

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. Create a focus within the regulatory organization which is aligned with our strategic priorities. Be a key member of the Business Development team.	Partially Achieved Partially Achieved Achieved Achieved	15%
James Francese Vice President Global Marketing(3)	\$ 260,000	40%	Understand and set direction for STAAR's Global Marketing system and platform. Become a key member of the Global Commercial Team.	Partially Achieved Achieved	10%
Hans Blickensdoerfer President Europe, Middle East, Africa and Latin America	\$ 324,094(2)	40%	Exceed 2012 revenue plan in each of five targeted markets in EMEA. Successfully transfer the distribution model in Spain from a distributor directed to STAAR directed.	Not Achieved Partially Achieved	8%
Philippe Subrin Vice President, Switzerland Operations	\$ 285,751(2)	30%(4)	Achieve key consolidation project milestones while maintaining customer service levels and product quality. Manage cost of goods targets for 2012. Improvement of quality audit results at Nidau, Switzerland location.	Achieved Achieved Achieved	18%

(1) "Incentive Target" and "Bonus Paid" are shown as a percentage of salary.

(2) Based on the dollar/Swiss franc exchange rate as of December 28, 2012.

(3) Eligible for 6 months of target bonus.

(4) For 2012, target bonus remained the same. For 2013, based upon individual performance and benchmark data, the Board of Directors approved increases to the target bonus for Mr. Gesten from 35% to 40%, and for Mr. Subrin from 30% to 35%.

*Plan-based Awards to Named Executive Officers in 2012*

*Plan-Based Awards to Named Executive Officers in Fiscal Year 2012.* On March 2, 2012 the Committee recommended to the Board that it grant long-term equity compensation to the Named Executive Officers, consistent with the Company's Compensation Philosophy, in the form of stock option grants and PARS, and the Board approved, as follows:

**Long-Term Equity Compensation**

Name and Title	Stock Options(1)	PARS(2)
Barry Caldwell President and CEO	40,000	15,000
Deborah Andrews Vice President and Chief Financial Officer	20,000	7,500
Hans Blickensdoerfer President Europe, Latin America, Middle East	20,000	7,500
Robin Hughes Vice President, Research and Development, Regulatory and Quality	20,000	7,500
Philippe Subrin Vice President, Switzerland Operations	20,000	7,500
Samuel Gesten Vice President, General Counsel and Corporate Secretary	20,000(3)	7,500(3)

- (1) The stock options have a 10-year term and a three-year vesting schedule, with one third vesting on the first three yearly anniversaries of grant. The exercise price is \$11.00, which was the closing price on the The Nasdaq Stock Market on the date of grant.
- (2) Performance Accelerated Restricted Shares of Common Stock (PARS), subject to forfeiture and vesting in a single installment on March 4, 2016, but subject to accelerated vesting as to one third of the shares each year pursuant to achievement of revenue and income performance criteria.
- (3) Mr. Gesten was hired on April 2, 2012 and was granted PARS and stock options priced on the date of hire at \$11.02 per share, which was the closing price on The Nasdaq Stock Market.

In 2012, pursuant to our 2003 Omnibus Plan, the Committee approved the performance goals and the amount of compensation for a Visian ICL Equity Plan ("VEP"), which is a performance contingent equity plan based upon the Company achieving various levels of Visian ICL sales growth in 2012, and which was ratified by the Board of Directors and became effective on May 1, 2012. The Chief Executive Officer, Chief Financial Officer and Named Executive Officers participate in the VEP. The equity grant under the VEP would occur if the Company achieved 100% of its 2012 sales target for Visian ICL products, at which point participants would receive twenty percent (20%) of their maximum potential grant. Additional equity grants would be earned ratably as Visian ICL sales increase above the 2012 sales target with a maximum award granted when Visian ICL sales reach 112% of the 2012 sales target. The maximum potential grant for the Chief Executive Officer was 12,000 shares; for the Chief Financial Officer 3,000 shares; for the President of EMEA and Latin America 6,000 shares; for the Vice President, Global Research and Development, Regulatory and Quality 6,000 shares; for the Vice President, Swiss Operations 3,000 shares; and for the Vice President, General Counsel and

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Corporate Secretary 3,000 shares. Any shares granted under the VEP vest after calculating global Visian ICL sales in 2012, at which time half of the earned shares vest and the other half vest one year thereafter. It was determined in 2013 that the Company did not meet the established performance metrics, therefore shares were not granted to any executive.

On March 4, 2013, the Committee recommended and the Board approved restricted stock units (RSU) to be awarded to key management upon exceeding a predetermined operating metric, subject to the eligible members of management's acceptance (which occurred as of March 12, 2013) as follows:

Name and Title	Restricted Stock Units(1)
Barry Caldwell President and CEO	30,000
Deborah Andrews Vice President and Chief Financial Officer	6,500
Hans Blickensdoerfer President Europe, Latin America, Middle East	12,000
Robin Hughes Vice President, Research and Development, Regulatory and Quality	7,500
Philippe Subrin Vice President, Switzerland Operations	5,000
Samuel Gesten Vice President, General Counsel and Corporate Secretary	5,000
James Francese Vice President, Global Marketing	12,000

- (1) Restricted Stock Units (RSU), subject to forfeiture and vesting in a single installment, are contingent upon reaching the 2013 audited revenue goal.

### *Change-in-Control Arrangements*

Our Named Executive Officers will receive certain severance and other benefits from STAAR or a successor company if they are terminated following a change in control of STAAR. Rights of this nature are often termed "double trigger" change-in-control rights. In addition, the 2003 Omnibus Plan provides that, if STAAR has a change in control, options vest immediately unless the surviving company assumes or replaces the options. STAAR provides these rights to help it compete with larger, better-capitalized ophthalmic companies in attracting employees. STAAR also recognizes the importance to STAAR and its stockholders of avoiding the distraction and loss of key management personnel that may occur in connection with rumored or actual fundamental corporate changes. Change-in-control rights are intended to do the following:

Encourage employees to remain with STAAR despite uncertainties while a transaction is under consideration or pending by assuring them that, if they are terminated as a result of a change in control, they will receive continued pay and benefits to cover the disruption in employment; and

Reinforce the alignment of employee interest with stockholder interest by providing that, if a major transaction occurs, vesting and exercisability of stock options will continue, so the potential equity value of unvested or unexercised options will not be lost.

The specific change-in-control rights to which each Named Executive Officer is entitled are discussed below under "Employment Agreements."





***Severance Arrangements***

Each of our Named Executive Officers is entitled to limited continuation of salary and benefits if the officer is terminated under specified circumstances. These arrangements are provided to maintain STAAR's competitive position in attracting and retaining executive talent and are described further in the section "Employment Agreements" below.

***Perquisites***

STAAR's Named Executive Officers, along with other senior management employees, may be eligible for limited perquisites intended to minimize distractions from the executives' attention to STAAR's business. In 2012, the Named Executive Officers received an optional executive health screening and an optional executive life insurance policy with premiums and costs paid by STAAR.

***Benefits***

The Named Executive Officers participate in a variety of retirement, health and welfare, and paid time-off benefits designed to enable STAAR to attract and retain its workforce in a competitive marketplace. Health and welfare and paid time-off benefits help ensure that STAAR has a productive and focused workforce through reliable and competitive health and other benefits. Pension and savings plans help employees, especially long-serving employees, save and prepare financially for retirement.

STAAR's qualified 401(k) Plan allows all employees to contribute up to the limits imposed by the Internal Revenue Code \$17,000 per employee for 2012 (with a \$5,500 annual catch-up contribution permitted for those over 50 years of age) on a pre- or after-tax basis. During 2012 STAAR provided a 50% percent match up to the first 6% of the employee's compensation. The terms of the 401(k) Plan are described below under the caption "Employee Benefit Plans." Officers serving outside the U.S., where Section 401(k) of the Internal Revenue Code is largely inapplicable, receive pension benefits based on local regulations and standards.

*Policy Under Section 162(m) of the Internal Revenue Code.* STAAR has not formulated a policy for qualifying compensation paid to executive officers for deductibility under Section 162(m) of the Internal Revenue Code. The Committee will consider whether such a policy should be implemented, either in general or with respect to specific transactions. Our Amended and Restated 2003 Omnibus Equity Incentive Plan, which is subject to approval by the stockholders (Proposal No. 2 of this proxy statement), has been designed to permit the Committee to make awards that would qualify compensation paid to executive officers for deductibility under Section 162(m).

## Summary Compensation

The following table summarizes the compensation of the Named Executive Officers for each of the three fiscal years ending December 28, 2012. By providing the Grant Date Fair Value of stock and option awards in the table STAAR does not imply any assurance that such values will ever be realized. The Named Executive Officers are the Chief Executive Officer, Chief Financial Officer and our three other most highly compensated executive officers:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(3)	Total (\$)
Barry Caldwell	2012	458,392		164,850	283,568		113,459	1,020,269
President and Chief Executive Officer	2011	449,500	290,000	137,100	143,286		49,749	1,069,635
	2010	428,462	180,000	87,250	188,261		64,477	948,450
Deborah Andrews	2012	273,303		82,425	141,784		69,047	566,559
Vice President and Chief Financial Officer	2011	270,846	105,000	63,060	71,643		14,125	524,674
	2010	260,673	67,500	34,900	94,131		13,046	470,250
Hans Blickensdoerfer(2)(4)	2012	322,117	25,000	82,425	141,784			571,326
President, Europe, Middle East, Africa, and Latin America	2011	305,862	130,000	74,040	71,643			581,545
	2010	271,687	75,000	34,900	94,131	116,039		591,757
Robin Hughes	2012	267,806	40,000	82,425	141,784		55,094	587,109
Vice President, Global Marketing	2011	248,654	110,000	68,550	71,643		19,310	518,157
	2010	242,115	65,000	17,450	109,852		18,188	452,605
Philippe Subrin(2)(4)	2012	284,488	50,000	82,425	141,784			558,697
Vice President, Switzerland Operations	2011	271,531	87,750	63,060	71,643			493,984
	2010	242,865	50,000	34,900	94,131	95,668		517,564
Samuel Gesten	2012	212,878	50,000	82,575	498,519		18,511	862,482
Vice President, General Counsel and Corporate Secretary	2011							
	2010							
James Francese	2012	74,869	25,000		216,830		5,744	322,443
Vice President, Global Marketing	2011							
	2010							

(1)

Dollar amounts in the Stock Awards and Option Awards columns reflect the aggregate grant date fair value with respect to stock awards and options granted during fiscal years 2012, 2011 and 2010 calculated in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts for fiscal years 2012 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. Amounts include the grant date fair values based on probable performance of the performance conditions of Performance Accelerated Restricted Shares of Common Stock (PARS). The grant date fair values of these awards based on maximum performance of the performance conditions were as follows: \$11 per share for March 2, 2012 grant and \$11.02 per share for April 2, 2012 grant less \$0.01 per share par value paid by the officer.

(2)

Amounts are translated using the applicable average Swiss Franc exchange rate for the years presented.

(3)

For each executive officer who received perquisites and personal benefits exceeding \$10,000 in 2012, perquisites and benefits are quantified in the subsequent table below.

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(4)

In December 2012, the Board of Directors designated Messrs. Caldwell, Francese, Gesten, Hughes and Ms. Andrews as executive officers for purposes of Section 16 of the Exchange Act. Messrs. Blickensdoerfer and Subrin were no longer designated as executive officers beginning in December 2012. Information regarding Messrs. Blickensdoerfer and Subrin is set forth pursuant to paragraph (a)(3)(iv) of Item 402 of Regulation S-K.

The following table summarizes the elements of "All Other Compensation" listed in the table above for 2012.

Name	Perquisites and Other Personal Benefits (\$)	Accrued Vacation Cash Out (\$)	Insurance Premiums (\$)	Company Contributions to Retirement and 401(k) Plans (\$)	Total (\$)
Barry Caldwell		79,985	25,437	8,037	113,459
Deborah Andrews		50,604	9,943	8,500	69,047
Robin Hughes		32,722	13,872	8,500	55,094
Samuel Gesten	3,800	6,382	5,952	2,377	18,511
James Francese		5,188	556		5,744

39

**Grants of Plan-Based Awards  
for Fiscal Year Ended  
December 28, 2012**

The following table provides information on stock and option awards granted in 2012 to each of STAAR's Named Executive Officers, and estimated future payouts for non-equity incentive plan awards under STAAR's executive cash bonus plan. By providing the Grant Date Fair Value of stock and option awards in the table STAAR does not imply any assurance that such values will ever be realized.

Name and Principal Position	Grant Date	Threshold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		All Other Stock Awards: Number of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards(3)(\$)
			Target (\$)(2)	Maximum (\$)(2)				
Barry Caldwell President, Chief Executive Officer	03/02/2012 03/02/2012	0 0	285,000	570,000	15,000		164,850 283,568	
Deborah Andrews Vice President, Chief Financial Officer	03/02/2012 03/02/2012	0 0	110,000	220,000	7,500	20,000	82,425 141,784	
Hans Blickensdoerfer President, EMEA and LA	03/02/2012 03/02/2012	0 0	129,637	259,275	7,500	20,000	82,425 141,784	
Robin Hughes Vice President, Research and Development, Regulatory and Quality	03/02/2012 03/02/2012	0 0	110,000	220,000	7,500	20,000	82,425 141,784	
Philippe Subrin Vice President, Switzerland Operations	03/02/2012 03/02/2012	0 0	85,725	171,450	7,500	20,000	82,425 141,784	
Samuel Gesten Vice President, General Counsel and Corporate Secretary	04/02/2012 04/02/2012	0 0	105,000	210,000	7,500	70,000	82,575 498,519	
James Francese Vice President, Global Marketing	09/04/2012	0	104,000	208,000		50,000	216,830	

(1) Reflects targeted and maximum cash bonuses for 2012 performance paid in 2013 under STAAR's cash bonus plan for executive officers.

(2) Based on the U.S. dollar/Swiss Franc exchange rate as of December 28, 2012.

