

ADVANCED MEDICAL OPTICS INC  
Form DEF 14A  
March 25, 2003

**SCHEDULE 14A INFORMATION**

**(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**ADVANCED MEDICAL OPTICS, INC.**

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(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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(4) Date Filed:

\_\_\_\_\_

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

March 25, 2003

Dear Stockholder:

We invite you to attend our annual meeting of stockholders on Wednesday, April 30, 2003, at 10:00 a.m., to be held at our headquarters located at 1700 E. St. Andrew Place, Santa Ana, California.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you about the agenda and the procedures for the meeting. It also describes how the company's board of directors operates and gives certain information about the company. In addition, you will note that for your convenience we have included the company's financial statements for 2002 as *Exhibit A* to the proxy statement.

We hope you will be able to attend this first annual meeting following our spin-off from Allergan, Inc. on June 29, 2002. If you need special assistance at the meeting, please contact our Investor Relations department at the address above.

William R. Grant

*Chairman of the Board*

James V. Mazzo

*President and Chief Executive Officer*

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

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Date:** April 30, 2003

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

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

**Purpose:**

- To elect three directors
- To approve the Advanced Medical Optics, Inc. 2002 Bonus Plan to enable us to meet tax deductibility requirements of Section 162(m) of the Internal Revenue Code
- To approve the Advanced Medical Optics, Inc. 2002 Incentive Compensation Plan to enable us to meet tax deductibility requirements of Section 162(m) of the Internal Revenue Code
- To consider such other business as may properly come before the meeting or any adjournment of the meeting

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

By Order of the Board of Directors  
Aimee S. Weisner  
*Corporate Vice President,*

*General Counsel and Secretary*

March 25, 2003

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**ADVANCED MEDICAL OPTICS, INC.**

**PROXY STATEMENT**

**FOR**

**ANNUAL MEETING OF STOCKHOLDERS**

**WEDNESDAY, APRIL 30, 2003**

**GENERAL INFORMATION**

The approximate date on which the enclosed proxy card and this proxy statement are first being sent to stockholders is March 25, 2003.

**Outstanding Shares.**

On March 6, 2003, 28,765,357 shares of common stock (exclusive of 12,654 shares held in treasury) were outstanding. Each common share has one vote.

**Who May Vote**

Stockholders of Advanced Medical Optics, Inc. as of the company's record date, March 6, 2003, may vote.

**How To Vote**

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

- Complete, sign, date and mail your proxy card in the enclosed, postage-prepaid envelope;
- Call the toll-free number listed on the proxy card; or
- Access the Internet as indicated on the proxy card.

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

### **How Proxies Work**

Advanced Medical Optics, Inc.'s board of directors is asking for your proxy. By giving us your proxy, you authorize the proxy holders (members of Advanced Medical Optics management) to vote your shares at the meeting in the manner you direct. If you do not specify how you wish us to vote your shares, your shares will be voted for all director candidates, for the approval of the 2002 Bonus Plan, and for the approval of the 2002 Incentive Compensation Plan. Proxy holders will also vote shares according to their discretion on any other matter properly brought before the meeting.

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

### **Quorum**

In order to carry out the business of the meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in person. Shares owned by Advanced Medical Optics (also known as treasury shares) are not voted and do not count for this purpose.

### **Changing Your Vote**

You may revoke your proxy before it is voted by submitting a new proxy with a later date, by voting in person at the meeting or by notifying the Secretary of Advanced Medical Optics in writing at the address under "Questions?" on page 35.

### **Votes Needed**

Director nominees receiving the largest number of votes cast are elected, up to the maximum number of directors fixed by the board to be elected at the meeting. As a result, any shares not voted (whether by abstention, broker non-vote or otherwise) have no impact on the election of directors, except to the extent that the failure to vote for a particular nominee may result in another nominee receiving a larger number of votes. Approval of the Bonus Plan, approval of the Incentive Compensation Plan and any other matter properly brought before the meeting requires the favorable vote of a majority of the shares of common stock represented at the meeting, in person or by proxy. Abstentions and broker non-votes are counted as if they were votes against each of these proposals.

### **Attending In Person**

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

## **ELECTION OF DIRECTORS**

### **(Proposal 1)**

### **General**

The first proposal to be voted on at the meeting is the election of three directors. Each of these directors is to be elected as a Class I director for a three-year term expiring at the 2006 annual meeting. The board of directors has nominated Dr. William J. Link, Mr. Michael A. Mussallem and Mr. David E.I. Pyott for these directorships. All of these individuals are currently serving as AMO directors. As part of a private letter ruling request to the IRS regarding our spin-off from Allergan, no director of Allergan can remain both a director of AMO and Allergan for more than one year following the spin-off. Therefore, we expect that Mr. Pyott, the Chairman of the Board, President and Chief Executive Officer of Allergan, will resign from our board mid-year. Biographical information about each of these nominees is included in "Director Information" below.

