001 until 2002. Prior to these roles he held EMEA Director of Marketing positions at Bausch & Lomb in both the Surgical and Visioncare divisions. Prior to joining Bausch & Lomb in 1993, Mr. Hughes spent eight years in the pharmaceutical industry, transitioning from sales into marketing at Merck, Inc. He earned a Master of Business Administration degree from the Henley Management College, Brunel University. His scientific background includes qualifications in medical microbiology from The Royal London Hospital, and in human physiology and cell biology from the University of Westminster.

### **Other Key Senior Management**

#### ***Hans-Martin Blickensdoerfer***

President, Europe, Middle East, Africa, Latin America  
Age 48

Mr. Blickensdoerfer, who joined STAAR in January 2005, has over 15 years experience in the ophthalmic device industry. Prior to joining STAAR, Mr. Blickensdoerfer served from January 2003 through December 2004 as Vice President of Sales and Marketing for Milvella Ltd., an Australia-based medical device maker, where his duties included both regional and worldwide business planning, product launches and management of European clinical studies. He worked from 2000 through 2002 for Novartis-CIBA Vision, an ophthalmic surgical company as the Commercial Director for Europe, the Middle East and Africa. Between 1997 and early 2000 he worked for the Ophthalmic Surgical Division of Bausch & Lomb, Inc. as its Area Sales Manager for Central and Eastern Europe. Prior to that time he worked in sales and product management positions in the Ophthalmic Surgical Division of Chiron Vision and at Chiron Adatomed GmbH. Mr. Blickensdoerfer received his diploma in Marketing and International Management from the University of Mannheim in Germany. He is based in our Nidau, Switzerland facility.



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### ***Donald Fagen***

Vice President, North American Sales  
Age 59

Mr. Fagen joined STAAR on January 13, 2010. Prior to joining STAAR Mr. Fagen had 21 years of experience in sales and marketing of ophthalmic devices. From March 2008 through January 2009, Mr. Fagen served as Vice President of Sales and Marketing for Syneron Medical Ltd, a maker of lasers used in aesthetic medical procedures. Mr. Fagen served as Vice President of Sales and Marketing for VISX Inc., a leading maker of lasers used in customized LASIK refractive surgery, from January 2001 through May 2005, when VISX was acquired by AMO. Following the acquisition, he continued to serve as Vice President of Sales and Marketing for VISX as a unit of AMO through March of 2008. Among Mr. Fagen's earlier experience, he served as National Sales Manager for Cooper Vision in their ophthalmic surgical division and for Alcon after its acquisition of Cooper Vision, where his employment extended from 1983 through 1997. He also served as a lieutenant in the U.S. Marine Corps from 1976 to 1980. Mr. Fagen earned his Bachelor of Science degree in Education and History from Texas State University in 1976. He has received additional training at the Graduate School of Business at Stanford and Columbia University and the Graduate School of Management at UCLA.

### ***Craig Felberg***

Vice President, Business Development  
Age 62

Mr. Felberg, who joined STAAR in 2007, has over 25 years of experience in the field of ophthalmology. From 2007 until the fall of 2012, Mr. Felberg served as STAAR's Vice President, Global Research & Development, and thereafter assumed a part-time role with the Company as Vice President, Business Development. Prior to joining STAAR, Mr. Felberg worked with many current and past ophthalmic surgical market leaders, including Bausch & Lomb from 1996 until 2005 and before that Chiron, Iolab, Alcon and CooperVision. Mr. Felberg has held positions including Plant Manager, Vice President of Operations and Director of Refractive R&D Program Management. Prior to his service at STAAR Mr. Felberg was most recently responsible for the Refractive R&D project portfolio at Bausch & Lomb, where he led the efforts to develop and deliver new and improved ophthalmic laser and diagnostic systems as well as new indications for existing products. Mr. Felberg was also responsible for managing clinical and regulatory programs required to gain approval of new and improved products into worldwide markets. Mr. Felberg received a Bachelor of Arts degree in Management from the University of Redlands and earned a Master of Business Administration degree from Pepperdine University.

### ***William Goodmen***

Vice President, Global Human Resources  
Age 58

Mr. Goodmen joined STAAR on August 16, 2010. Prior to joining STAAR, he served as Vice President, Business Development for Neovia Integrated Insurance Services, a healthcare brokerage firm, from 2009 to 2010. His prior experience also includes seven years at THQ, Inc., a developer of interactive entertainment software where he served as Executive Vice President of Human Resources and Administration from 2002 to 2009. During this time period, he was responsible for all Human Resources and general administrative functions worldwide. This company grew from \$400 million to \$1.2 billion in sales and 600 to 2,500 employees. Additional experience includes senior management positions in Human Resources at Liberty Livewire and in executive search with Spencer Stuart.

He began his human resources career at Atlantic Richfield Co., a Fortune 500 energy company, where he spent 18 years. Mr. Goodmen earned a Bachelor of Arts degree from Colgate University and a Master of Science degree from Syracuse University.

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### ***Paul Hambrick***

Vice President, Global Operations  
Age 50

Mr. Hambrick has served as our Vice President of Operations since February 2006. He has over 30 years of operations experience in the medical industry and 25 years' experience in the manufacturing of ophthalmic surgical products. From late 2005 through February 2006 he served as Divisional Manager of Engineering at Bio-Rad Laboratories, a manufacturer of products for life science research and clinical diagnostics. From 2001 through 2005 Mr. Hambrick served as General Manager and Vice President of Operations at MAS, a Fisher Scientific Company, managing the production of in-vitro diagnostic products. From 1998 to 2001 he was Director of Manufacturing at Biosense Webster, a Johnson & Johnson company, where he oversaw production of electrophysiology catheters. Prior to joining Biosense Webster, Mr. Hambrick was Director of Manufacturing at Chiron Vision, an ophthalmic surgical company with various product line responsibilities including manufacturing of intraocular lenses, phacoemulsification systems and keratome blades. Mr. Hambrick earned his Bachelor of Science Degree in Business Administration from the University of La Verne in La Verne, California. He has extensive training in Total Quality Management and Lean Manufacturing.