(3) Reflects the aggregate grant date fair value with respect to stock awards and options granted during fiscal year 2012, calculated in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 14 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.

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Stock awards granted to executive officers in 2012 consisted of the following:

Performance Accelerated Restricted Shares of Common Stock (PARS), subject to forfeiture and vesting in a single installment on March 02, 2015, but subject to accelerated vesting as to one third of the shares each year pursuant to achievement of certain performance criteria.

All of the stock options granted to executive officers in 2012 had a ten-year term and a three-year vesting schedule, with one third vesting on the first three yearly anniversaries of grant.

**Outstanding Equity Awards  
at Fiscal Year-End  
December 28, 2012**

The following table shows the number of shares covered by exercisable and unexercisable options and unvested shares of restricted stock held by STAAR's Named Executive Officers on December 28, 2012.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Barry Caldwell	20,000		4.79	05/15/2017	30,000	\$ 174,600
	200,000		2.21	01/07/2018		
	33,333	16,667(1)	5.68	12/14/2020		
	13,333	26,667(2)	5.49	3/14/2021		
		40,000(3)	11.00	3/1/2022		
Deborah Andrews	20,000		7.86	02/26/2014	15,000	\$ 87,300
	35,000		3.95	04/06/2015		
	50,000		4.71	08/21/2015		
	25,000		6.92	02/09/2016		
	40,000		5.39	04/01/2017		
	20,000		2.91	05/14/2018		
	16,666	8,334(4)	5.68	12/14/2020		
	6,666	13,334(5)	5.49	3/14/2021		
	20,000(6)	11.00	3/1/2022			
Hans Blickensdoerfer	35,000		6.27	12/31/2014	15,000	\$ 87,300
	25,000		6.92	02/09/2016		
	25,000		5.39	04/01/2017		
	50,000		2.30	02/13/2018		
	16,666	8,334(4)	5.68	12/14/2020		
	6,666	13,334(5)	5.49	3/14/2021		
		20,000(6)	11.00	3/1/2022		
Robin Hughes	50,000		3.82	07/05/2017	15,000	\$ 87,300
	10,000		2.91	05/14/2018		
	3,333	1,667(7)	4.69	08/15/2020		
	16,666	8,334(4)	5.68	12/14/2020		
	6,666	13,334(5)	5.49	3/14/2021		
		20,000(6)	11.00	3/1/2022		
Philippe Subrin	15,000		7.86	02/26/2014	15,000	\$ 87,300
	13,334		3.95	04/06/2015		
	15,000		5.39	04/01/2017		
	35,000		2.30	02/13/2018		
	16,666	8,334(4)	5.68	12/14/2020		
	6,666	13,334(5)	5.49	3/14/2021		
		20,000(6)	11.00	3/1/2022		
Samuel Gesten		70,000(8)	11.02	4/1/2022	7,500	\$ 43,650
James Francese						

50,000(9) 6.71 9/3/2022

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- (1) 16,667 options will vest on December 15, 2013.
- (2) 13,333 options will vest on March 15, 2013, and the remaining 13,334 will vest on March 15, 2014.



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- (3) 13,333 options will vest on March 2, 2013, 13,333 options will vest on March 2, 2014, and the remaining 13,334 will vest on March 2, 2015.
- (4) 8,334 options will vest on December 15, 2013.
- (5) 6,667 options will vest on March 15, 2013, and the remaining 6,667 options will vest on March 15, 2014.
- (6) 6,666 options will vest on March 2, 2013, 6,667 options will vest on March 2, 2014, and the remaining 6,667 options will vest on March 2, 2015.
- (7) 1,667 options will vest on August 16, 2013.
- (8) 23,333 options will vest on April 2, 2013, 23,333 options will vest on April 2, 2014, and the remaining 23,334 will vest on April 2, 2015.
- (9) 16,666 options will vest on September 4, 2013, 16,667 options will vest on September 4, 2014, and the remaining 16,667 options will vest on September 4, 2015.

**Option Exercises and Stock Vested as of  
Fiscal Year-End December 28, 2012**

The table below shows the number of shares of STAAR common stock acquired by Named Executive Officers during 2012 on the exercise of options, and the number of shares of stock subject to stock awards that vested in 2012 for each Named Executive Officer.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Barry Caldwell			10,000	110,000
Deborah Andrews	3,000	5,790	4,000	44,000
Hans Blickensdoerfer			6,000	66,000
Robin Hughes			5,000	55,000
Philippe Subrin			4,000	44,000

**Pension Benefits for Fiscal Year Ended  
December 28, 2012**

STAAR maintains a pension plan covering employees of its Swiss subsidiary, including the Named Executive Officers listed below. This plan, which we refer to as the "Swiss Plan," is classified as a defined benefit plan under guidelines of the Swiss Auditing Chamber's Auditing Practice Committee and its Accounting Practice Committee, and STAAR accounts for it as a defined benefit plan.

The Swiss Plan is financed by employer and employee contributions, with employers required to match employee contributions. No other Named Executive Officer participates in a defined benefit pension plan.

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The table below shows the present value of the pension benefits to which each person is entitled to under the Swiss Plan. The present value assumes that the participant will retire at age 65, the normal retirement age for men under the Swiss Plan. The present value was calculated using the assumptions set forth in Note 12 to the consolidated financial statements in STAAR's Annual Report on Form 10-K for fiscal year 2012.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During 2012 (\$)
Hans Blickensdoerfer	Swiss Plan	8.0(1)	235,739	
Philippe Subrin	Swiss Plan	10.0(1)	381,595	

(1)

The number of years credited to an employee under the Swiss Plan is determined by applicable government regulations and plan formulae, and may be greater than the actual number of years the employee has worked for STAAR.

### Change in Control and Termination Payment and Benefit Estimates As of December 28, 2012

The table below demonstrates the effect of termination and change-in-control rights held by Named Executive Officers under their employment agreements with us. Each column of the table shows the financial benefit that would have been received by a Named Executive Officer, on a hypothetical basis, if one of the following events had occurred on December 28, 2012:

termination by STAAR without cause, or by the Named Executive Officer for good reason, prior to a change in control;

termination by STAAR without cause, or by the Named Executive Officer for good reason, following a change in control;

a change in control of STAAR, without termination of the Named Executive Officer; and

termination because of disability, irrespective of any change in control.

We are providing this information on a hypothetical basis in accordance with the regulations of the SEC. In fact, no such change in control occurred on December 28, 2012, and none of the Named Executive Officers was terminated on that date. There can be no assurance that a change in control would produce the same or similar results as those described if it occurs on any other date, or if any assumption is not correct when the actual event occurs. Termination "for good reason" generally means that an employer has adversely changed the terms and conditions of employment to such a degree that

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the executive, under the specific terms of his or her agreement, is entitled to voluntarily resign and to receive severance benefits.

Name	Benefit	Termination w/o Cause or Good Reason for (\$)	Termination w/o Cause or for Good Reason following Change in Control (\$)(2)	Change in Control (\$)(1)	Disability (\$)
Barry Caldwell	Severance Options and restricted stock vest immediately	712,500	712,500	185,433	237,500
Deborah Andrews	Severance Options vest immediately	137,500	275,000	92,717	
Hans Blickensdoerfer	Severance Options vest immediately	162,047	324,094	92,717	
Robin Hughes	Severance Options vest immediately	137,500	275,000	94,601	
Philippe Subrin	Severance Options vest immediately	142,876	285,751	92,717	
Samuel Gesten	Severance Options vest immediately	150,000	300,000	43,575	
James Francese	Severance Options vest immediately	130,000	260,000		

- (1) Assumes that following a change in control the acquirer or surviving company has not assumed or confirmed the Named Executive Officer's outstanding options. If the acquirer assumes options or surviving company confirms options issued under the 2003 Omnibus Plan, the options will continue to vest in accordance with their original terms.
- (2) Except as otherwise indicated, severance payments are payable on a bi-weekly basis during the severance period. Mr. Caldwell would receive his severance payment in a lump sum payable on the 60<sup>th</sup> day following a termination, regardless of a change in control.

### EMPLOYMENT AGREEMENTS

#### ***Barry Caldwell, President and Chief Executive Officer***

Mr. Caldwell's employment with STAAR is governed by an Amended and Restated Executive Employment Agreement dated December 31, 2008, which was further amended by Amendment No. 1 dated January 11, 2010 and Amendment No. 2 dated November 7, 2012. The term "Agreement" in the following discussion refers to the Executive Employment Agreement as amended to date and currently in force.

The Agreement has a term of one year from November 27, 2010, and automatically renews for successive one-year terms on each anniversary of that date unless either Mr. Caldwell or STAAR gives written notice of an intent not to renew within six months prior to the expiration of the original term or any renewal term. The Agreement provides for an initial base salary of \$400,000, subject to annual increases at the discretion of STAAR's Board. Mr. Caldwell's annual base compensation is payable to him in cash, but prior to any annual renewal of the Agreement Mr. Caldwell may elect instead to receive a portion of that compensation in the form of restricted stock to be priced on the date of election and issued on, or as soon as practicable after, the renewal date. If Mr. Caldwell elects to take restricted stock in lieu of cash compensation, the restricted stock will be subject to vesting restrictions, and vest in twelve equal monthly installments during the year after grant.



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The Agreement provides for a performance bonus of up to 60% of annual salary. Mr. Caldwell is also eligible to participate in equity compensation programs generally available to similarly situated executives of STAAR. The Agreement also entitles Mr. Caldwell to participate in all benefit plans available to similarly situated executives of STAAR, including executive level health and life insurance coverage.

If STAAR terminates Mr. Caldwell's employment other than for cause, he will be entitled to 18 months' salary from the date of termination.

Within the period of one year after a change in control, if Mr. Caldwell's employment is terminated (or if he resigns during that period following a material reduction in compensation or change in duties), he will receive 18 months' salary as a lump-sum payment, plus continued benefits for a 12-month period. In addition, following such a termination all unvested options or restricted stock will immediately vest and options will continue to be exercisable until their expiration dates. If severance payments in connection with a change in control result in liability for excise taxes under Section 280G of the Internal Revenue Code of 1986, as amended, Mr. Caldwell will generally receive a "gross-up" payment in an amount sufficient to make up for the effect of the excise tax. However, if excise taxes could be avoided by reducing total severance payments by up to 10%, the total payments will be reduced to the amount where excise taxes would not be incurred.

The Agreement anticipates that the Board of Directors will nominate Mr. Caldwell for re-election to the Board of Directors at each annual meeting, unless he elects not to stand for election. He will not receive additional compensation for Board service.

### ***Deborah Andrews, Vice President and Chief Financial Officer***

On August 17, 2005, we entered into an Agreement with Deborah Andrews to act as our Chief Financial Officer. The Agreement provides for an initial annual base salary of \$250,000, and a performance bonus of up to 40% of base salary, which the Committee may adjust periodically.

### ***Robin Hughes, Vice President, Global Research and Development, Regulatory and Quality***

An offer letter dated May 8, 2007 sets forth terms and conditions of Robin Hughes' employment as Vice President, Global Marketing. The letter provides for an initial base salary of \$235,000 per year, and eligibility for an annual bonus of up to 40% of base salary, which the Committee may adjust periodically. In September 2012, Mr. Hughes changed his role to become Vice President, Research & Development, Regulatory and Quality. Mr. Hughes' compensation remained the same after the change in role.

### ***Philippe Subrin, Vice President, Switzerland Operations***

On April 21, 2002, we entered into an Employment Agreement with Philippe Subrin, Vice President, Switzerland Operations, in connection with his initial position of plant manager. The Agreement provides for an annual salary of 200,000 Swiss francs and eligibility for an annual bonus of 15% of base salary. If Mr. Subrin's employment is terminated for a cause other than non-performance, he will receive a severance payment of one year's salary. Mr. Subrin is entitled to six months' notice of termination, which is extended to one year of notice if termination results from a third party's acquisition of STAAR or results from a cause other than non-performance. In January 2013, we agreed to certain terms of Mr. Subrin's future employment contingent upon his agreement in the future, and in his sole discretion, to relocate to the United States after the Company completes its manufacturing consolidation efforts. Until the manufacturing consolidation efforts are complete and we request that Mr. Subrin relocate, and until he accepts all the terms of that offer and agrees to relocate, Mr. Subrin's current Employment Agreement, and the terms contained therein, govern the terms of his employment.

***Samuel Gesten, Vice President, General Counsel and Corporate Secretary***

An offer letter dated March 27, 2012 sets forth terms and conditions of Mr. Gesten's employment as Vice President, General Counsel and Corporate Secretary. The letter provides for an initial base salary of \$300,000 per year, and eligibility for an annual bonus of up to 35% of base salary, which the Committee may adjust periodically.

***James Francese, Vice President, Global Marketing***

An offer letter dated August 10, 2012 sets forth terms and conditions of Mr. Francese's employment as Vice President, Global Marketing. The letter provides for an initial base salary of \$260,000 per year, and eligibility for an annual bonus of up to 40% of base salary, which the Committee may adjust periodically.

***Hans Blickensdoerfer, President, Europe, Middle East, Africa, and Latin America***

On December 16, 2004 we entered into an employment agreement with Hans Blickensdoerfer in connection with his initial employment as Vice President, International Marketing. The Agreement provides for an annual salary of 195,000 Swiss francs, and an annual bonus potential of up to 25% of base salary, which the Committee may adjust periodically. If his employment is terminated without cause, Mr. Blickensdoerfer will receive a severance payment equal to six months' salary, plus a pro rata amount of his annual bonus eligibility. If Mr. Blickensdoerfer is terminated following a change in control he will receive a severance payment equal to one year's salary.