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



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

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

### **Director Information**

Our board of directors is separated into three classes, each with a three-year term. The current term of the Class I directors will expire at the 2003 annual meeting, the current term of the Class II directors will expire at the 2004 annual meeting and the current term of the Class III directors will expire at the 2005 annual meeting.

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

**Nominees for Election as Directors Term Expiring 2006**

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

Class I

Age: 56

Director since June 2002

Board committees:

Audit and Finance;

Science and Technology

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

**Michael A. Mussallem**

Class I

Age: 50

Director since June 2002

Board committees:

Audit and Finance;

Organization, Compensation

and Corporate Governance

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

**David E.I. Pyott**

Class I

Age: 49

Director since October 2001

Board committees:

Science and Technology

Mr. Pyott has served as President and Chief Executive Officer of Allergan since January 1998. He has been a Director of Allergan since 1998 and Chairman since 2001. Previously, he was head of the Nutrition Division and a member of the Executive Committee of Novartis AG from 1995 until December 1997. From 1992 to 1995, Mr. Pyott was President and Chief Executive Officer of Sandoz Nutrition Corp., Minneapolis, Minnesota and General Manager of Sandoz Nutrition, Barcelona, Spain from 1990 to 1992. Prior to that, Mr. Pyott held various positions within the Sandoz Nutrition group from 1980. He is a member of the boards of directors of Allergan, Avery-Dennison Corporation and Edwards Lifesciences Corporation.

**Directors Continuing in Office Term Expiring 2004**

**William R. Grant**

Mr. Grant is the Chairman of the Board of Directors, a position he has held since January 2002. He is a co-founder of Galen Associates, Inc., a venture capital firm in

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Class II

Age: 78

Director since October 2001

Board committees:

Audit and Finance;

Organization, Compensation

and Corporate Governance

the health care industry, and has been its Chairman since 1989. Mr. Grant has over 40 years of experience in the investment banking and risk-capital fields, including substantial experience in the health care industry. From 1987 to 1989 he was Chairman of New York Life International Investment, Inc. Mr. Grant is also a Director of Ocular Sciences, Inc., Vasogen Inc., Quest Diagnostics Incorporated and Massey Energy Company.

**Christopher G. Chavez**

Class II

Age: 47

Director since June 2002

Board committees:

Organization, Compensation

and Corporate Governance;

Science and Technology

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

**Directors Continuing in Office Term Expiring 2005**

**James V. Mazzo**

Class III

Age: 45

Director since October 2001

Board committees:

Science and Technology

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

**James O. Rollans**

Class III

Age: 60

Director since June 2002

Board committees:

Audit and Finance;

Organization, Compensation

and Corporate Governance

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

**Attendance at Meetings**

The board of directors of the company met seven times in 2002. Each of the directors attended 75% or more of the aggregate number of regularly scheduled and special board and committee meetings held during the year.



## Director Compensation

In 2002, our non-employee directors other than our Chairman received an annual cash retainer of \$24,000 and an additional fee of:

- \$1,200 for attending each board meeting,
- \$1,000 for each committee member attending a committee meeting, and
- \$1,500 for each committee chairperson presiding over a committee meeting.

Additionally, our non-employee directors other than our Chairman are entitled to participate in our Incentive Compensation Plan, receiving 20,000 options upon initial election and 6,500 options per year thereafter.

For 2002, our Chairman of the Board received an annual cash retainer of \$150,000 and meeting fees as set forth above. The Chairman, as a non-employee director, also received an initial stock option grant of options to purchase 40,000 shares of our common stock at the time of our spin-off, and will receive options to purchase 13,000 shares annually thereafter.

Effective January 2003, the annual cash retainer portion of our non-employee directors' compensation was changed, as follows:

- Chairman of the Board: \$150,000
- Chairman of the Audit and Finance Committee: \$34,000
- Chairman of the Organization, Compensation and Corporate Governance Committee: \$29,000
- Chairman of the Science and Technology Committee: \$29,000
- Other Board Members: \$24,000

In addition, meeting fees were changed, as follows

- Full Board: \$1,200 per meeting
- Committee: \$1,000 per meeting

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Effective April 2003, the non-employee directors may elect to forego some or all of their annual cash retainer in lieu of restricted shares of our stock issued under our 2002 Incentive Compensation Plan, with a face value equal to the amount of the annual cash retainer foregone. These restricted shares vest at the next following annual meeting.

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

We are managed under the direction of our board of directors. Our board of directors has established an Audit and Finance Committee, an Organization, Compensation and Corporate Governance Committee and a Science and Technology Committee.