### ***John Santos***

Vice President, Global Quality Assurance, Regulatory and Clinical Affairs  
Age 57

Mr. Santos has served as our Vice President, Quality Assurance, Regulatory and Clinical Affairs since November 2008. Mr. Santos, who joined STAAR in October 1992, has over 20 years' experience in the ophthalmic device industry. Prior to his current post he was STAAR's Vice President of Corporate Planning and Development from August 2001 until November 2008. Prior to that he served as Vice President Finance and Chief Financial Officer from May 2000 to August 2001, as Vice President Controller from March 1999 to May 2000, and as Controller from October 1992 to March 1999. Prior to his employment at STAAR he worked for Calmar, Inc. in accounting and finance positions. He received his Bachelor of Science degree in Business Administration from California State University Fullerton and his Master's degree in Business Administration from Pepperdine University.

### ***Philippe Subrin***

Vice President, Switzerland Operations  
Age 49

Mr. Subrin joined STAAR Surgical AG, our subsidiary in Nidau, Switzerland on January 8, 2002 and is responsible for Swiss Operations. Previously, he has held senior manufacturing positions at Bausch & Lomb, one of the largest surgical ophthalmic companies and Domilens in France. In 1995, he was Manufacturing Manager at Bausch & Lomb in Lyons, France and responsible for the company's Intraocular Lens (IOL) manufacturing line. While working at Bausch & Lomb in Florida, Philippe focused on process improvements and development for their 3-piece Silicone IOL. Mr. Subrin earned a degree in Optometry from the University of Morez in France and also a degree in Engineering and Operational Management from the University of Lyon in Lyon, France.

### ***Donald Todd***

President, Asia Pacific  
Age 60

Mr. Todd joined STAAR on August 16, 2010. From 2008 to 2010 he served as Global Vice President for VNUS Medical Technologies, a division of Covidien Company, specializing in Radio Frequency treatment for venous insufficiency. Prior to that position, he worked for three years from 2005 to 2008 as Senior Vice President, Marketing for Iridex Corp., an ophthalmic and aesthetic laser company. His background includes Executive Vice President and senior management positions in

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cardiovascular and ophthalmic medical device companies such as CooperVision/Alcon, Iolab, Sorin Group, Venetec International and Terumo Medical. Mr. Todd has extensive experience in sales and marketing worldwide, particularly in Asian markets. Mr. Todd earned a Bachelor of Arts degree in Business Administration from Colorado State University.

### Compensation of Directors

Directors are compensated as follows:

Each director who serves on the Board of Directors of STAAR and is not an employee of STAAR or a parent or subsidiary of STAAR (each "non-employee director") receives an annual director's fee of \$40,000.

The Chairman of the Board receives an additional annual fee of \$25,000.

The Chairman of the Audit Committee receives an additional annual fee of \$15,000.

The Chairman of the Compensation Committee receives an additional annual fee of \$10,000.

The Chairman of the Nominating and Governance Committee receives an additional annual fee of \$10,000.

Each member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee (other than the respective chairs) receives an additional annual fee of \$5,000 for each such committee on which they serve.

In 2012 STAAR granted each non-employee director an option to purchase 15,000 shares of common stock, as well as 3,000 restricted shares of common stock, on election or re-election to the Board. The options vest in full on the first anniversary of grant and the restricted shares became effective upon election or re-election to the Board. Accordingly, Don Bailey, Donald Duffy, Mark B. Logan, Richard A. Meier and John C. Moore each received an option to purchase up to 15,000 shares of Common Stock on May 14, 2012. These options have an exercise price of \$10.31 per share, and vest on May 14, 2013, provided that if a director leaves service for reasons other than removal for cause, vesting of his or her options will be accelerated to a time immediately prior to cessation of service. Upon his appointment to the Board in September 2012, Charles Slacik received a pro-rated number of options to purchase shares of common stock, 10,000, and restricted shares, 2,000. These options have an exercise price of \$6.83 per share. All of the options granted to directors in 2012 were granted under STAAR's Amended and Restated 2003 Omnibus Equity Incentive Plan. Beginning in 2007 the Board of Directors agreed that any director could elect to receive his fees for Board and committee service in the form of restricted shares rather than cash.

The Board of Directors can change the compensation of directors at any time.

## 2012 Director Compensation

The chart below summarizes 2012 compensation of each director for services as a director, committee member or chairperson, including fees earned or paid in cash, stock awards and stock options. The values shown for stock awards and stock option awards are the dollar amounts STAAR recognized for financial statement reporting purposes in 2012.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Total (\$)
Don Bailey	75,000	30,900	99,408(2)	205,308
Donald Duffy	55,000	30,900	99,408(3)	185,308
Charles Slacik	13,599	13,640	44,160(4)	71,399
John Moore	53,750	30,900	99,408(5)	184,058
Richard Meier	50,000	30,900	99,408(6)	180,308
Mark Logan	55,000	30,900	99,408(7)	185,308