**Executive Change in Control Agreements**

STAAR has entered into executive change in control retention agreements with its executive officers and certain other key employees that provide cash and other severance benefits if there is a change in control of the Company. The Executive Change in Control Agreements with Ms. Andrews and Messrs. Hughes, Gesten and Francese provide that if the officer is terminated within 12 months after a change in control of STAAR, or resigns for good reason within 15 months after a change in control of STAAR, the officer will receive the following, subject to the officer entering into a release of claims with the employer:

One year's base salary at the greater of the rate applicable at the time of termination or the rate applicable immediately prior to the announcement of the change in control;

One year's target cash bonus amount, plus the greater of the amount of any bonus earned in the year of termination and the provided amount of the previous year's bonus;

One year's continuation of group health and dental benefits; and

Limited roll-backs or deferrals in compensation if necessary to reduce liability for excise taxes under Section 280G of the Internal Revenue Code, but no provision of any kind for the gross-up of payments for taxes or for any other purpose.

**Executive Severance Agreements**

STAAR has entered into executive severance agreements with its executive officers and certain other key employees that provide cash and other severance benefits if the officer is terminated without cause or resigns for good reason (except in connection with a change in control of STAAR). The Executive Severance Agreements with Ms. Andrews and Messrs. Hughes, Gesten and Francese provide that they will receive the following, subject to the officer entering into a release of claims with STAAR:

Six months' base salary at the rate applicable at the time of termination; and

Six months' continuation of group health and dental benefits.

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In the context of the Executive Change in Control Agreements and Executive Severance Agreements, resignation "for good reason" generally means that an employer has adversely changed the officer's salary, location or other terms and conditions of employment to such a degree that the executive is entitled to voluntarily resign and to receive severance benefits.

### Employee Benefit Plans

#### *Equity Compensation Plan Information*

The following table summarizes information about the options and other equity compensation under STAAR's equity plans as of the close of business on December 28, 2012.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans Approved by Stockholders	3,376,279(1)	5.89	969,000

- (1) Represents awards granted under the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan (the "2003 Omnibus Plan") and the 1998 STAAR Surgical Company Stock Plan which was approved by stockholders and consolidated into the 2003 Omnibus Plan.

The following table summarizes information about the options and other equity compensation under STAAR's equity plans as of the Record Date on March 15, 2013.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans Approved by Stockholders	3,831,613(1)	5.82	274,035

- (1) Represents awards granted under the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan (the "2003 Omnibus Plan") and the 1998 STAAR Surgical Company Stock Plan which was approved by stockholders and consolidated into the 2003 Omnibus Plan.

#### *Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan*

On May 19, 2010, the stockholders of STAAR approved the Amended and Restated 2003 Omnibus Equity Incentive Plan (the "Amended and Restated 2003 Omnibus Plan"). The Amended and Restated 2003 Omnibus Plan incorporates the previous 2003 Omnibus Equity Incentive Plan (the "Original 2003 Omnibus Plan"), which in turn incorporated a number of earlier company equity plans.

The Amended and Restated 2003 Omnibus Plan is the only equity plan currently used by STAAR to grant equity compensation. The Amended and Restated 2003 Omnibus Plan provides that a

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maximum of 8,500,000 shares are available for issuance, of which 6,500,000 shares had been previously authorized under the Original 2003 Omnibus Plan and the plans incorporated into it and 2,000,000 shares were subsequently approved on May 19, 2010 by our stockholders. Of the 8,500,000 shares available for issuance under the Amended and Restated 2003 Omnibus Plan, as of the Record Date 3,831,613 shares are subject to outstanding options, 309,500 shares have been granted as restricted shares that remain unvested and 274,035 shares remain available for future grants.

### **401(k) Plan**

STAAR maintains a 401(k) plan ("401(k) Plan") for the benefit of qualified employees in North America. During the fiscal year ended December 28, 2012, employees who participate may elect to make salary deferral contributions to the 401(k) Plan up to \$17,000 of the employees' eligible payroll, and \$22,500 for employees 50 years of age or older, subject to annual maximum limitations under the Code. STAAR makes a contribution of 50% of the employee's contribution up to the first 6% of the employee's compensation. In addition, STAAR may make a discretionary contribution to qualified employees, in accordance with the 401(k) Plan.

### **Review of Related Person Transactions**

The Board of Directors has adopted a written Related Person Transaction Policy, which requires the approval of the Audit Committee for all covered transactions. The Policy applies to any transaction or series of transactions in which STAAR or a subsidiary is a participant, the amount involved exceeds \$120,000 and a "Related Person" as defined in the Policy, including executive officers, directors and their immediate family members, and holders of in excess of 5% of our common stock, has a direct or indirect material interest. Under the Policy, all Related Person Transactions must first be submitted to the General Counsel of STAAR, who will determine whether the proposed transaction falls under the Policy and, if so, submit it to the Audit Committee for review, approval, ratification or other action. Based on its consideration of all of the relevant facts and circumstances, and full disclosure of the Related Person's interest in the transaction, the Committee will decide whether or not to approve the transaction and will approve only those transactions that are in the best interests of STAAR.

## **REPORT OF THE AUDIT COMMITTEE**

*In any of our filings under the Securities Act of 1933 or Exchange Act of 1934 that incorporate this Proxy Statement by reference, the Report of the Audit Committee of the Board of Directors will be considered excluded from the incorporation by reference, and it will not be deemed a part of any such other filing unless we expressly state that the Report is so incorporated.*

The Audit Committee of the Board of Directors is currently composed of four directors who are independent directors as defined under Nasdaq and SEC rules. The Audit Committee operates under a written charter adopted by the Board of Directors.

In accordance with a written charter adopted by the Board of Directors, the Audit Committee oversees STAAR's financial reporting process. Management is responsible for STAAR's financial statements and the financial reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for (i) performing an independent audit of STAAR's financial statements, (ii) expressing an opinion on whether STAAR's financial statements fairly present, in all material respects, STAAR's financial position and results of operations and conform with generally accepted accounting principles and (iii) an opinion on whether management's assessment that STAAR maintained effective internal control over financial reporting as of December 28, 2012, is fairly stated, in all material respects, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed



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with management and the independent registered public accounting firm the audited consolidated financial statements that have been included in our Annual Report on Form 10-K for the year ended December 28, 2012.

The Audit Committee has reviewed and discussed with STAAR's independent registered public accounting firm, BDO USA, LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received and reviewed the written disclosures and the letter from BDO USA, LLP required by the PCAOB regarding BDO USA, LLP's communications with the Audit Committee concerning the accountant's independence, and has discussed with BDO USA, LLP its independence from STAAR and its management.

The Audit Committee reviewed and discussed Company policies with respect to risk assessment and risk management.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, the inclusion of the audited financial statements in the Annual Report on Form 10-K for the fiscal year ended December 28, 2012 for filing with the SEC.

### The Audit Committee

Donald Duffy (Chairman)  
Charles Slacik  
Richard Meier  
John Moore  
Dated March 28, 2013

**PROPOSAL NO. 2**

**AMENDMENT AND RESTATEMENT  
OF  
2003 OMNIBUS EQUITY INCENTIVE PLAN**

Subject to the requisite affirmative stockholder vote at the Annual Meeting, the Board has adopted an 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 reserved for issuance under the plan by 1.25 million shares, among other changes. In this proxy proposal, we refer to the Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan as the "2003 Plan," and the 2003 Plan, as amended and restated in accordance with this Proposal No. 2 (the "Restated 2003 Plan")

We are seeking stockholder approval of the Restated 2003 Plan in order to comply with the requirements of The Nasdaq Stock Market. In addition, we are asking stockholders to approve the Restated 2003 Plan to satisfy the stockholder approval requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended ("Section 162(m)").

In general, Section 162(m) places a limit on the deductibility for federal income tax purposes of the compensation paid to our Chief Executive Officer or any of our three other most highly compensated executive officers (other than our Chief Financial Officer). Under Section 162(m), compensation paid to such persons in excess of \$1 million in a taxable year generally is not deductible. However, compensation that qualifies as "performance-based" under Section 162(m) does not count against the \$1 million deduction limitation. One of the requirements of "performance-based" compensation for purposes of Section 162(m) is that the material terms of the plan under which compensation may be paid be disclosed to and approved by our public stockholders. For purposes of Section 162(m), the material terms include (a) the employees eligible to receive compensation, (b) a description of the business criteria on which the performance goals may be based and (c) the maximum amount of compensation that can be paid to an employee under the performance goals. Each of these aspects of the Restated 2003 Plan is discussed below, and stockholder approval of this Proposal No. 2 will be deemed to constitute approval of the material terms of the Restated 2003 Plan for purposes of the stockholder approval requirements of Section 162(m).

Stockholder approval of the Restated 2003 Plan is only one of several requirements under Section 162(m) that must be satisfied for amounts realized under the 2003 Plan, as amended and restated, to qualify for the "performance-based" compensation exemption under Section 162(m), and submission of the material terms of the plan's performance goals for stockholder approval should not be viewed as a guarantee that we will be able to deduct all compensation under the plan. Nothing in this proposal precludes us or the Compensation Committee from making any payment or granting awards that do not qualify for tax deductibility under Section 162(m).

If stockholders do not approve this Proposal No. 2, the 2003 Plan, which was previously approved by our stockholders, will continue in full force and effect, but we will not be able to use the additional performance criteria in the Restated 2003 Plan as approved performance goals, as described more fully below.

**Introduction and Background for Current Request to Increase the Share Reserve**

The purpose of the Restated 2003 Plan is to enable the Company to attract, retain and motivate officers, directors, employees and independent contractors by providing for performance-based benefits, and to strengthen the mutuality of interests between these persons and the Company's stockholders. The Restated 2003 Plan is designed to meet this intent by offering performance-based stock and cash

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incentives and other equity-based incentive awards, thereby providing a proprietary interest in pursuing the long-term growth, profitability and financial success of the Company.

Our shareholders approved the 2003 Plan at the Annual Meeting of Stockholders in 2003, and since that date the Compensation Committee has administered it. The 2003 Plan was amended on December 31, 2008, in order to ensure that it conformed to the requirements of Section 409A of the Code. That amendment did not materially affect the terms of the 2003 Plan or the rights of award holders under it. The 2003 Plan was amended in 2010 and approved by our stockholders on May 19, 2010, to increase the number of shares of our common stock that are reserved for issuance under the 2003 Plan by two million shares and also to revise certain administrative items.

As of the date of this proxy statement, approximately 274,035 shares are authorized and available for grants under the 2003 Plan. Consistent with our Compensation Philosophy described above in "*Compensation Program Objectives and Rewards*," over the past three years, we have annually issued approximately 835,000 shares of equity incentive stock, as stock options, restricted shares or otherwise as permitted under the 2003 Plan to new and existing STAAR employees, non-employee directors and consultants.

STAAR is seeking stockholder approval to increase this share reserve by 1,250,000 shares. If the stockholders approve this Proposal No. 2, a total of 1,524,035 shares will be available for future grants under the Restated 2003 Plan.

The Restated 2003 Plan:

increases the number of reserved shares by 1.25 million shares, thereby increasing the total number of shares reserved for issuance since the 2003 Plan's inception to 9.75 million shares;

prohibits re-pricing of stock options stockholder approval;

is designed to permit us to make cash-based awards and equity-based awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code and to comply with Section 409(A) of the Code, as well as other rules and regulations;

amends the performance criteria that can be used to establish performance goals for awards under the Restated 2003 Plan;

sets revised per employee, per calendar year limits for awards under the Restated 2003 Plan;

provides that STAAR may recoup or claw-back any equity or other compensation provided under the Restated 2003 Plan in accordance with STAAR's policies and/or applicable law;

provides indemnification for directors, employees and others who administer the Restated 2003 Plan; and

makes certain other administrative changes to the plan to remove references and terms that are no longer applicable to it.

As of March 15, 2013, the weighted average exercise price for options outstanding under all existing STAAR equity plans is \$5.82 per share; 866,500 outstanding options have exercise prices in excess of \$7 per share. STAAR has never repriced options under the 2003 Plan, and has no intention of doing so. The Restated 2003 Plan expressly provides that STAAR cannot reprice options under the plan without advance approval of the stockholders. The closing stock price of our common stock as of March 15, 2013 was \$5.69 per share.

*Ramifications of Failure to Receive Approval and Key Historical Equity Metrics.* Based on the recommendations of the Compensation Committee, the Board believes that if STAAR cannot increase the number of reserved shares by 1,250,000, STAAR will not have sufficient shares for our equity compensation program and would find it necessary to devote a significantly greater portion of our cash

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on hand and cash generated by operations to compensate our employees, consultants and potential new hires. In addition, we believe our equity compensation program helps align the interests of our key employees with the interests of our stockholders, and an insufficient supply of equity for awards would deprive management and the Board of this useful tool.

In its determination to recommend that the Board approve the Restated 2003 Plan, the Compensation Committee reviewed historical burn rate information and noted that the amended plan is intended to satisfy institutional shareholder advisory firms' tests and recommended practices. The following table shows how the key equity metrics have changed over the past three fiscal years under the 2003 Plan:

Key Equity Metrics	2012	3-Year Average (2010-2012)
Shares subject to awards granted(1)	795,000	835,000
Gross burn rate(2)	2%	2%
Net burn rate(3)	2%	2%
Dilution(4)	12%	14%
Overhang(5)	10%	9%

- (1) Reflects total number of shares subject to equity awards granted during the fiscal year and excludes any cancelled or forfeited equity awards.
- (2) Gross burn rate is calculated by dividing the total number of shares subject to equity awards granted during the fiscal year by the total weighted-average number of shares outstanding during the period, and excludes any cancelled or forfeited equity awards.
- (3) Net burn rate is calculated by dividing the total number of shares subject to equity awards granted during the fiscal year by the total weighted-average number of shares outstanding during the period, and takes into account any cancelled or forfeited equity awards.
- (4) Dilution is calculated by dividing the sum of (x) the number of shares subject to equity awards outstanding at the end of the fiscal year and (y) the number of shares available for future grants, by the number of shares outstanding at the end of the fiscal year.
- (5) Overhang is calculated by dividing the number of shares subject to equity awards outstanding at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year.

### **THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO AMEND AND RESTATE THE 2003 OMNIBUS EQUITY INCENTIVE PLAN.**

The summary of the Plan included in this proxy statement is qualified in its entirety by express reference to the text of the Plan, a copy of which is included as Appendix A to this proxy statement.