- (1) Dollar amounts in the Stock Awards and Option Awards columns reflect the grant date fair value with respect to stock awards and options granted during fiscal year 2012. Assumptions used in the calculation of these amounts are included in Note 13 to STAAR's audited consolidated financial statements for the fiscal year ended December 28, 2012, included in STAAR's Annual Report on Form 10-K.
- (2) Includes compensation related to the following: an option to purchase 15,000 shares granted on May 14, 2012, which had a grant date fair value of \$99,408 and will vest on May 14, 2013. As of the end of fiscal year 2012, Mr. Bailey held outstanding option awards to purchase 175,000 shares, of which 160,000 were vested.
- (3) Includes compensation related to the following: an option to purchase 15,000 shares granted on May 14, 2012, which had a grant date fair value of \$99,408 and will vest on May 14, 2013. As of the end of fiscal year 2012, Mr. Duffy held outstanding option awards to purchase 55,000 shares, of which 40,000 were vested.
- (4) Includes compensation related to the following: an option to purchase 10,000 shares granted on September 13, 2012, which had a grant date fair value of \$44,160 and will vest on September 13, 2013. As of the end of fiscal year 2012, Mr. Slacik held outstanding option awards to purchase 10,000 shares, of which none were vested.
- (5) Includes compensation related to the following: an option to purchase 15,000 shares granted on May 14, 2012, which had a grant date fair value of \$99,408 and will vest on May 14, 2013. As of the end of fiscal year 2012, Mr. Moore held outstanding option awards to purchase 72,500 shares, of which 57,500 were vested.
- (6) Includes compensation related to the following: an option to purchase 15,000 shares granted on May 14, 2012, which had a grant date fair value of \$99,408 and will vest on May 14, 2013. As of the end of fiscal year 2012, Mr. Meier held outstanding option awards to purchase 75,000 shares, of which 60,000 were vested.
- (7) Includes compensation related to the following: an option to purchase 15,000 shares granted on May 14, 2012, which had a grant date fair value of \$99,408 and will vest on May 14, 2013. As of the end of fiscal year 2012, Mr. Logan held outstanding option awards to purchase 45,136 share, of which 30,136 were vested.

## Corporate Governance Principles

STAAR's Board of Directors directs the management of STAAR's business, property and affairs. The Board selects the senior management team, which manages the day-to-day operations of STAAR. The Chief Executive Officer, other senior officers of STAAR and STAAR's counsel regularly inform the Board about developments in the company's business. Management regularly provides financial and other materials regarding STAAR's business to the Board and the committees of the Board for their review. Having selected the senior management team, the Board of Directors acts as an advisor and counselor to senior management, monitors its performance and proposes or makes changes to the senior management team when it deems changes necessary or appropriate.

The Board regularly reviews the recommendations of the Nominating and Governance Committee regarding best practices in corporate governance. In 2010 the Board implemented two stockholder-oriented changes in its corporate governance: a Bonus Compensation Recoupment Policy and a Director Stock Ownership Guideline. In 2012 the Board adopted Guidelines on Significant Corporate Governance Issues, which are available for review at [www.staar.com](http://www.staar.com), and revisions to the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan, which are more fully described under Proposal No. 2 of this Proxy Statement.

*Bonus Recoupment Policy.* This policy includes standards for seeking the return, or "claw-back," of bonus compensation paid to the Chief Executive Officer or Chief Financial Officer in certain circumstances following a material restatement of STAAR's financial statements. The policy provides that if the relevant officer is adjudicated to have engaged in gross negligence, intentional misconduct or fraud, and the Board determines that the wrongful conduct directly or indirectly made the restatement necessary, we will seek reimbursement of any excess incentive award or bonus paid on the basis of financial performance. The excess incentive award that may be recovered is the difference, if any, between the amount actually paid to the relevant officer and the amount that would have been paid to the officer had the incentive award been calculated based on the financial statements as restated. The claw-back may not be sought if more than five years have elapsed since the payment of the affected award or bonus, or following a change in control.

*Stock Ownership Guideline.* Pursuant to the guideline, non-employee directors are expected, within three years of the adoption of the policy or a non-employee director first joining the Board, to acquire and hold at least 10,000 shares of our common stock. Stock options do not count toward this requirement. From time to time the Board will consider and may reset the level of stock ownership that it considers appropriate for the guideline.

*Guidelines on Significant Corporate Governance Issues.* The Guidelines outline the role and composition of the Board, and details the directors' responsibility to exercise their business judgment in a manner that they reasonably believe is in the best interest of the Company and consistent with their fiduciary duties to the stockholders. The Guidelines also describe the respective roles of the Board and the CEO regarding Company leadership, selection of senior management, succession planning and other matters. It addresses director qualifications and recommends that directors serve on no more than three other boards of public companies while serving on the Board. The Guidelines recommend periodic review of Board compensation by an external advisor at least once every three years. It also references practices to avoid conflicts of interest and assess management development.

*Code of Ethics.* STAAR has adopted a Code of Business Conduct and Ethics applicable to the principal executive officer and senior financial executives, including the chief financial officer and the controller of STAAR, as well as all employees and directors of STAAR. The Code of Business Conduct and Ethics, as revised in 2012, is published on our website, at [www.staar.com](http://www.staar.com), under "Investor Information Corporate Governance." We intend to disclose future amendments to, or waivers from,

certain provisions of the Code of Business Conduct and Ethics applicable to senior financial executives on our website within two business days following the date of such amendment or waiver.

### **Policy Regarding Board Leadership Structure**

Since 2005 the Board of Directors has kept the positions of CEO and Chairman separate and followed a policy that the Chairman shall be an independent director. The Board of Directors believes that this separation of roles serves the interests of our stockholders because combining the positions might hamper the Board's ability to provide independent oversight and concentrate too much power in the hands of a single executive. Moreover, the Board believes that it is important for the Chief Executive Officer to report to an independent Board, and that having a separate and independent chairman may help facilitate communications and relations between the Board and officers.

### **The Board's Role in Risk Oversight**

The Board of Directors is charged with general oversight of the management of STAAR's risks. Our management is responsible for enterprise risk management on a day-to-day basis. The role of our Board and its committees is to oversee the risk management activities of management. When reviewing STAAR's strategy, business plan, budgets and major transactions the Board continuously examines the elements of risk in each proposed activity. Each of the Board's standing committees assists the Board in overseeing the management of risk in the area overseen by the committee. In particular, the Audit Committee assists the Board by systematically reviewing on at least an annual basis a report from management on the risks related to such matters as financial reporting, internal controls, revenue recognition, treasury management, information technology, insurable risks, and compliance with legal and regulatory requirements. At least once each year the Audit Committee holds a risk assessment session with management to encourage broad thinking about unexpected sources of risk and discuss mitigation efforts. Following these communications with management, the Audit Committee reports the results of its review to the full Board. In addition, the Compensation Committee oversees risks related to our compensation programs and policies. The Nominating and Corporate Governance Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, and succession planning for our directors.