#### ***Summary of the Amended and Restated 2003 Omnibus Equity Incentive Plan***

##### *Shares Subject to Plan*

The maximum number of shares of Common Stock that may be issued as awards granted since the inception of the Amended and Restated 2003 Plan may not exceed the sum of 9.75 million shares.

If awards granted under the Restated 2003 Plan or any of the Prior Plans (defined below) expire, are canceled or otherwise terminate without being exercised, the Common Stock not purchased pursuant to the award will again become available for issuance under the Restated 2003 Plan. "Prior Plans" means the STAAR Surgical Company 2003 Omnibus Equity Incentive Plan as last amended May 19, 2010 and as in effect immediately prior to this amendment and restatement; the 1991 Stock

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Option Plan of STAAR Surgical Company; the 1995 STAAR Surgical Company Consultant Stock Plan; the 1996 STAAR Surgical Company Non-Qualified Stock Plan; the 1998 STAAR Surgical Company Stock Plan; and the STAAR Surgical Company Stock Option Plan and Agreement for Chief Executive Officer.

### *Administration*

The Restated 2003 Plan will be administered by a committee (the "Committee") of two or more directors appointed by the Board of Directors, each of whom is an "outside director" within the meaning of Section 162(m) of the Code, and who otherwise complies with the requirements of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Committee has full and final authority to select the recipients of awards and to grant such awards. Subject to the provisions of the Restated 2003 Plan, the Committee has a wide degree of flexibility in determining the terms and conditions of awards and the number of shares to be issued pursuant thereto, including conditioning the receipt or vesting of awards on the achievement by the participant of specified performance criteria. The expenses of administering the Restated 2003 Plan are borne by the Company. Ordinarily, the standing Compensation Committee of the Board of Directors would administer the Restated 2003 Plan.

### *Eligibility*

Persons eligible to participate in the Restated 2003 Plan include all members of the Board, approximately 300 employees, and consultants of the Company and its subsidiaries, in each case, as determined by the Committee.

### *Terms of Awards*

#### *General*

The Restated 2003 Plan authorizes the Committee to enter into any type of arrangement with an eligible recipient that, by its terms, involves or might involve the issuance of Common Stock or any other security or benefit with a value derived from the value of Common Stock. Awards are not restricted to any specified form or structure and may include, without limitation, sales or bonuses of stock, restricted stock, stock options, stock appreciation rights, phantom stock, dividend equivalents, performance units or performance shares. An award may consist of one such security or benefit or two or more of them in tandem or in the alternative.

An award granted under the Restated 2003 Plan may include a provision accelerating the receipt of benefits on the occurrence of specified events, such as a change of control of the Company or a dissolution, liquidation, merger, reclassification, sale of substantially all of the property and assets of the Company or other significant corporate transactions. The Committee may grant options that either are intended to be "incentive stock options" as defined under Section 422 of the Code, or are not intended to be incentive options ("non-qualified stock options"). Incentive stock options may be granted only to employees.

No incentive stock option may be granted under the Restated 2003 Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of the Company or any affiliate of the Company, unless the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of the grant and the term of the option does not exceed five years from the date of the grant. In addition, the aggregate fair market value, determined at the time of the grant, of the shares of Common Stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year (under all such plans of the Company and its subsidiaries) may not exceed \$100,000.

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A restricted stock award is the grant of shares of common stock at a per share purchase price determined by the Committee (which may equal zero), that is nontransferable and may be subject to substantial risk of forfeiture until specific conditions determined by the Committee are met. During the period of restriction, participants holding shares of restricted stock may have full voting and dividend rights with respect to such shares (except as described below with respect to restricted stock subject to performance-based vesting conditions). The restrictions will lapse in accordance with a schedule or other conditions determined by the Committee. Restricted stock units represent the right to receive shares upon the attainment of specified time and/or performance goals. A performance share grant is an award of units granted to a participant subject to such terms and conditions as the Committee deems appropriate, including, the requirement that the participant forfeit such units (or a portion of such units) in the event certain performance criteria are not met within a designated period of time. A performance unit grant is an award of units granted to a participant subject to such terms and conditions as the Committee deems appropriate, including, the requirement that the participant forfeit such units (or a portion of such units) in the event certain performance criteria are not met within a designated period of time.

### *Payment of Exercise Price*

An award may permit the recipient to pay all or part of the purchase price of the shares or other property issuable pursuant thereto, or to pay all or part of such recipient's tax withholding obligation with respect to such issuance, by delivering previously owned shares of capital stock of the Company or other property, or subject to the prohibitions on loans to officers and directors under Item 402 of the Sarbanes-Oxley Act of 2002, by reducing the amount of shares or other property otherwise issuable pursuant to the award or by delivering a promissory note, the terms and conditions of which will be determined by the Committee.

### *Performance Awards*

Performance awards include any of the awards that are granted subject to vesting and/or payment based on the attainment of specified performance goals. The Committee will determine whether performance awards are intended to constitute "qualified performance-based compensation", or QPBC, within the meaning of Section 162(m), in which case the applicable performance criteria will be selected from the list below in accordance with the requirements of Section 162(m). In order to constitute QPBC under Section 162(m), in addition to certain other requirements, the relevant amounts must be payable only upon the attainment of pre-established, objective performance goals set by our Committee and linked to stockholder-approved performance criteria.

For purposes of the Restated 2003 Plan, one or more of the following performance criteria will be used in setting performance goals applicable to QPBC, and may be used in setting performance goals applicable to other performance awards: (i) revenue, (ii) earnings, or earnings before interest, taxes, depreciation and amortization, or EBITDA, (iii) earnings per share, (iv) stock price, (v) operating cash flow, (vi) net income, (vii) profit margins, operating margins, gross margins or cash margins, (viii) revenue growth, (ix) pre- or after-tax income (before or after allocations of corporate overhead and bonuses), (x) return on equity, (xi) total shareholder return, (xii) return on assets or net assets, (xiii) appreciation in and/or maintenance of the price of the Common Stock, (xiv) market share, (xv) gross profits, (xvi) economic value-added models or equivalent metrics, (xvii) comparisons with various stock market indices, (xviii) reductions in costs, (xix) cash flow or cash flow per share, (xx) return on capital (including return on total capital or return on invested capital), (xxi) cash flow return on investment, (xxii) improvement in or attainment of expense levels or working capital levels, (xxiii) year-end cash, (xxiv) debt reductions, (xxv) stockholder equity, (xxvi) regulatory or litigation achievements, (xxvii) implementation, completion or attainment of measurable objectives with respect to business development, new products or services, budgets, regulatory or business risks, acquisitions,

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divestitures or recruiting and maintaining personnel, (xxviii) earnings, (xxix) expenses, (xxx) cost of goods sold, (xxxi) working capital, (xxxii) price/earnings ratio, (xxxiii) debt or debt-to-equity, (xxxiv) accounts receivable, (xxxv) writeoffs, (xxxvi) assets, (xxxvii) liquidity, (xxxviii) operations, (xxxix) research or related milestones, (xl) intellectual property (e.g., patents), (xli) product development, (xlii) information technology, (xliii) financings, (xliv) product quality control, (xlv) management, (xlvi) human resources, (xlvii) corporate governance, (xlviii) compliance program, (xlix) internal controls, (xlxi) policies and procedures, (xlxii) accounting and reporting, (xlxiii) strategic alliances, (xlxiv) licensing and partnering, (xlxv) site, plant or building development, and/or (xlxvi) any combination of the foregoing, any of which may be measured either in absolute terms, or changes in growth or reduction, or as compared to any incremental increase or decrease or as compared to results of a peer group or index. Such performance goals also may be based solely by reference to the Company's performance or the performance of a subsidiary, affiliate, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies.

Awards under the Restated 2003 Plan will be limited to the following per employee, per calendar year, maximum amounts:

Stock Options	200,000 shares of Common Stock
Stock Appreciation Rights	200,000 shares of Common Stock
Restricted Stock	200,000 shares of Common Stock
Restricted Units	200,000 shares of Common Stock
Performance Shares	200,000 shares of Common Stock
Aggregate of Above Awards	400,000 shares of Common Stock
Performance Units	Aggregate of \$2,000,000

These limits are doubled with respect to Awards granted to an employee during the calendar year of the employee's commencement of employment with the Company.

### *Amendment*

Subject to limitations imposed by law, the Board of Directors may amend or terminate the Restated 2003 Plan at any time and in any manner. However, no such amendment or termination may deprive the recipient of any award previously granted under the Restated 2003 Plan or any rights thereunder without the recipient's consent. In addition, no Award may be Re-Priced under this Plan unless such Re-Pricing is approved by Company stockholders.

### *Section 16(b)*

Pursuant to Section 16(b) of the Exchange Act, directors, certain officers and ten percent stockholders of the Company are generally liable to the Company for repayment of any "short-swing" profits realized from any non-exempt purchase and sale of Common Stock occurring within a six-month period. Rule 16b-3, promulgated under the Exchange Act, provides an exemption from Section 16(b) liability for certain transactions by an officer or director pursuant to an employee benefit plan that complies with such Rule. Specifically, the grant of an option under an employee benefit plan that complies with Rule 16b-3 will not be deemed a purchase of a security for purposes of Section 16(b). The Restated 2003 Plan is designed to comply with Rule 16b-3.

### *Term*

Awards may not be granted under the Restated 2003 Plan on or after May 18, 2020. However, any award that was duly granted on or prior to that date will remain outstanding and subject to exercise or settlement in accordance with its terms.

*Adjustments*

If there is any change in the stock subject to the Restated 2003 Plan or subject to any award made under the Restated 2003 Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in kind, stock split, liquidating dividend, combination or exchange of shares, change in corporate structure or otherwise), the Restated 2003 Plan and shares outstanding thereunder will be appropriately adjusted as to the class and the maximum number of shares subject to the Restated 2003 Plan and the class, number of shares and price per share of stock subject to such outstanding options as determined by the Committee to be fair and equitable to the holders, the Company and the stockholders. In addition, the Committee may also make adjustments in the number of shares covered by, and the price or other value of any outstanding awards under the Restated 2003 Plan in the event of a spin-off or other distribution (other than normal cash dividends) of Company assets to stockholders.

*Policy on Recoupment.* The Restated 2003 Plan provides that the Company may recoup equity or other compensation provided under the Restated 2003 Plan in accordance with Company policies as may be adopted and/or modified from time to time by the Company and/or applicable law.

*Securities Act Registration*

The Company intends to register under the Securities Act of 1933, as amended, the newly authorized shares of common stock issuable pursuant to the Restated 2003 Plan.

*Federal Income Tax Consequences*

The following is a general summary under current U.S. law of the material federal income tax consequences with respect to the Restated 2003 Plan. This summary deals with the general U.S. tax principles that apply and is provided only for general information. Some kinds of taxes, such as foreign, state and local income taxes, as well as gift and estate tax considerations, are not discussed. Tax laws are complex and subject to change and may vary depending on individual circumstances and from locality to locality, and the summary does not discuss all aspects of income taxation that may be relevant in light of a holder's personal investment circumstances.

With respect to nonqualified stock options, we are generally entitled to deduct, and the optionee recognizes taxable income in an amount equal to, the difference between the option exercise price and the fair market value of the shares at the time of exercise. A participant receiving incentive stock options will not recognize taxable income upon grant. Additionally, if applicable holding period requirements are met, the participant will not recognize taxable income at the time of exercise. However, the excess of the fair market value of the common stock received over the option price is an item of tax preference income potentially subject to the alternative minimum tax. If stock acquired upon exercise of an incentive stock option is held for a minimum of two years from the date of grant and one year from the date of exercise, the gain or loss (in an amount equal to the difference between the fair market value on the date of sale and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and we will not be entitled to any deduction. If the holding period requirements are not met, the incentive stock option will be treated as one that does not meet the requirements of the Internal Revenue Code for incentive stock options and the tax consequences described for nonqualified stock options will apply.



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The current federal income tax consequences of other awards authorized under the Restated 2003 Plan generally follow certain basic patterns: stock appreciation rights are taxed and deductible in substantially the same manner as nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture and restricted stock units will result in income recognition equal to the excess of the fair market value over the price paid, if any, only at the time the restrictions applicable to such awards lapse (unless, with respect to an award of restricted stock, the recipient elects to accelerate recognition as of the date of grant); stock-based performance awards, dividend equivalents and other types of awards are generally subject to tax at ordinary income rates at the time of payment. In each of the foregoing cases, the Company will generally have a corresponding deduction at the time the participant recognizes income, subject to Section 162(m) of the Code with respect to covered employees.

The Amended 2003 Plan is designed to meet the requirements of Section 162(m) for grants of awards. There can be no assurance that compensation attributable to awards granted under the Amended 2010 Plan will be treated as qualified performance-based compensation under Section 162(m) and thus be deductible to us.

### *Change in Control*

The Committee may specify in any award agreement the treatment of the award if the Company undergoes a Change in Control. In general, a "Change in Control" will be considered to take place whenever (1) any person or entity becomes a 25% beneficial owner of the Company's voting stock, (2) a merger, tender offer, sale of assets or other business combination results in the persons serving as directors prior to the transaction no longer comprising a majority of the Board of Directors, (3) a consummated transaction results in the Company ceasing to be an independent public company or results in the sale of all or substantially all of the assets of the Company, or (4) a transaction or series of transactions (including a tender offer or exchange offer) that results in a person or group of persons (other than the Company or by a Company-sponsored employee benefit plan), acquiring beneficial ownership more than 50% of the Company's voting securities.

If no other treatment is specified in an Award Agreement, the following will take place on a Change in Control:

stock options will vest in full immediately before the completion of the Change in Control, unless the successor company assumes the options or the Company affirms the options;

stock options held by non-employee directors will vest in full immediately before the completion of the Change in Control, whether or not the options are assumed by a successor company or affirmed by the Company;

restrictions on grants of restricted stock will be deemed satisfied on the date of the Change in Control and any performance-related grants will be deemed to have been earned on the date of the Change in Control.

Any accelerated vesting is subject to the Committee's determination that the acceleration will not result in an "excess parachute payment" under Code Section 280G.

### *Withholding*

The Company generally will be required to withhold applicable taxes with respect to any ordinary income recognized by a participant on exercise of a non-qualified stock option, on the grant or vesting of shares or restricted shares, or upon any other recognition of income in connection with awards made under the Restated 2003 Plan.

*New Plan Benefits*

All future awards under the Restated 2003 Plan are within the discretion of the Committee. Therefore, it is not possible to determine the benefits that will be received in the future by participants under the Restated 2003 Plan.

*Historical Awards Granted*

The following table provides information with respect to awards granted under the 2003 Plan to our named executive officers, directors and employees as of March 15, 2013. As stated above, it is not possible to determine the amounts of awards that will be granted in the future to participants under the Restated 2003 Plan.

<b>Name and Position</b>	<b>Number of Shares Underlying Option Grants</b>	<b>Number of Restricted Stock Grants</b>
Barry Caldwell	390,000	181,839
Deborah Andrews	275,000	36,500
Robin Hughes	150,000	32,500
Samuel Gesten	90,000	15,000
James Francese	70,000	7,500
<b>All Current Executive Officers as a Group</b>	<b>975,000</b>	<b>273,339</b>
<b>All Employees Who Are Not Executive Officers as a Group</b>	<b>3,851,500</b>	<b>342,881</b>
Don Bailey	175,000	74,287
Donald Duffy	135,000	3,000
Charles Slacik	10,000	2,000
John Moore	102,500	3,000
Richard Meier	75,000	3,000
Mark Logan	45,136	3,000
<b>All Directors Who Are Not Executive Officers as a Group</b>	<b>542,636</b>	<b>88,287</b>

**PROPOSAL NO. 3****RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors, on the recommendation of the Audit Committee, has approved the selection of BDO USA, LLP to serve as our independent registered public accounting firm for the fiscal year ending December 27, 2013.

Although this appointment is not required to be submitted to a vote of the Stockholders, the Audit Committee believes it is appropriate as a matter of policy to request that the Stockholders ratify the appointment. If the Stockholders do not ratify the appointment, which requires the affirmative vote of a majority of the shares of the Common Stock present, in person or by proxy, and entitled to vote at the Meeting, the Board of Directors will consider the selection of another independent registered public accounting firm.

**STAAR's Board of Directors unanimously recommends a vote for the approval of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2013.**

Representatives of BDO USA, LLP, which served as the independent registered public accounting firm for STAAR for fiscal year 2012, have been invited to be present at the Annual Meeting. STAAR expects representatives of BDO to be present at the Annual Meeting, where they will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

**Principal Accountant Fees and Services**

The following table summarizes the aggregate fees for professional services provided by BDO USA, LLP related to fiscal year 2011 and fiscal year 2012, all of which the Audit Committee pre-approved:

	<b>2011</b>	<b>2012</b>
Audit Fees(1)	\$ 634,012	\$ 670,183
Audit-Related Fees(2)	20,000	22,155
Tax-Related Fees(3)	3,890	3,731

- (1) Both 2011 and 2012 Audit Fees include: (i) the audit of our Consolidated Financial Statements included in our Annual Report on Form 10-K and services attendant to, or required by, statute or regulation; (ii) the audit of management's report on the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002; (iii) reviews of the interim condensed Consolidated Financial Statements included in our quarterly reports on Form 10-Q; (iv) comfort letters, consents and other services related to SEC reimbursements.
- (2) Audit-related Fees were principally for audits of our employee benefit plan.
- (3) In 2011, these fees were for a review of statutory tax filings for our Swiss operations.

The Audit Committee administers STAAR's engagement of BDO USA, LLP and pre-approves all audit and permissible non-audit services on a case-by-case basis. In approving non-audit services, the Audit Committee considers whether the engagement could compromise the independence of BDO USA, LLP and whether, for reasons of efficiency or convenience, it is in the best interest of STAAR to engage its independent registered public accounting firm to perform the services. The Audit Committee has determined that performance by BDO USA, LLP of the non-audit services related to the fees shown in the table above did not affect that firm's independence.

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Prior to engagement, the Audit Committee pre-approves all independent auditor services, and the Audit Committee pre-approved all fees and services of BDO USA, LLP, for work done in 2011 and 2012. The fees are budgeted and the Audit Committee requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

**PROPOSAL No. 4**

**ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

*Background to the Advisory Vote*

Under an amendment to the Exchange Act adopted by Congress as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), stockholders vote to approve, on an advisory (non-binding) basis, no less frequently than once every three years, the compensation of the Named Executive Officers. At the 2011 Annual Meeting, in an advisory vote on the frequency of voting on executive compensation, a majority of our stockholders voted in favor such votes taking place every year. In light of that, STAAR currently intends to include an advisory vote on executive compensation in the proxy statement for each future annual meeting of the stockholders. The next advisory vote on executive compensation will be held at our Annual Meeting in 2013.

*Board Recommendation*

As stated in our Compensation Discussion and Analysis, 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 Board believes that STAAR 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. As shown in the table on page 28, STAAR's three-year and five-year total stockholder returns significantly outperformed those of peer companies and its industry group, despite executive compensation at the 25<sup>th</sup> to 50<sup>th</sup> percentile level in the Radford Global Life Sciences Survey.

The Board invites you to review carefully the Compensation Discussion and Analysis beginning on page 25, before voting on the following resolution:

"Resolved, that the stockholders approve the compensation of the Corporation's named executive officers, including the Corporation's compensation practices and principles and their implementation, as discussed and disclosed in the Compensation Discussion and Analysis, the compensation tables, and any narrative executive compensation disclosure contained in this Proxy Statement."

While the vote does not bind the Board to any particular action, the Board values the input of the stockholders, and will take into account the outcome of this vote in considering future compensation arrangements.

**STAAR's Board of Directors unanimously recommends a vote FOR the approval, on an advisory basis, of STAAR's compensation of our named executive officers as disclosed in the "Compensation Discussion and Analysis" section of this proxy statement.**

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

Section 16(a) of the Exchange Act, and the SEC's rules thereunder, require our directors, executive officers and persons who own more than 10% of our Common Stock to file reports of ownership and changes in ownership of our Common Stock with the SEC and to furnish to us copies of all reports they file. The SEC has established specific due dates for these reports and requires STAAR to report in this Proxy Statement any failure by these persons to file or failure to file on a timely basis.

To our knowledge, based solely on a review of the copies of such reports received or written representations from the reporting persons, we believe that during our 2012 fiscal year our directors, executive officers and persons who beneficially own more than 10% of our Common Stock complied with all Section 16(a) filing requirements, except for (a) a Statement of Beneficial Ownership of Securities on Form 4 filed by Mark B. Logan on November 16, 2012, which was not made on a timely basis, and (b) an Initial Statement of Beneficial Ownership of Securities on Form 3 filed by James E. Francese on March 7, 2013, which was not made on a timely basis.

**ANNUAL REPORT ON FORM 10-K**

Our Annual Report on Form 10-K for the fiscal year ended December 28, 2012, which contains our consolidated financial statements of STAAR for that period, accompanies this proxy statement but is not a part of our soliciting materials.

**We will provide Stockholders, without charge, a copy of our Annual Report on Form 10-K for the fiscal year ended December 28, 2012, if the Stockholder submits a written request to STAAR Surgical Company, c/o Office of the Corporate Secretary, 1911 Walker Avenue, Monrovia, California 91016.** Exhibits to the Form 10-K will be provided on written request of any Stockholder, subject to reimbursement of STAAR's reasonable expenses. Exhibits are available at no charge on the SEC's website, [www.sec.gov](http://www.sec.gov). STAAR's Annual Report on Form 10-K is also available on STAAR's website at [www.staar.com](http://www.staar.com). This website reference is not intended to function as a hyperlink and the information contained on STAAR's website is not a part of this proxy statement.

By Order of the Board of Directors,  
STAAR SURGICAL COMPANY

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

**STAAR SURGICAL COMPANY  
AMENDED AND RESTATED  
2003 OMNIBUS EQUITY INCENTIVE PLAN**

**(Effective March 4, 2013)**

The Company, by action of its Board, hereby amends and restates in its entirety, effective as of the Restatement Date, the STAAR Surgical Company Amended and Restated 2003 Omnibus Equity Incentive Plan, with the following provisions:

1. *Purpose and Scope.*

(a) *Purpose.* The purpose of the Plan is to promote and advance the interests of the Company and its stockholders by enabling the Company and its Affiliates to attract, retain and motivate officers, directors, employees and independent contractors by providing for performance-based benefits, and to strengthen the mutuality of interests between such persons and the Company's stockholders. The Plan is designed to meet this intent by offering performance-based stock and cash incentives and other equity-based incentive awards, thereby providing a proprietary interest in pursuing the long-term growth, profitability and financial success of the Company.

(b) *Scope.* The Plan amends, restates and replaces in its entirety the STAAR Surgical Company Amended and Restated 2003 Omnibus Equity Incentive Plan as last amended May 19, 2010 and as in effect immediately prior to this amendment and restatement.

2. *Definitions.* For purposes of the Plan, the following terms shall have the meanings set forth below, provided however, that if a Participant's employment agreement or Award agreement (or other written agreement executed by and between Participant and the Company) expressly includes defined terms that expressly are different from and/or conflict with the below defined terms contained in this Plan then the defined terms contained in the employment agreement or Award agreement (or other written agreement executed by and between Participant and the Company) shall govern and shall supersede the below definitions:

"Affiliate" means any parent or subsidiary (as defined in Sections 424(e) and (f) of the Code) of the Company, and that qualifies as an eligible issuer of service recipient stock, as that term is defined in Treasury Regulations Section 1.409A-1(b)(5)(iii)(E).

"ASC" means Accounting Standards Codification.

"Award" means an award or grant made to a Participant under Sections 6 through 10, inclusive, of the Plan.

"Board" means the Board of Directors of the Company.

"Change in Control" means the occurrence of any one (or more) of the following events:

(i) Any person, including a group as defined in Section 13(d)(3) of the Exchange Act, becomes the beneficial owner of stock of the Company with respect to which twenty-five percent (25%) or more of the total number of votes for the election of the Board may be cast;

(ii) As a result of, or in connection with, any cash tender offer, exchange offer, merger or other business combination, sale of assets or contested election, or combination of the foregoing, persons who were directors of the Company immediately prior to such event shall cease to constitute a majority of the Board;

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(iii) The consummation of a transaction in which the Company will cease to be an independent publicly owned corporation or for a sale or other disposition of all or substantially all the assets of the Company; or

(iv) acquisition in a single or series of related transactions, including without limitation a tender offer or exchange offer, by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan), of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities.

Notwithstanding the foregoing, the formation of a holding company for the Company in which the stockholdings of the holding company after its formation are substantially the same as for the Company immediately prior to the holding company formation does not constitute a Change in Control for purposes of the Plan.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor thereto, together with rules, regulations and authoritative interpretations promulgated thereunder.

"Committee" means the committee of the Board that is provided for in Section 3 of the Plan.

"Common Stock" means the common stock of the Company or any security of the Company issued in substitution, exchange or lieu thereof.

"Company" means STAAR Surgical Company, a Delaware corporation.

"Consultant" means any natural person who performs bona fide services for the Company or an Affiliate as a consultant or advisor, excluding Employees and Non-Employee Directors.

"Date of Grant" means the effective date as of which the Committee (or the Board, as the case may be) grants an Award to a Participant.

"Disability" or "Disabled" means total and permanent disability as defined in Section 22(e)(3) of the Code.

"Employee" means any individual who is a common-law employee of the Company or an Affiliate.

"Exchange Act" means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor thereto, together with rules, regulations and authoritative interpretations promulgated thereunder.

"Fair Market Value" means the fair market value per share of the Common Stock determined in accordance with Treasury Regulations Section 1.409A-1(b)(5)(iv), and to the extent permitted under such Regulations shall be on any given date, the closing price for the Common Stock on such date, or, if the Common Stock was not traded on such date, on the next preceding day on which the Common Stock was traded, determined in accordance with the following rules:

(i) If the Common Stock is admitted to trading or listing on The Nasdaq Global Market or any other national securities exchange registered under the Exchange Act, the closing price for any day shall be the last reported sale price, or in the case no such reported sale takes place on such date, the average of the last reported bid and ask prices, in either case on the principal national securities exchange on which the Common Stock is admitted to trading or listed;

(ii) If the Common Stock is not listed or admitted to trading on any national securities exchange, the last sale price of the Common Stock on the OTC Bulletin Board or, in the case no such reported sale takes place, the average of the closing bid and ask prices on such date; or



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(iii) If the Common Stock is not listed or admitted to trading on any national securities exchange and is not quoted on the OTC Bulletin Board, the average of the closing bid and ask prices on such date as furnished by any member of the Financial Industry Regulatory Authority, selected from time to time by the Committee for that purpose.

"FASB" means the Financial Accounting Standards Board.

"Incentive Stock Option" means any Stock Option granted pursuant to the provisions of Section 6 of the Plan that is intended to be and is specifically designated as an "incentive stock option" within the meaning of Section 422 of the Code.

"ISO Limit" means the maximum aggregate number of shares of Common Stock that are permitted to be issued pursuant to the exercise of Incentive Stock Options granted under the Plan as described in Section 4(b).

"Non-Employee Director" means a non-Employee member of the Board.

"Non-Qualified Stock Option" means any Stock Option granted pursuant to the provisions of Section 6 of the Plan that is not an Incentive Stock Option.

"Optioned Stock" means the shares of Common Stock that are subject to a Stock Option.

"Participant" means an Employee, Non-Employee Director, or Consultant of the Company or an Affiliate who is granted an Award under the Plan.

"Performance Award" means an Award granted pursuant to the provisions of Section 9 of the Plan, the vesting of which is contingent on the attainment of specified performance criteria.