### **Meetings of the Board**

The Board of Directors held seven meetings during 2012. During 2012 each director attended more than 75% of the total number of Board meetings (during their service as director) and meetings of the committees on which they served. In addition to Board meetings, directors are kept informed of our business through personal meetings and other communications, including telephone and electronic contacts with our CEO and others regarding matters of interest and concern to us and our stockholders. Independent directors meet when they deem necessary in an executive session without management and at such other times as may be requested by any independent director.

It is the policy of STAAR to require members of the Board of Directors to attend the annual meeting of stockholders, if practicable. All directors attended the 2012 annual meeting of stockholders.

### **Committees**

The Board of Directors has three standing committees: a Nominating and Governance Committee, a Compensation Committee and an Audit Committee. The members of each committee serve at the discretion of the Board of Directors. The Board has adopted a written charter for each committee to provide for its organization and procedures and to delegate requisite authority for the committee to carry out its purposes.

*Nominating and Governance Committee*

The current members of the Nominating and Governance Committee are Don Bailey, who serves as chair, Mark Logan and John Moore. Each member of the Nominating and Governance Committee is "independent" as that term is defined under the Nasdaq Marketplace Rules.

The principal purposes of the Nominating and Governance Committee are to help ensure that the Board of Directors is appropriately constituted to meet its fiduciary obligations to stockholders and STAAR, and that STAAR has and follows appropriate governance standards. To carry out these purposes, in accordance with its written charter, the Committee does the following:

identifies individuals qualified to become directors, consistent with criteria approved by the Board of Directors;

recommends the director nominees to be selected by the Board of Directors for the next annual meeting of stockholders;

reviews best practices in corporate governance, and recommends to the Board of Directors stockholder-oriented improvements in corporate governance that may be applicable to STAAR; and

oversees the evaluation of the Board of Directors and management.

In addition to the candidates proposed by the Board of Directors or identified by the Committee, the Committee considers candidates for director suggested by our stockholders in accordance with the procedures described in the Questions and Answers section in response to the question: "*Can stockholders propose individuals to be considered as the Board of Directors' nominees for the 2014 Annual Meeting?*" Stockholder nominations that comply with those procedures and that meet the criteria outlined below will receive the same consideration that the Committee's nominees receive.

The minimum qualification and skills for all candidates considered by the Committee include the following:

integrity and ethical behavior;

maturity;

management experience and expertise;

independence and diversity of thought;

broad business or professional experience; and

an understanding of business and financial affairs, and the complexities of business organizations.

In evaluating candidates for certain Board positions, the Committee evaluates additional criteria, including the following:

financial or accounting expertise;

experience in the ophthalmic medical device industry or other regulated industries;

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scientific accomplishment in medicine, physiology or medical devices;

experience in commercializing and marketing ophthalmic devices and other medical devices or pharmaceuticals for sale to healthcare professionals and also directly to consumers;

experience in conducting business in international markets;



business and other experience relevant to global public companies of a size comparable to STAAR; and

experience in investment banking, commercial lending or other financing activities.

In selecting nominees for the Board of Directors, the Committee evaluates the general and specialized criteria set forth above, identifying the relevant specialized criteria prior to commencement of the recruitment process, considers previous performance if the candidate is a candidate for re-election, and generally considers the candidate's ability to contribute to the success of STAAR.

The Nominating and Governance Committee believes that differences in background, professional experiences, education, skills and viewpoints enhance the performance of the Board of Directors. Thus, the Nominating and Governance Committee considers such diversity in selecting, evaluating and recommending proposed nominees. However, neither the Nominating and Governance Committee nor the Board of Directors has implemented a formal policy with respect to the consideration of diversity for the composition of the Board of Directors.

The Board of Directors' nominees for the Annual Meeting have been recommended by the Committee, and have been nominated by the independent directors and the full Board of Directors.

The Committee received no stockholder recommendations of candidates for election at the 2013 Annual Meeting.

During 2012, the Nominating and Governance Committee held five meetings.

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

The current members of the Compensation Committee are Mark Logan, who serves as chair, Richard Meier and John Moore. Each member of the Compensation Committee is "independent" as that term is defined under the rules of the Nasdaq Global Market.

The principal purposes of the Compensation Committee are to help ensure that STAAR's compensation of its executive officers and those of its subsidiaries satisfies the following requirements:

alignment with the compensation strategy of STAAR determined by the Board of Directors;

equitable and consistent treatment of all executive officers; and

enabling STAAR to compete in recruiting and retaining qualified executive officers.

The Committee also administers STAAR's Amended and Restated 2003 Omnibus Equity Incentive Plan.

The Compensation Committee makes recommendations to the Board of Directors on all decisions for the total direct compensation of the executive officers of STAAR, including base salary, annual bonus, long-term equity compensation and perquisites. The Compensation Committee also generally approves Company-wide pay increases and discretionary compensation that may be allocated to non-executive employees by management.

During 2012, the Compensation Committee held eight meetings.

#### ***Role of Consultant.***

The Compensation Committee has sole authority to retain and terminate a compensation consultant to assist in the evaluation of CEO or senior executive compensation. The Committee has not retained an independent compensation consultant in the past three years.

***Compensation Committee Interlocks and Insider Participation.***

During 2012 Mark Logan, Richard Meier, and John Moore served on the Compensation Committee. There were no Compensation Committee interlocks or insider (employee) participation during 2012.

***Audit Committee***

The principal purpose of the Audit Committee is to oversee (i) the quality and integrity of STAAR's financial statements, (ii) the qualifications and independence of STAAR's independent registered public accounting firm, and (iii) the performance of STAAR's independent registered public accounting firm. The Audit Committee operates under a written charter adopted by the Board of Directors.