"Performance Criteria" means the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(A) The Performance Criteria that shall be used to establish Performance Goals are the following: (i) revenue, (ii) earnings, or earnings before interest, taxes, depreciation and amortization, or EBITDA, (iii) earnings per share, (iv) stock price, (v) operating cash flow, (vi) net income, (vii) profit margins, operating margins, gross margins or cash margins, (viii) revenue growth, (ix) pre- or after-tax income (before or after allocations of corporate overhead and bonuses), (x) return on equity, (xi) total shareholder return, (xii) return on assets or net assets, (xiii) appreciation in and/or maintenance of the price of the Common Stock, (xiv) market share, (xv) gross profits, (xvi) economic value-added models or equivalent metrics, (xvii) comparisons with various stock market indices, (xviii) reductions in costs, (xix) cash flow or cash flow per share, (xx) return on capital (including return on total capital or return on invested capital), (xxi) cash flow return on investment, (xxii) improvement in or attainment of expense levels or working capital levels, (xxiii) year-end cash, (xxiv) debt reductions, (xxv) stockholder equity, (xxvi) regulatory or litigation achievements, (xxvii) implementation, completion or attainment of measurable objectives with respect to business development, new products or services, budgets, regulatory or business risks, acquisitions, divestitures or recruiting and maintaining personnel, (xxviii) earnings, (xxix) expenses, (xxx) cost of goods sold, (xxxii) working capital, (xxxii) price/earnings ratio, (xxxiii) debt or debt-to-equity, (xxxiv) accounts receivable, (xxxv) writeoffs, (xxxvi) assets, (xxxvii) liquidity, (xxxviii) operations, (xxxix) research or related milestones, (xl) intellectual property (e.g., patents), (xli) product development, (xlii) information technology, (xliii) financings, (xliv) product quality control, (xlv) management, (xlvi) human resources, (xlvii) corporate governance, (xlviii) compliance program, (xlix) internal controls, (lxi) policies and procedures, (lxii) accounting and reporting, (lxiii) strategic alliances, (lxiv) licensing and partnering, (lxv) site, plant or building development, and/or (lxvi) any combination of the foregoing, any of which may be measured either in absolute terms, or changes in growth or reduction, or as compared to

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any incremental increase or decrease or as compared to results of a peer group or index. Such Performance Goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, Affiliate, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies.

(B) The Committee may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to reorganizations or restructuring programs or divestitures or acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to asset write-downs or the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under U.S. Generally Accepted Accounting Principles; (ix) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; (xiv) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions and/or items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence; or (xv) litigation or claim judgments or settlements. For all Awards intended to qualify as performance-based compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

"Performance Goals" means for a Performance Period, one or more goals established in writing by the Committee for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Parent, Subsidiary, Affiliate, division, business unit, or an individual. The achievement of each Performance Goal shall be determined in accordance with U.S. Generally Accepted Accounting Principles to the extent applicable.

"Performance Period" means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of, an Award.

"Performance Share Grant" means an Award of units representing shares of Common Stock granted pursuant to the provisions of Section 9 of the Plan.

"Performance Unit Grant" means an Award of monetary units granted pursuant to the provisions of Section 9 of the Plan.

"Plan" means this Amended and Restated STAAR Surgical Company 2003 Omnibus Equity Incentive Plan, as set forth herein and as it may be hereafter amended and from time to time and in effect.

"Prior Plans" means the STAAR Surgical Company 2003 Omnibus Equity Incentive Plan as last amended May 19, 2010 and as in effect immediately prior to this amendment and restatement; the 1991 Stock Option Plan of STAAR Surgical Company; the 1995 STAAR Surgical Company Consultant Stock Plan; the 1996 STAAR Surgical Company Non-Qualified Stock Plan; the 1998 STAAR Surgical

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Company Stock Plan; and the STAAR Surgical Company Stock Option Plan and Agreement for Chief Executive Officer. Each award or grant outstanding under a Prior Plan shall continue to be governed by the terms of that Prior Plan. Any shares of Common Stock available for Awards under the Prior Plans, including shares that become available pursuant to Section 4(b)(iii) of the Plan, shall be treated as part of the pool of shares of Common Stock available for Awards under the Plan.

"Qualified Note" means a recourse note, with a market rate of interest, that may, at the discretion of the Committee, be secured by Optioned Stock or otherwise.

"Re-Price" means that the Company has lowered or reduced the exercise price of outstanding Stock Options and/or outstanding Stock Appreciation Rights and/or outstanding other equity Awards for any Participant(s) in a manner described by SEC Regulation S-K Item 402(d)(2)(viii) (or as described in any successor provision(s) or definition(s)). For avoidance of doubt, Re-Price also includes any exchange of Stock Options or Stock Appreciation Rights for other Awards or cash.

"Restatement Date" means March 4, 2013.

"Restricted Award" means an Award granted pursuant to the provisions of Section 8 of the Plan.

"Restricted Stock Grant" means an Award of shares of Common Stock granted pursuant to the provisions of Section 8 of the Plan.

"Restricted Unit Grant" means an Award of units representing shares of Common Stock granted pursuant to the provisions of Section 8 of the Plan.

"SEC" means the Securities and Exchange Commission.

"Service" means the performance of services for the Company (or any Affiliate) by an Employee, Non-Employee Director, or Consultant, as determined by the Committee in its sole discretion. Service shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company and any Affiliate, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including Company policies. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then any exercises of the Incentive Stock Option occurring more than six months after commencement of such leave shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as the exercise of a Non-Qualified Stock Option.

"Stock Appreciation Right" means an Award to benefit from the appreciation of Common Stock granted pursuant to the provisions of Section 7 of the Plan.

"Stock Option" means an Award to purchase shares of Common Stock granted pursuant to the provisions of Section 6 of the Plan.

"Subsidiary" means any corporation or entity which is a subsidiary of the Company within the meaning of Section 424(f) of the Code and that qualifies as an eligible issuer of service recipient stock, as that term is defined in Treasury Regulations Section 1.409A-1(b)(5)(iii)(E).

"Ten Percent Stockholder" means a person who owns stock (after taking into account the constructive ownership rules of Section 424(d) of the Code) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (or any Affiliate).

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"Terminated for Cause" means any discharge of a Participant's Service because of personal dishonesty, willful misconduct, breach of fiduciary duty involving personal profit, continuing intentional or habitual failure to perform stated duties, violation of any law (other than minor traffic violations or similar misdemeanor offenses not involving moral turpitude), or material breach of any provision of an employment or independent contractor agreement with the Company.

"Termination Date" means the date on which a Participant's Service terminates, as determined by the Committee in its sole discretion.

### 3. *Administration.*

(a) The Plan shall be administered by a committee appointed by the Board. The Committee shall be comprised solely of not less than two persons who are "outside directors" within the meaning of Section 162(m)(4)(C) of the Code and "non-employee directors" within the meaning of Rule 16b-3 of the Exchange Act. Members of the Committee shall serve at the pleasure of the Board and the Board may from time to time remove members from, or add members to, the Committee. No person who is not an "outside director" within the meaning of Section 162(m)(4)(C) of the Code and a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act may serve on the Committee. Appointment to the Committee of any person who is not an "outside director" and a "non-employee director" shall automatically be null and void, and any person on the Committee who ceases to be an "outside director" and a "non-employee director" shall automatically and without further action cease to be a member of the Committee.

(b) A majority of the members of the Committee shall constitute a quorum for the transaction of business. Action approved in writing by a majority of the members of the Committee then serving shall be as effective as if the action had been taken by unanimous vote at a meeting duly called and held.

(c) The Committee is authorized to construe and interpret the Plan, to promulgate, amend, and rescind rules and procedures relating to the implementation of the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. This includes without limitation: determining which individuals are to receive Awards; determining the type, number, vesting requirements, Performance Goals (or other objective/subjective goals (if any)) and their degree of satisfaction, and other features and conditions of such Awards and amending such Awards; correcting any defect, supplying any omission, or reconciling or clarifying any inconsistency in the Plan or any Award agreement; accelerating the vesting or extending the post-termination exercise term, or waiving restrictions, of Awards at any time and under such terms and conditions as it deems appropriate; permitting or denying, in its discretion, a Participant's request to transfer an Award; and granting Awards to persons who are foreign nationals on such terms and conditions different from those specified in the Plan, which may be necessary or desirable to foster and promote achievement of the purposes of the Plan, and adopting such modifications, procedures, and/or subplans (with any such subplans attached as appendices to the Plan) and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, or to meet the requirements that permit the Plan to operate in a qualified or tax efficient manner, and/or comply with applicable foreign laws or regulations.

Any determination, decision, or action of the Committee in connection with the construction, interpretation, administration, or application of the Plan shall be binding upon all Participants and any person claiming under or through any Participant. Although the Committee is anticipated to make certain Awards that constitute "qualified performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code and Treasury Regulation Section 1.162-27(e), the Committee is also expressly authorized to make Awards that do not constitute "qualified

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performance-based compensation" within the meaning of those provisions. By way of example, and not by way of limitation, the Committee, in its sole and absolute discretion, may issue an Award that is not based on a Performance Goal, as set forth in (i) below, but is based solely on continued Service.

(d) The Committee may employ or retain persons other than members of the Committee to assist the Committee to carry out its responsibilities under such conditions and limitations as it may prescribe, except that the Committee may not delegate its authority with regard to selection for participation in and the granting of Awards to persons subject to Section 16 of the Exchange Act or with regard to any of its duties under Section 162(m) of the Code necessary for awards under the Plan to constitute "qualified performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code and Treasury Regulation Section 1.162-27(e).

(e) The Committee is expressly authorized to make such modifications to the Plan as are necessary to effectuate the intent of the Plan as a result of any changes in the income tax, accounting, or securities law treatment of Participants and the Plan.

(f) The Company shall effect the granting of Awards under the Plan in accordance with the determinations made by the Committee, by execution of instruments in writing in such form as approved by the Committee. However, no Award may be Re-Priced under this Plan unless such Re-Pricing is approved by Company stockholders.

(g) The Committee may not increase an Award once granted, although it may grant additional Awards to the same Participant.

(h) The Committee shall keep the Board informed as to its actions and make available to the Board its books and records. Although the Committee has the authority to establish and administer the Plan, the Board reserves the right at any time to abolish the Committee and have the independent members of the Board administer the Plan instead.

(i) In the case of an Award that is intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code and Treasury Regulation Section 1.162-27(e), the Committee shall establish in writing at the time of making the Award the Performance Goal(s) that must be satisfied for payment pursuant to the Award and the amount payable upon satisfaction of those Performance Goal(s). Such Performance Goal(s) shall be established (1) while the outcome of attaining such Performance Goal(s) is substantially uncertain, (2) not later than 90 days after the commencement of the period of service to which the Performance Goal(s) relates (but in any event not later than after 25% of the period of service has elapsed) or (3) at such other time as is permitted under Treasury Regulations Section 1.162-27(e)(2). In carrying out these duties, the Committee shall use objective written standards for establishing both the Performance Goal(s) and the amount of compensation such that a third party with knowledge of the relevant facts would be able to determine whether and to what extent the Performance Goal(s) has been satisfied and the amount of compensation payable. The Committee may in its discretion provide a copy of the document(s) setting forth such standards to the affected Participant and shall retain such written material in its permanent books and records.

(j) In the case of remuneration that is intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code and Treasury Regulation Section 1.162-27(e), the Committee's actions shall be undertaken in conformity with the rules of Code Section 162(m)(4)(C)(ii) and Treasury Regulations promulgated thereunder. In the case of remuneration that is not intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code and Treasury Regulation

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Section 1.162-27(e), the Committee and the Board shall make such disclosures to and seek such approval from the stockholders of the Company as they reasonably determine are required by law.

(k) To the extent required under Code Section 162(m)(4)(C) and the regulations promulgated thereunder, before any payment of qualified performance-based remuneration under the Plan, the Committee must certify in writing that the Performance Goals and any other material terms of the Award were in fact satisfied. Such certification shall be kept with the permanent books and records of the Committee.

(l) The Committee shall use its good faith best efforts to comply with the requirements of Section 162(m)(4)(C) of the Code and the regulations promulgated thereunder for Awards that are intended to constitute "qualified performance-based compensation," but shall have no liability to the Company or any recipient or any other person in the event one or more Awards do not so qualify.

#### 4. *Duration of and Common Stock Subject to the Plan.*

(a) *Term.* The Plan, as amended and restated hereby, shall become effective as of the Restatement Date, subject to ratification by the stockholders of the Company within twelve (12) months after the Restatement Date. In the event that the stockholders of the Company do not ratify the Plan (as amended and restated hereby) within twelve (12) months after the Restatement Date, any Awards which were issued after the Restatement Date and which were dependent on the incremental number of shares allocated to Plan Section 4(b) or achievement of a new Performance Goal which each were added by this restatement shall be rescinded automatically. Unless sooner terminated by the Board, the Plan shall continue until May 18, 2020 when the Plan shall terminate, and no Awards may be granted under the Plan thereafter. The termination of the Plan shall not affect the Awards that are outstanding on the Plan's termination date.

(b) *Shares of Common Stock Subject to the Plan.* The maximum total number of shares of Common Stock with respect to which aggregate stock Awards may be granted under the Plan (including shares of Common Stock subject to outstanding Awards under the Prior Plans) shall be 9,750,000. In addition, the ISO Limit cannot exceed 9,750,000 Shares.

(i) All of the amounts stated in this Paragraph (b) are subject to adjustment as provided in Section 15 below.

(ii) For the purpose of computing the total number of shares of Common Stock available for Awards under the Plan, there shall be counted against the foregoing limitations the number of shares of Common Stock subject to issuance upon exercise or used for payment or settlement of Awards.

(iii) If any Awards under this Plan or a Prior Plan are forfeited, terminated, expire unexercised, settled or paid in cash in lieu of stock or exchanged for other Awards, the shares of Common Stock which were theretofore subject to such Awards shall again be available for Awards under the Plan to the extent of such forfeiture or expiration of such Awards.