The current members of the Audit Committee are Donald Duffy, who serves as chair, Charles Slacik, John Moore and Richard Meier. Each member of the Audit Committee is "independent" as that term is defined under the Audit Committee rules of the SEC and the Nasdaq Global Market. STAAR has determined that Messrs. Duffy, Meier and Slacik each qualify as an "audit committee financial expert" under the rules of the SEC.

In 2012 the Audit Committee met seven times.

**Stockholder Communications with Directors**

You may communicate with the chairman of our Audit Committee or the chairman of our Nominating and Governance Committee, or with our outside directors as a group, by writing to such persons c/o Office of the Secretary, STAAR Surgical Company, 1911 Walker Avenue, Monrovia, California 91016.

The Corporate Secretary distributes communications to the Board of Directors or to any individual director or directors, as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the Board of Directors has requested that certain items that are unrelated to the duties and responsibilities of the Board of Directors should be excluded, such as the following:

junk mail and mass mailings;

new product suggestions; and

resumes and other forms of job inquiries.

In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is excluded must be made available to any outside director upon request.

Communications that include information better addressed by the complaint hotline supervised by the Audit Committee will be forwarded to the hotline.

## EXECUTIVE COMPENSATION

### Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in STAAR's Proxy Statement for 2013 and incorporated by reference into its 2012 Annual Report on Form 10-K.

#### The Compensation Committee

Mark Logan (Chairman)  
Richard Meier  
John Moore  
March 28, 2013

### Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes the material elements of compensation for the executive officers of STAAR identified below in the Summary Compensation Table, to whom we refer as our "Named Executive Officers." The Compensation Committee of the Board of Directors, to which we refer in this discussion as the "Committee," makes recommendations to the Board of Directors for the total direct compensation that is, the base salary, annual bonus, long-term equity compensation and perquisites of STAAR's executive officers, including the Named Executive Officers. The Board then acts on the recommendation of the Committee. Both the Board and the Committee exercise independent discretion in making judgments regarding appropriate compensation.

STAAR's management develops the health, welfare, retirement and paid time-off plans and policies applicable to salaried and hourly U.S.-based employees with the advice of the Human Resources, Finance and Legal Departments, which generally administer these plans. Outside the U.S., the management of our foreign subsidiaries, with guidance from Corporate Human Resources, determines benefit plans in accordance with prevailing local standards and legal requirements.

#### ***STAAR's Business***

*Our Mission.* STAAR has been dedicated solely to ophthalmic surgery for over 25 years. We design, develop and manufacture implantable lenses for the eye as well as delivery systems therefor and market them worldwide. STAAR's mission is to increase stockholder value by forming commercial and therapeutic partnerships with our customers and business associates, allowing the ophthalmic surgeon to perform safer surgeries and improve patient outcomes. As to our officers and employees, our mission is to create an environment that is open, honest and entrepreneurial, within which each is challenged to reach his or her full potential.

*Our Values.* Each employee of STAAR is required to promote honest and ethical conduct both within the company and in their relations with customers, business partners and regulators.

*Our Business Opportunity.* STAAR competes with much larger companies in the ophthalmic industry and strives to maintain its competitive position through innovation. STAAR pioneered the flexible intraocular lens, which has become the standard of care for cataract surgery, and is the worldwide leader in intraocular refractive implants. For our business to grow and reward our stockholders for investing in us, we believe our employees must devote their efforts to developing, manufacturing, and marketing innovative products that improve the vision of patients and better serve the needs of our physician customers.

STAAR's standing with the FDA and other regulators, and its reputation with customers, depend on maintaining a corporate culture that emphasizes compliance at all levels, and STAAR aims for continuous improvement in the quality of its processes and products. Engrained in the performance of executives and employees at every level is a special emphasis on that contribution.

*2012 Results of Advisory Vote to Approve Compensation of Named Executive Officers.* At the annual meeting on May 14, 2012 a substantial majority of our stockholders, approximately 98% of the voting power represented in person or by proxy and entitled to vote on the matter, approved the compensation of our Named Executive Officers. After consideration of this high level of support, the Committee decided that we did not need to make substantial changes to our compensation policies and decisions. Nevertheless, the Committee continually monitors and evaluates our compensation policies and decisions and considers from time to time changes that might more closely align the interests of our named executive officers and stockholder. It will look to our annual advisory votes on executive compensation to gauge stockholder support for these changes.

### **Compensation Policies and Practices Related to Risk Management**

STAAR's Compensation Committee, Audit Committee and Board of Directors have analyzed and continue to monitor whether STAAR's compensation practices with respect to executive officers or any of its employees create incentives for risk-taking that could harm STAAR or its business. The Compensation Committee, Audit Committee and the Board of Directors have all determined that STAAR's compensation practices and policies do not create any risk that is reasonably likely to have a material adverse effect on STAAR.

### **Compensation Program Objectives and Rewards**

*Compensation Philosophy.* STAAR designs its compensation programs to promote a high-performance culture that attracts, motivates and retains the key talent necessary to optimize stockholder value in a competitive environment. Compensation at STAAR is market-driven and is designed to motivate behaviors that will enable STAAR to execute an ambitious business strategy. Our compensation program is designed to reward our executives for meeting or exceeding corporate financial goals and individual objectives, and for maintaining the highest standards of business conduct. The Committee reviews all elements of compensation for executive officers. In the Committee's deliberations, management is involved only to the extent of providing performance information and recommendations. When the Board of Directors makes its final determinations of compensation, the Chief Executive Officer has no participation in the determination of his own compensation, but joins with the full Board in the determination of compensation of other executive officers.

The compensation package for employees can include a number of components:

Incentive pay for the achievement of business and strategic goals, as measured by our financial and operating performance, as well as individual strategic, management and development objectives.