(c) *Source of Common Stock.* Common Stock which may be issued under the Plan may be either authorized and unissued stock or issued stock that has been reacquired by the Company. No fractional shares of Common Stock shall be issued under the Plan.

5. *Eligibility.* Incentive Stock Options may only be granted to Employees of the Company or a Subsidiary corporation. Employees, Non-Employee Directors, and Consultants of the Company or a Subsidiary are eligible to receive Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Awards, Performance Awards and other Awards under the Plan.

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6. *Stock Options.* Stock options granted under the Plan may be in the form of Incentive Stock Options or Non-Qualified Stock Options (collectively referred to as "Stock Options"). Stock Options shall be subject to written Stock Option agreements containing the terms and conditions set forth below and such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable in its sole and absolute discretion.

(a) *Grant.* Stock Options shall be granted under the Plan on such terms and conditions not inconsistent with the provisions of the Plan and pursuant to written agreements with the Participants in such form or forms as the Committee may from time to time approve in its sole and absolute discretion. The terms of individual Stock Option agreements need not be identical. Each Stock Option agreement shall state specifically whether it is intended to be an Incentive Stock Option agreement or a Non-Qualified Stock Option agreement provided however that if an agreement does not so specify or there is ambiguity as to what type of Stock Option it is, then the Stock Option shall be a Non-Qualified Stock Option. Stock Options may be granted alone or in addition to other Awards under the Plan.

(b) *Exercise Price.* Except as otherwise provided for in Paragraph (f) below, the exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant but shall not be less than one hundred percent (100%) of the Fair Market Value of the stock subject to the option on the Date of Grant of the Stock Option.

(c) *Option Term.* The term of each Stock Option shall be fixed by the Committee. However, the term of any Stock Option shall not exceed ten (10) years from the Date of Grant of such Stock Option.

(d) *Exercisability.* A Stock Option shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the Date of Grant and set forth in the written Stock Option agreement. A written Stock Option agreement may, if permitted pursuant to its terms, become exercisable in full upon the occurrence of events selected by the Committee that are beyond the control of the Participant (including, but not limited to, a Change in Control).

(e) *Method of Exercise.* A Stock Option may be exercised, in whole or in part, by giving written notice of exercise to the Committee specifying the number of shares of Common Stock to be purchased. Such notice shall be accompanied by payment in full of the exercise price (i) in cash or (ii) if acceptable to the Committee, in shares of Common Stock already owned by the Participant or a Qualified Note. The Committee may also permit Participants, either on a selective or aggregate basis, to simultaneously exercise Stock Options and sell the shares of Common Stock thereby acquired, pursuant to a brokerage or similar arrangement, approved in advance by the Committee, and use the proceeds from such sale as payment of part or all of the exercise price of such shares; provided, that such payment would not cause the Company to recognize added compensation expense for financial reporting purposes or cause the Award to be treated under liability accounting for financial reporting purposes or to violate Section 402 of the Sarbanes-Oxley Act of 2002, as determined by the Committee in its sole discretion.

(f) *Special Rules for Incentive Stock Options.* The terms specified below shall be applicable to all Incentive Stock Options. Stock Options which are not specifically designated as Incentive Stock Options when issued under the Plan shall not be subject to the terms of this Paragraph.

(i) *Ten Percent Stockholder.* If any Employee to whom an Incentive Stock Option is granted is a Ten Percent Stockholder, then the exercise price of the Incentive Stock Option shall not be less than one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the Date of Grant of such Incentive Stock Option, and the term of the Incentive Stock Option shall not exceed five (5) years from the Date of Grant of such option.

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(ii) *Dollar Limitation.* The aggregate Fair Market Value of the Optioned Stock (determined as of the Date of Grant of each Stock Option) with respect to Stock Options granted to any Employee under the Plan (or any other option plan of the Company or any Affiliate) that may for the first time become exercisable as Incentive Stock Options during any one calendar year shall not exceed one hundred thousand dollars (\$100,000). To the extent the Employee holds two or more such Stock Options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such Stock Options as Incentive Stock Options shall be applied in the order in which such Stock Options are granted. Any Stock Options in excess of such limitation shall automatically be treated as Non-Qualified Stock Options.

7. *Stock Appreciation Rights.* The grant of Stock Appreciation Rights under the Plan shall be subject to the following terms and conditions and such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable in its sole and absolute discretion. The terms of each Stock Appreciation Right granted shall be set forth in a written agreement between the Company and the Participant receiving such grant. The terms of such agreements need not be identical.

(a) *Stock Appreciation Rights.* A Stock Appreciation Right is an Award determined by the Committee entitling a Participant to receive an amount equal to the excess, if any, of the Fair Market Value of a share of Common Stock on a date concluding a measuring period fixed by the Committee upon granting the Stock Appreciation Right, over the Fair Market Value of a share of Common Stock on the Date of Grant of the Stock Appreciation Right, multiplied by the number of shares of Common Stock subject to the Stock Appreciation Right.

(b) *Grant.* A Stock Appreciation Right may be granted in addition to or completely independently of any other Award under the Plan. Upon grant of a Stock Appreciation Right, the Committee shall select and inform the Participant regarding the number of shares of Common Stock subject to the Stock Appreciation Right and the date that constitutes the close of the measuring period.

(c) *Measuring Period.* A Stock Appreciation Right shall accrue in value from the Date of Grant over a time period established by the Committee. In the written Stock Appreciation Right agreement, the Committee may also provide (but is not required to provide) that a Stock Appreciation Right shall be automatically payable on one or more specified dates prior to the normal end of the measuring period upon the occurrence of events selected by the Committee (including, but not limited to, a Change in Control) that are beyond the control of the Participant.

(d) *Form of Payment.* Payment pursuant to a Stock Appreciation Right may be made, as the Committee shall determine in its sole and absolute discretion: (i) in cash, (ii) in shares of Common Stock or (iii) in any combination of the above. The Committee may elect to make this determination either at the time the Stock Appreciation Right is granted, at the time of payment or at any time between such dates.

8. *Restricted Awards.* Restricted Awards granted under the Plan may be in the form of either Restricted Stock Grants or Restricted Unit Grants. Restricted Awards shall be subject to the following terms and conditions and such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable in its sole and absolute discretion and that are in compliance with Code Section 409A and the applicable Treasury Regulations promulgated



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thereunder. The Restricted Awards shall be pursuant to a written agreement executed both by the Company and the Participant. The terms of such written agreements need not be identical.

(a) *Restricted Stock Grants.* A Restricted Stock Grant is an Award of shares of Common Stock transferred to a Participant subject to such terms and conditions as the Committee deems appropriate, as set forth in Paragraph (d) below.

(b) *Restricted Unit Grants.* A Restricted Unit Grant is an Award of units (with each unit having a value equivalent to one share of Common Stock) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, the requirement that the Participant forfeit all or a portion of such units upon termination of Service for specified reasons within a specified period of time, and restrictions on the sale, assignment, transfer or other disposition of such units.

(c) *Grants of Awards.* Restricted Awards may be granted under the Plan in such form and on such terms and conditions as the Committee may from time to time approve. Restricted Awards may be granted alone or in addition to other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of Restricted Awards to be granted to a Participant and the Committee may impose different terms and conditions (including Performance Goals) on any particular Restricted Award made to any Participant. Each Participant receiving a Restricted Stock Grant shall generally be issued a stock certificate in respect of such shares of Common Stock. Such certificate shall be registered in the name of such Participant, shall be accompanied by a stock power duly executed by such Participant, and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award. The certificate evidencing the shares shall be held in custody by the Company until the restrictions imposed thereon shall have lapsed or been removed.

(d) *Restriction Period.* Restricted Awards shall provide that in order for a Participant to vest in such Awards, the Participant must continuously provide Service, subject to relief for specified reasons, for such period as the Committee may designate at the time of the Award ("Restriction Period"). If the Committee so provides in the written agreement with the Participant, a Restricted Award may also be subject to satisfaction of such performance goals as are set forth in such agreement. During the Restriction Period, a Participant may not sell, assign, transfer, pledge, encumber, or otherwise dispose of shares of Common Stock received under a Restricted Stock Grant. The Committee, in its sole discretion, may provide for the lapse of restrictions during the Restriction Period upon the occurrence of events selected by the Committee that are beyond the control of the Participant (including, but not limited to, a Change in Control or, if necessary to comply with Code Section 409A, an event described in Code Section 409A(a)(2)(A)(v)). Upon expiration of the applicable Restriction Period (or lapse of restrictions during the Restriction Period where the restrictions lapse in installments or by action of the Committee), the Participant shall be entitled to receive his or her Restricted Award or portion thereof, as the case may be.

(e) *Payment of Awards.* A Participant who receives a Restricted Stock Grant shall be paid solely by release of the restricted stock at the termination of the Restriction Period (whether in one payment, in installments or otherwise). A Participant shall be entitled to receive payment for a Restricted Unit Grant (or portion thereof) in an amount equal to the aggregate Fair Market Value of the shares of Common Stock covered by such Award upon the expiration of the applicable Restriction Period. Payment in settlement of a Restricted Unit Grant shall be made as soon as practicable following the conclusion of the specified Restriction Period, as the Committee shall determine in its sole and absolute discretion: (i) in cash, (ii) in shares of Common Stock equal to the number of units granted under the Restricted Unit Grant with respect to which such payment is made, or (iii) in any combination of the above. The Committee may elect to make this

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determination either at the time the Award is granted, at the time of payment or at any time in between such dates.

(f) *Rights as a Stockholder.* A Participant shall have, with respect to the shares of Common Stock received under a Restricted Stock Grant, all of the rights of a stockholder of the Company, including the right to vote the stock, and the right to receive any cash dividends. Such cash dividends shall be withheld, however, until their release upon lapse of the restrictions under the Restricted Award. Stock dividends issued with respect to the shares covered by a Restricted Stock Grant shall be treated as additional shares under the Restricted Stock Grant and shall be subject to the same restrictions and other terms and conditions as apply to shares under the Restricted Stock Grant with respect to which the dividends are issued.

9. *Performance Awards.* Performance Awards granted under the Plan may be in the form of either Performance Share Grants or Performance Unit Grants. Performance Awards shall be subject to written agreements which shall contain the terms and conditions set forth below and such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable in its sole and absolute discretion and that are in compliance with Code Section 409A and the applicable Treasury Regulations promulgated thereunder. Such agreements need not be identical.

(a) *Performance Share Grants.* A Performance Share Grant is an Award of units (with each unit equivalent in value to one share of Common Stock) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, the requirement that the Participant forfeit such units (or a portion of such units) in the event certain performance criteria are not met within a designated period of time.

(b) *Performance Unit Grants.* A Performance Unit Grant is an Award of units (with each unit representing such monetary amount as designated by the Committee) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, the requirement that the Participant forfeit such units (or a portion of such units) in the event certain performance criteria are not met within a designated period of time.

(c) *Grants of Awards.* Performance Awards shall be granted under the Plan pursuant to written agreements with the Participant in such form as the Committee may from time to time approve. Performance Awards may be granted alone or in addition to other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of Performance Awards to be granted to a Participant and the Committee may impose different terms and conditions on any particular Performance Award made to any Participant.

(d) *Performance Goals and Performance Periods.* Performance Awards shall provide that, in order for a Participant to vest in such Awards, specified Performance Goals must be achieved over a designated Performance Period. The Performance Goals and Performance Period shall be established by the Committee, in its sole and absolute discretion. The Committee shall establish Performance Goals for each Performance Period while the outcome is substantially uncertain and at such time as is permitted under Treasury Regulations Section 1.162-27(e)(2). The Committee shall also establish a schedule or schedules for such Performance Period setting forth the portion of the Performance Award which will be earned or forfeited based on the degree of achievement of the Performance Goals actually achieved or exceeded.

(e) *Payment of Awards.* In the case of a Performance Share Grant, the Participant shall be entitled to receive payment for each unit earned in an amount equal to the aggregate Fair Market Value of the shares of Common Stock covered by such Award as of the end of the Performance Period. In the case of a Performance Unit Grant, the Participant shall be entitled to receive payment for each unit earned in an amount equal to the dollar value of each unit times the

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number of units earned. The Committee, pursuant to the written agreement with the Participant, may make such Performance Awards payable in whole or in part upon the occurrence of events selected by the Committee that are beyond the control of the Participant (including, but not limited to, a Change in Control or, if necessary to comply with Code Section 409A, an event described in Code Section 409A(a)(2)(A)(v)). Payment in settlement of a Performance Award shall generally be made as soon as practicable following the conclusion of the Performance Period, as the Committee may determine in its sole and absolute discretion: (i) in cash, (ii) in shares of Common Stock, or (iii) in any combination of the above. The Committee may elect to make this determination either at the time the Award is granted, at the time of payment, or at any time between such dates.

### 10. *Other Stock-Based and Combination Awards.*

(a) Subject to compliance with Code Section 409A, the Committee may grant other Awards under the Plan pursuant to which Common Stock is or may in the future be acquired, or Awards denominated in stock units, including ones valued using measures other than market value. Such other stock-based grants may be granted either alone or in addition to any other type of Award granted under the Plan.

(b) The Committee may also grant Awards under the Plan in combination with other Awards or in exchange of Awards, or in combination with or as alternatives to grants or rights under any other employee plan of the Company, including the plan of any acquired entity.

(c) Subject to the provisions of the Plan, the Committee shall have authority to determine the individuals to whom and the time or times at which the Awards shall be made, the number of shares of Common Stock to be granted or covered pursuant to such Awards, and any and all other conditions and/or terms of the Awards.

11. *Deferral Elections.* Subject to compliance with Code Section 409A (and in particular, Code Section 409A(a)(4)), the Committee may permit a Participant to elect to defer his or her receipt of the payment of cash or the delivery of shares of Common Stock that would otherwise be due to such Participant by virtue of the exercise, earn out or vesting of an Award made under the Plan. If any such election is permitted, the Committee shall establish rules and procedures for such payment deferrals, including the possible (a) payment or crediting of reasonable interest on such deferred amounts credited in cash, and (b) the payment or crediting of dividend equivalents in respect of deferrals credited in units of Common Stock. Neither the Company nor the Committee shall be responsible to any person in the event that the payment deferral does not result in deferral of income for tax purposes.