Competitive compensation, set at levels to attract and retain key employees. We regularly review compensation surveys in the medical device industry and consider the results of these reviews as one factor in setting compensation levels.

Alignment of employee compensation with the interests of stockholders through equity compensation.

In particular, STAAR seeks to set base salaries generally at the 25<sup>th</sup> percentile among benchmark survey data, with performance-based compensation and equity compensation having the potential to bring total compensation to the 50<sup>th</sup> percentile level or even higher if individual or company performance exceed targets.

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STAAR measures the success of its compensation programs by the following:

The overall performance of STAAR's business and the commitment of its officers to improving performance;

Our ability to attract and retain key talent; and

The perception of employees that STAAR rewards dedication, skill and focus on success of the enterprise.

While STAAR believes it is important to establish clear performance objectives, it also recognizes that objectives may change during the year. STAAR values flexibility in making final determinations of compensation, and accordingly treats reported performance against objectives as guidelines for the Committee, which will then exercise discretion in making final compensation recommendations.

*Market Check.* STAAR generally seeks to pay executive officers total compensation competitive with that paid to executives in comparable positions with other companies of similar size in STAAR's industry. Bonus programs and equity incentives constitute a significant portion of total compensation and are designed to reward performance against financial and strategic objectives as well as align the interests of executive officers with those of our stockholders.

All of the compensation and benefits for the Named Executive Officers serve the primary purpose of attracting, retaining and motivating the highly talented individuals who perform the work necessary for STAAR to succeed in its mission while upholding its values in a highly competitive marketplace. The Committee annually reviews the Radford Global Life Sciences Survey prepared by the Radford Survey of Executive Compensation to assess the general competitiveness of STAAR's compensation. Comparisons with survey results are only one element considered by the Committee in making compensation decisions.

STAAR's Board of Directors has approved a "peer group" of companies to be used to help assess the company's performance and will consider using this group in the future for comparison of compensation related matters. The peer group consists of 12 public companies within our industry or closely related industries. The majority of the peer group members are of similar size and scope to STAAR, while a few are larger and a few are smaller. The market cap of this peer group ranges from \$40 million to \$1.1 billion. The companies selected to be in our peer group for 2012 are the following: Anika Therapeutics, Cutera Inc., Cynosure Inc., Integra Lifesciences Holdings Corp., Iridex Corp., LCA Vision Inc., Merit Medical Systems, Inc., Palomar Medical Technologies Inc., Synergetics USA Inc., Syneron Medical Ltd. and Solta Medical Inc., and Volcano Corp.

The Committee believes that it has been able to attract and retain personnel with a high level of professional skill and experience partly because of the value its executives have placed on the potential growth in value of their equity compensation if their efforts to improve STAAR's business succeed. However, current salary levels could pose a future risk to retention of the most qualified individuals. As a result, the Committee believes that as STAAR's performance continues to improve it is likely, over time, to reassess and appropriately adjust compensation levels.

The Radford Global Life Sciences Survey (Radford) employs a database of approximately 571 multinational life science companies, including approximately 53 companies in the medical device industry. Neither STAAR nor any of its officers or directors has engaged in any other transaction, or has any other relationship, with Radford.

Our CEO's total direct compensation, which includes a base salary, bonus and equity awards granted in 2012, falls below the 50<sup>th</sup> percentile relative to the Radford database. The total direct compensation for 2012 for each of the other 2013 Named Executive Officers falls below the 50<sup>th</sup> percentile as well.

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*Management by Objectives.* Near the beginning of each year, STAAR's management, in consultation with the Board, establishes Company goals expressed as objectives. The objectives typically relate to current year financial goals and milestones for significant longer term projects. Generally, objectives do not include the basic responsibilities of the employee's position. Near the beginning of each year, management, in consultation with the Committee, will generally develop individual management-by-objective goals ("MBOs") for each Named Executive Officer that are aligned with STAAR's overall short-term and long-term goals. Whenever possible, objectives have enough clarity and specificity to be easily measured (numbers, dates, events, etc.). Objectives are developed with the expectation that their achievement would be challenging but attainable. If there is more than one objective, they may be weighted but in any event the sum of the weights equals 100%. The Committee recommends to the Board of Directors annual target cash bonus amounts for each executive, expressed as a percentage of base salary. Once calculated, MBO scores serve as guidelines to the Committee, which retains significant discretion in deciding what portion, if any, of the targeted amount will be recommended to the Board of Directors to be awarded. The Committee also has the discretion to recommend compensation in excess of target amounts to the Board of Directors in cases of extraordinary performance, especially if that performance relates to new challenges or opportunities not originally identified in the MBO process.

Appraisals at every level of STAAR take into account compliance with our policies and codes of conduct. We may accord special weight to positive or negative contributions to STAAR's culture of compliance.

Below is a chart showing the last one, three, and five year total shareholder return (TSR) performance of STAAR compared to the peer group, projected ISS peer group and health care and equipment services group code competitors ending December 31, 2012. We believe the longer-term TSR for STAAR is more relevant as the one year period is impacted by short-term share price movements. We believe that our three and five year TSRs are a more relevant indication of long-term, sustained value creation for our stockholders we realized a three year TSR of 25.3% and a five year TSR of 18.2%, significantly exceeding the 50<sup>th</sup> percentile of our peers.

Returns in the graph below reflect historical results; we do not intend to suggest they predict future performance. The data assumes \$100 was invested on December 28, 2007 in STAAR common

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stock and in each of the composite indices, and that dividends (if any) were reinvested. We have never paid dividends on our common stock and have no present plans to do so.

### **Comparison of 5 Year Cumulative Total Return Assumes Initial Investment of \$100 December 2012**

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#### ***Elements of Compensation***

The elements of compensation that may be paid to executive officers of STAAR include base salary, annual incentive cash bonuses, and equity compensation in the form of plan-based awards.

*Base Salaries.* We generally negotiate base salaries at a level necessary to attract and retain the talent STAAR needs to execute its plans. The Committee considers such factors as its subjective assessment of the executive's scope of responsibility, level of experience, individual performance, and past and potential contribution to STAAR's business. As noted above in the context of total compensation, the Committee will often compare base salary with market data obtained through independent surveys as one factor in making compensation decisions.

The Committee determines base salaries for executive officers, including the Named Executive Officers, early each calendar year. For Named Executive Officers other than himself, the CEO proposes any change in base salary based on:

the CEO's evaluation of individual performance and expected future contributions, based on STAAR's Professional Development Plan;

the general development of STAAR's business;

a review of annual survey data; and

comparison of the base salaries of the executive officers who report directly to the CEO to provide for internal equity if necessary.

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*Annual Incentive Cash Bonuses.* The Board of Directors has exclusive discretion, acting on the recommendation of the Committee, to award bonuses to STAAR's executives, including its Named Executive Officers, as an incentive for employee productivity and effectiveness over the course of each fiscal year.



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Each of our current Named Executive Officers has an established annual bonus target, as do the other executive officers. The Committee determines these targets based on any pre-existing contractual commitments and through discussion regarding the executives' levels of salary and responsibility, equity among peer level officers and benchmarking data. In awarding annual bonuses against individual targets, the Committee and Board apply a two-step process. First, they assess STAAR's level of achievement of company-wide objectives in the preceding year. A bonus pool is funded based upon how well the Company has performed against these objectives.

In the second step, the Committee assesses each executive's performance against the individual objectives that the Committee has pre-determined through the MBO process, as well as other measures resulting from the executive's performance review. In the case of the CEO, the Committee makes this performance evaluation; in the case of other executives, the Committee reviews assessments prepared by the CEO. The company-wide performance, the individual's performance and the bonus target is then used as a guideline for bonus determination. Management may make further recommendations, and the Committee then weighs both objective and subjective standards in following or departing from the guideline bonus amount. In turn, the Board will exercise its own independent discretion in making final determinations based on those recommendations.

It is the goal of the Board and the Committee that as STAAR's business performance and profitability improves variable compensation will be awarded on an increasingly objective basis. In recognition of the significant challenges faced by STAAR's management in reversing negative trends for the business and efforts expended by management, the Committee believes that at present a greater degree of discretion and subjectivity is necessary to ensure that STAAR retains its most effective employees and continues to provide incentives for their efforts to improve the business and increase stockholder value. In the case of the CEO, bonus determination for 2012 was based 100% on the Company's reaching predetermined performance goals.

Since fiscal year 2011 the Committee and the Board of Directors have approved an Incentive Bonus Plan for both executive and non-executive management that funds predominantly based on STAAR having met and surpassed operating metrics established by the Board at the beginning of each fiscal year. The pool of funds for bonuses will begin to be available when STAAR meets thresholds of operating performance. The pool of funds grows if STAAR meets its escalating performance metrics.

*Grants of Plan Based Awards Equity Compensation.* During 2012 STAAR issued stock awards to employees, officers, directors and consultants pursuant to the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan (2003 Omnibus Plan). We discuss the terms of the 2003 Omnibus Plan below under the heading "Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan." The 2003 Omnibus Plan makes available a broad variety of stock-based compensation; to date the Committee has awarded equity compensation in the form of stock options, restricted shares, performance accelerated restricted shares and other types of equity.

*Long-Term Equity Compensation.* The Committee believes that long-term equity incentive awards serve to align the interests of the executive officers with the interests of STAAR's stockholders. Long-term equity incentive awards may be granted in the form of either stock options, restricted shares or other types of equity.

*Stock options.* Stock options become valuable if the price of our common stock rises after we grant the options. The Committee sets the exercise price of a stock option on the date of grant at fair market value, which is the closing price of our common stock on the Nasdaq Global Market on that date. Under the 2003 Omnibus Plan, STAAR may not grant stock options having an exercise price below fair market value of our common stock on the date of grant. STAAR does not grant stock options with a so-called "reload" feature. To encourage retention by providing a long-term incentive, the ability to exercise an option vests over a period of years, normally three years.

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The Board of Directors grants stock options to executive officers based on the recommendations of the Committee. The Board of Directors has delegated to the Committee the authority to grant stock options to other employees. The Committee's policy is to make recommendations to the Board of awards of stock options to executive officers soon after they commence employment. In recommending these grants, the Committee weighs the potential contribution of the executive to STAAR. However because the size of initial awards generally depends on the level necessary to attract the executive under prevailing market conditions, initial award amounts are negotiated by management in consultation with the Committee, then submitted to the Board of Directors for approval. In determining the size of any subsequent grants, the Committee takes into consideration STAAR's and the individual's performance, level of responsibilities, competitive market practices (benchmarking), and the size and term of prior option grants. In general, the Committee seeks to ensure that for retention purposes senior executives and other key employees have a meaningful number of unvested and potentially valuable options. These factors are guidelines, and the Committee recommendations and the Board's final approval may include discretion and subjective judgment in determining the size of any award. STAAR does not backdate options or grant options retroactively. We also do not coordinate the grant of options with the release of nonpublic information in order to make grants before the announcement of favorable information or after the announcement of unfavorable information.

*Restricted shares/Restricted stock units.* Restricted shares and restricted stock units are shares of common stock that STAAR grants or promises to grant subject to restrictions on sale or transfer for a specified period of time. Restricted shares are forfeited back to STAAR if the grantee's service to STAAR terminates before the end of the vesting period. Vesting of restricted shares occurs when the restricted period ends and the grantee obtains full rights of ownership over the shares. Restricted stock provides a long-term incentive by aligning the grantee's interests with those of the stockholders and encourages retention through the risk of forfeiture if the grantee ceases working for STAAR during the restricted period.