12. *Dividend Equivalents.* Awards of Stock Options, Stock Appreciation Rights, Restricted Unit Grants, Performance Share Grants, and other stock-based Awards may, in the sole and absolute discretion of the Committee, earn dividend equivalents. In respect of any such Award which is outstanding on a dividend record date for Common Stock, the Participant may be credited with an amount equal to the amount of cash or stock dividends that would have been paid on the shares of Common Stock covered by such Award had such shares been issued and outstanding on such dividend record date. Subject to compliance with Code Section 409A, the Committee shall establish such rules and procedures governing the crediting of dividend equivalents, including the timing, form of payment, and payment contingencies of such dividend equivalents, as it deems appropriate or necessary.

13. *Termination of Service.* Subject to compliance with Code Section 409A, the terms and conditions under which an Award may be exercised after a Participant's termination of Service shall be determined by the Committee and reflected in the written agreement with the Participant concerning the Award.

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14. *Non-Transferability of Awards.* No Award under the Plan, and no rights or interest therein, shall be assignable or transferable by a Participant except by will or the laws of descent and distribution. Subject to the foregoing, during the lifetime of a Participant, Awards are exercisable only by, and payments in settlement of Awards will be payable only to, the Participant or his or her legal representative if the Participant is Disabled. Notwithstanding the foregoing, the Committee in its sole and absolute discretion may elect to permit the transferability of an Award in certain circumstances.

15. *Adjustments on Changes in Capitalization, Etc.*

(a) The existence of the Plan and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Common Stock or the rights thereof, the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

(b) In the event of any change in capitalization affecting the Common Stock after the Restatement Date, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, combination, exchange of stock, other form of reorganization, or any other change affecting the Common Stock, such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change shall be made with respect to (i) the aggregate number of shares of Common Stock for which Awards in respect thereof may be granted under the Plan, (ii) the maximum number of shares of Common Stock which may be sold or awarded to any Participant, (iii) the number of shares of Common Stock covered by each outstanding Award, (iv) the price per share in respect of outstanding Awards, and (v) the ISO Limit. Such adjustments shall be made by the Committee so that the adjustments shall not result in an adverse accounting consequence under FASB ASC Topic 718, and any successor thereof. The Committee's determination with respect to the adjustments shall be final, binding, and conclusive.

(c) The Committee may also make such adjustments in the number of shares covered by, and the price or other value of any outstanding Awards in the event of a spin-off or other distribution (other than normal cash dividends) of Company assets to stockholders.

16. *Change in Control.* To the extent that the Committee, in its sole discretion, determines that the payments provided in Subsection (a) through (d) below do not constitute an "excess parachute payment" under Code Section 280G and do not violate Code Section 409A, and except as the Committee may in its discretion otherwise provide in any Award agreement, to provide for compliance with Code Section 409A or otherwise, in the event of a Change in Control:

(a) All outstanding Stock Options shall vest in their entirety and become exercisable immediately prior to the specified effective date of the Change in Control (and remain exercisable until the time of termination specified in the relevant Award agreement), unless such Stock Options are either (i) replaced or assumed by the successor corporation or its parent company pursuant to options providing substantially equal value and having substantially equivalent provisions as the Stock Options granted under the Plan or (ii) the Stock Options are affirmed by the Company;

(b) Notwithstanding paragraph (a) above, all Stock Options issued to non-employee directors shall vest in their entirety and become exercisable immediately prior to the specified effective date of the Change in Control (and remain exercisable until the time of termination specified in the relevant Award agreement) irrespective of whether such Stock Options are replaced or assumed by the successor corporation or its parent company or are affirmed by the Company;

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(c) All restrictions and conditions of the Restricted Stock Grants and Restricted Unit Grants then outstanding shall be deemed fully satisfied as of the effective date of the Change in Control; and

(d) The Performance Share Grants and Performance Unit Grants shall be deemed to have been fully earned and payable as of the effective date of the Change in Control.

17. *Amendment and Termination.* Without further approval of the stockholders, the Board may at any time terminate the Plan, or may amend it from time to time in such respects as the Board may deem advisable; provided that the Board may not, without approval of the stockholders, make any amendment which would (a) increase the aggregate number of shares of Common Stock which may be issued under the Plan (except for adjustments pursuant to Section 15 above), (b) materially modify the requirements as to eligibility for participation in the Plan, or (c) materially increase the benefits accruing to Participants under the Plan. Notwithstanding the above, the Board may amend the Plan to take into account changes in applicable securities laws, federal income tax laws and other applicable laws. Further, should the provisions of Rule 16b-3, or any successor rule, under the Exchange Act be amended, the Board may amend the Plan in accordance with any modifications to that rule without the need for stockholder approval.

### 18. *Miscellaneous Matters.*

#### (a) *Tax Withholding.*

(i) The Company's obligation to deliver Common Stock and/or pay any amount under the Plan shall be subject to the satisfaction of all applicable federal, state, local, and foreign tax withholding requirements.

(ii) The Committee may, in its discretion, provide the Participants or their successors with the right to use previously vested Common Stock in satisfaction of all or part of the taxes incurred by such Participants in connection with the Plan; provided, however, that this form of payment shall be limited to the withholding amount calculated using the minimum applicable statutory rates. Such right may be provided to any such holder in either or both of the following formats:

1. *Stock Withholding:* The election to have the Company withhold, from the Common Stock otherwise issuable under the Plan, a portion of the Common Stock with an aggregate Fair Market Value equal to the taxes calculated using the minimum applicable statutory rates.

2. *Stock Delivery:* The election to deliver to the Company, at the time the taxes are required to be withheld, one or more shares of Common Stock previously acquired by the Participant or his or her successor with an aggregate Fair Market Value equal to the taxes calculated using the minimum applicable statutory rates.

(b) *Not an Employment or Service Contract.* Neither the adoption of the Plan nor the granting of any Award shall confer upon any Participant any right to continue in the Service of the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate the Services of any of its Employees, Non-Employee Directors, or Consultants at any time, with or without cause.

(c) *Unfunded Plan.* The Plan shall be unfunded and the Company shall not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of the Company to any person with respect to any Award under the Plan shall be based solely upon any written contractual obligations that may be effected pursuant to the Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

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(d) *Annulment of Awards.* The grant of any Award under the Plan payable in cash is provisional until cash is paid in settlement thereof. The grant of any Award payable in Common Stock is provisional until the Participant becomes entitled to the certificate in settlement thereof. Where approval for an Award sought pursuant to Section 162(m)(4)(C)(ii) of the Code is not granted by the Company's stockholders, the Award shall be annulled automatically. In the event the Service of a Participant is Terminated for Cause, any Award which is provisional shall be annulled as of the date of such termination for cause.

(e) *Other Company Benefit and Compensation Programs.* Payments and other benefits received by a Participant under an Award made pursuant to the Plan shall not be deemed a part of a Participant's regular, recurring compensation for purposes of the termination indemnity or severance pay law of any state. Furthermore, such benefits shall not be included in, or have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by the Company or a Subsidiary unless expressly so provided by such other plan or arrangement, or except where the Committee expressly determines that inclusion of an Award or portion of an Award should be included. Awards under the Plan may be made in combination with or in addition to, or as alternatives to, grants, awards or payments under any other Company or Subsidiary plans. The Company or any Subsidiary may adopt such other compensation programs and additional compensation arrangements (in addition to the Plan) as it deems necessary to attract, retain, and motivate officers, directors, employees or independent contractors for their service with the Company and its Subsidiaries.

(f) *Securities Law Restrictions.* No shares of Common Stock shall be issued under the Plan unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for shares of Common Stock delivered under the Plan may be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the SEC, any stock exchange upon which the Common Stock is then listed, and any applicable federal or state securities law. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) *Award Agreement.* Each Participant receiving an Award under the Plan shall enter into a written agreement with the Company in a form specified by the Committee agreeing to the terms and conditions of the Award and such related matters as the Committee shall, in its sole and absolute discretion, determine.

(h) *Costs of Plan.* The costs and expenses of administering the Plan shall be borne by the Company.

(i) *Governing Law.* The Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

(j) *Compliance with Section 409A of the Code.* It is the Company's intent that the Plan comply in all respects with Code Section 409A and the applicable regulations promulgated thereunder. If any provision of the Plan is found not to be in compliance with Code Section 409A and the applicable regulations promulgated thereunder, that provision shall be deemed to have been amended or deleted as and to the extent necessary to comply with Code Section 409A and the applicable regulations promulgated thereunder, and the remaining provisions of the Plan shall continue in full force and effect, without change. All transactions under the Plan shall be executed in accordance with the requirements of Code Section 409A and the applicable regulations promulgated thereunder.

Any payment made pursuant to any Award shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. Notwithstanding the foregoing or

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anything elsewhere in the Plan or an Award agreement to the contrary, if upon a Participant's "separation from service" (as defined under Code Section 409A) he/she is then a "specified employee" (as defined under Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such separation from service under this Plan until the earlier of (i) the first business day of the seventh month following the Participant's separation from service, or (ii) ten (10) days after the Company receives written confirmation of the Participant's death. Any such delayed payments shall be made without interest. While it is intended that all payments and benefits provided under the Plan or an Award will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under the Plan or an Award are exempt from or compliant with Code Section 409A. In no event whatsoever shall the Company be liable if a payment or benefit under the Plan or an Award is challenged by any taxing authority or for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or any damages for failing to comply with Code Section 409A. The Participant will be entirely responsible for any and all taxes on any benefits payable to such Participant as a result of the Plan or an Award. If the applicable Award agreement or Participant's employment agreement provides for Code Section 409A related provisions other than what is specified above in this Section 18(j), then such provisions in the Award or employment agreement shall govern.

(k) *Maximum Limits.* Awards will be limited to the following per Employee, per calendar year, maximum amounts:

(1) Stock Options	200,000 shares of Common Stock
(2) Stock Appreciation Rights	200,000 shares of Common Stock
(3) Restricted Stock	200,000 shares of Common Stock
(4) Restricted Units	200,000 shares of Common Stock
(5) Performance Shares	200,000 shares of Common Stock
(6) Aggregate of Above Awards	400,000 shares of Common Stock
(7) Performance Units	Aggregate of \$2,000,000

The numerical limits expressed in the foregoing subparts (1) through (7) shall in each case be doubled with respect to Awards granted to an Employee during the calendar year of the Employee's commencement of employment with the Company or during the first calendar year that the Employee becomes a "Covered Employee" within the meaning of Code Section 162(m). The numerical limits expressed in the foregoing subparts (1) through (6) shall be subject to adjustment under Section 15.

With respect to Awards intended to qualify as performance-based compensation under Code Section 162(m), the Committee may provide (but is not required to provide) in the written agreement with the Participant that acceleration in payment of an Award shall also be subject to discounting to reasonably reflect the time value of money using any reasonable discount rate selected by the Committee in accordance with Treasury Regulations under Code Section 162(m).

(l) *Indemnification.* To the maximum extent permitted by applicable law, each member of the Committee, or of the Board, or any persons (including without limitation Employees) who are delegated by the Board or Committee to perform administrative functions in connection with the Plan, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award agreement, and (ii) from any and all amounts paid by him or her in settlement

thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

(m) *Restrictions.* Any Award shall be subject to such Company policies (including without limitation any policies on insider trading, recoupment of compensation, stock ownership requirements) and transfer restrictions as the Company or Committee may determine. Such restrictions shall apply in addition to any restrictions that may apply to holders of Shares or Employees generally and shall also comply to the extent necessary with applicable law.

(n) *Policy on Recoupment.* The Company may (i) cause the cancellation of any Award, (ii) require reimbursement of any Award by a Participant and (iii) effect any other right of recoupment of equity or other compensation provided under this Plan or otherwise in accordance with Company policies as may be adopted and/or modified from time to time by the Company and/or applicable law (each, a "Clawback Policy"). In addition, a Participant may be required to repay to the Company certain previously paid compensation, whether provided under this Plan or an Award agreement or otherwise, in accordance with the Clawback Policy. By accepting an Award, a Participant is also agreeing to be bound by the Company's Clawback Policy which may be amended from time to time by the Company in its discretion (including without limitation to comply with applicable laws or stock exchange requirements) and is further agreeing that all of the Participant's Awards (and/or awards issued under any of the Prior Plans) may be unilaterally amended by the Company to the extent needed to comply with the Clawback Policy.













QuickLinks

[IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS](#)

[QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING](#)

[Security Ownership of Principal Stockholders and Management](#)

[PROPOSAL NO.1 ELECTION OF DIRECTORS](#)

[2012 Director Compensation](#)

[EXECUTIVE COMPENSATION](#)

[Compensation Discussion and Analysis](#)

[Bonuses for 2012 Performance](#)

[Long-Term Equity Compensation](#)

[Summary Compensation](#)

[Grants of Plan-Based Awards for Fiscal Year Ended December 28, 2012](#)

[Outstanding Equity Awards at Fiscal Year-End December 28, 2012](#)

[Option Exercises and Stock Vested as of Fiscal Year-End December 28, 2012](#)

[Pension Benefits for Fiscal Year Ended December 28, 2012](#)

[Change in Control and Termination Payment and Benefit Estimates As of December 28, 2012](#)

[EMPLOYMENT AGREEMENTS](#)

[REPORT OF THE AUDIT COMMITTEE](#)

[PROPOSAL NO. 2 AMENDMENT AND RESTATEMENT OF 2003 OMNIBUS EQUITY INCENTIVE PLAN](#)

[PROPOSAL NO. 3 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

[PROPOSAL No. 4 ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION](#)

[Section 16\(a\) Beneficial Ownership Reporting Compliance](#)

[ANNUAL REPORT ON FORM 10-K](#)

[Appendix A](#)

[STAAR SURGICAL COMPANY AMENDED AND RESTATED 2003 OMNIBUS EQUITY INCENTIVE PLAN \(Effective March 4, 2013\)](#)