*Performance Accelerated Restricted Shares.* Beginning in 2011 STAAR has issued performance accelerated restricted shares (PARS) to its executive officers, and in 2012 these have been the only form of restricted shares granted to executive officers. PARS are restricted shares as described above, but with a relatively long vesting period and a provision that, if STAAR meets or exceeds predetermined performance metrics set by the Board of Directors, a portion of the shares will vest early. For example, the PARS granted to date vest three years from the date of grant, but vesting of up to one third of the grant may be accelerated annually if STAAR exceeds the pre-established operating metric. STAAR believes that PARS are a useful tool because they reward not only retention but the achievement of specific goals that the Board has determined are in the best interest of stockholders.

### ***Base Salaries of Named Executive Officers***

On March 2, 2012 the Committee recommended and the Board of Directors approved adjustments in annual salaries of Named Executive Officers based on 2011 individual performance relative to their MBOs, competitive factors and benchmark data. The CEO received a 5% increase while the other Named Executive Officers received an aggregate of less than a 5% increase to their base salary, with no Named Executive Officer receiving more than a 10% increase to their base salary. On a Company-wide basis STAAR also targeted annual salary increases averaging 3% for non-executive employees. Individual adjustments were based upon individual performance reviews. Messrs. Gesten and Francese were hired in 2012, therefore were not considered for an increase for 2011 performance.

On March 4, 2013 the Board of Directors approved an increase of 3% for Mr. Caldwell and an aggregate of less than 3% for the Named Executive Officers for 2012 performance.

*Salary of Chief Executive Officer.* STAAR originally established the base salary and incentive compensation for its President and Chief Executive Officer, Barry Caldwell, through arm's-length

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negotiation based on his experience and skills and then-prevailing market conditions. Since first employing Mr. Caldwell on November 27, 2007 at a contractually established salary of \$400,000 per year, the Board has increased Mr. Caldwell's salary to its current level based on the results of annual performance reviews. On March, 2, 2012 the Board of Directors approved a 5% increase in Mr. Caldwell's base salary.

In approving Mr. Caldwell's 2012 salary increase the Board of Directors considered the positive performance factors for 2011 and the Board's belief that it was in the best interest of the stockholders to ensure his continued service through an increase in salary. In arriving at the increase, the Board considered Mr. Caldwell's performance and his level relative to similar positions within the Radford Global Life Sciences Survey. Mr. Caldwell's base salary remains between the 25<sup>th</sup> and the 50<sup>th</sup> percentile of the peer group as defined by the Radford Life Sciences Survey.

### *Annual Cash Bonuses for 2012 Performance*

On March 4, 2013, the Board of Directors approved annual cash bonuses to Named Executive Officers as follows:

#### **Bonuses for 2012 Performance**

<b>Name and Title</b>	<b>Bonus</b>
Hans Blickensdoerfer*	\$ 25,000
President, Europe, Middle East, Africa, Latin America	
Robin Hughes	\$ 40,000
Vice President, Research and Development, Regulatory and Quality	
Philippe Subrin*	\$ 50,000
Vice President, Switzerland Operations	
Samuel Gesten	\$ 50,000
Vice President, General Counsel and Corporate Secretary	
James Francese	\$ 25,000
Vice President, Global Marketing	

\*

In December 2012, the Board of Directors designated Messrs. Caldwell, Francese, Gesten, Hughes and Ms. Andrews as executive officers for purposes of Rule 16a-1(f) and Regulation S-K promulgated by the Securities and Exchange Commission. Information regarding Messrs. Blickensdoerfer and Subrin is set forth pursuant to paragraph (a)(3)(iv) of Item 402 of Regulation S-K.

The Committee's basis for determining annual bonus amounts for Named Executive Officers is described further below.

*Bonus Pool Calculation.* As noted above, STAAR's bonus pool is funded based upon how well the Company performs against pre-established operating metrics. For 2012, these metrics were a combination of year-over-year revenue growth, net income growth and execution of key operating projects. The minimum thresholds were \$63 million in revenue and \$1.3 million in net income. The funding of the bonus pool would increase as the Company's financial performance increases above previous year revenue and net income, so that upon reaching predetermined annual targets of revenue and net income the pool would be funded at 100% of the target bonus amounts. The targets for 100% bonus pool funding were \$72 million in revenue and \$5 million in net income.

*Achievement of Individual Objectives Final Bonus Determination.* After assessing the Company results in 2012 and the degree the Company has accomplished their objectives, the Board approved a

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company-wide bonus pool equal to 28% of the target bonus pool. These dollars were distributed to executives and non-executive employees based upon performance against individual MBOs.

Name and Position	2012 Salary	Individual Incentive Target(1)	Objective	Level of Attainment	Bonus Paid(1)
Barry Caldwell President and CEO	\$ 475,000(1)	60%	STAAR meets or exceeds the budgeted revenue and net income plan for 2012.	Not Achieved	0%
			Achieve key manufacturing consolidation milestones while maintaining product supply and quality.	Achieved	
			Achieve key global regulatory approvals.	Not Achieved	
Deborah Andrews Vice President and CFO	\$ 275,000	40%	Successfully achieve key financial results for the year.	Not Achieved	0%
			Timely and accurate financial reporting.	Achieved	
			Timely and accurate key management reports to effectively manage business.	Partially Achieved	
			Provide financial support for consolidation project.	Achieved	
Samuel Gesten, Vice President, General Counsel and Corporate Secretary	\$ 300,000	35%(4)	Assess corporate governance policies and practices and improve where appropriate.	Achieved	17%
			Gain fundamental understanding of STAAR business and legal structures.	Achieved	
			Become a key contributor on the New Business Development Team.	Achieved	
			Initiate and support structured I.P. portfolio creation and review process.	Partially Achieved	

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Name and Position	2012 Salary	Individual Incentive Target(1)	Objective	Level of Attainment	Bonus Paid(1)
Robin Hughes Vice President Research and Development, Regulatory and Quality	\$ 275,000	40%	Build a new STAAR Monrovia based global R&D organization with strong management within the team. Achieve key R&D milestones.	Partially Achieved  Partially Achieved	15%