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

The Audit and Finance Committee is comprised of Dr. Link and Messrs. Rollans, Grant and Mussallem. Our Board has determined that none of the committee members has a relationship to AMO that may interfere with the exercise of his independence from management and the company. None of the Audit and Finance Committee members is a former employee of the company. None of the Audit and Finance Committee members has a business relationship with the company, or is a partner, controlling stockholder or executive officer of an entity that has a material business relationship with the company. In addition, there is no Audit and Finance Committee member who is employed as an executive of another company where any of the company's executives serve on that other firm's compensation committee. No member of the Audit and Finance Committee is an immediate

family member of an individual who is an executive officer of the company or any of its affiliates. Each member of the Audit and Finance Committee is financially literate, in accordance with the qualifications set forth by the company's board of directors in its business judgment. In addition, at least one member of the Audit and Finance Committee has accounting or related financial management expertise, as the board of directors interprets this qualification in its business judgment.

In 2002, the Audit and Finance Committee met three times after its formation in June 2002. The board of directors has adopted a written Charter setting forth the authority and responsibilities of the Audit and Finance Committee, a copy of which is attached to this proxy statement as *Exhibit D*. The Audit and Finance Committee reviews the scope of the audit by the independent auditors, inquires into the effectiveness of our accounting and internal control functions, and recommends to the board of directors any changes in the appointment of independent auditors that the committee may deem to be in the best interests of the company and its stockholders. The Audit and Finance Committee also assists the board of directors in establishing and monitoring compliance with the ethical business practice standards of the company. The committee also has a finance oversight role, including the periodic evaluation of our finance function, capital structure and debt and equity policies and programs. Our independent auditors and our internal financial personnel have regular private meetings and unrestricted access with this committee.

The report of the committee begins on page 32.

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

Our Organization, Compensation and Corporate Governance Committee is comprised of Messrs. Mussallem, Chavez, Grant and Rollans. This committee met three times in 2002 following its formation in June 2002. The Organization, Compensation and Corporate Governance Committee determines the compensation of executive officers and outside directors, exercises authority of the board of directors concerning employee benefit plans and advises the board of directors on other compensation and employee benefit matters. In addition, this committee makes recommendations to the board of directors regarding candidates for election as directors of the company. The committee also advises the board of directors on board committee structure and membership and corporate governance matters. The Organization, Compensation and Corporate Governance Committee consists solely of directors who are independent of management.

The Organization, Compensation and Corporate Governance Committee will consider director candidates proposed by stockholders. To be considered by the committee for the 2004 annual meeting, stockholder submissions must be received at the offices of the company to the attention of the Secretary, Advanced Medical Optics, Inc., 1700 E. St. Andrew Place, Santa Ana, California 92705, between December 31, 2003 and January 30, 2004.

The report of the committee begins on page 23.

#### **Science and Technology Committee**

Our Science and Technology Committee is comprised of Dr. Link and Messrs. Chavez, Mazzo and Pyott. The functions of this committee include reviewing our research and development programs and projects to evaluate investment allocations, our portfolio of strategic patents and major technology-based transactions. This committee met twice in 2002 following its formation in June 2002.



## CORPORATE GOVERNANCE

### Corporate Governance Guidelines

In January 2003, the board of directors approved the Corporate Governance Guidelines, which are published below. These guidelines are being published in this proxy statement to inform our stockholders of the Board's current thinking with respect to selected corporate governance issues that we think may be of interest to stockholders. These are guidelines, not rigid rules, and their publication in this proxy statement should not be interpreted as a representation that they will be strictly followed in each instance. Our board will continue to assess these guidelines and it is likely that changes or exceptions to the guidelines will be considered from time to time.

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

1. The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company, except with respect to those matters reserved to the stockholders. It selects the senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board's role is to oversee management. The Board also acts as an advisor and counselor to senior management and ultimately monitors its performance. The Board has complete access to the Company's management. The Board also has access, as necessary and appropriate, to independent legal, financial and accounting advisors to assist in their duties to the Company and its stockholders.
2. The Board of Directors shall support a corporate environment of internal controls, fiscal accountability, ethical standards and compliance with applicable governance policies, laws and regulations. Under Delaware law, each director owes duties of loyalty and care to the Company and is expected to act in the best interests of the Company's stockholders as a whole.
3. It is the general policy of the Company that all major decisions be considered by the Board as a whole. The Board has delegated certain basic responsibilities to three committees: Audit and Finance; Organization, Compensation and Corporate Governance (OCCG); and Science and Technology. The responsibilities of these committees are set forth in their respective charters, which shall be publicly available at all times.
4. The OCCG is responsible for setting annual and long-term performance goals for the CEO and for evaluating his or her performance against those goals on an annual basis. The evaluation is submitted for consideration by the outside directors of the Board in an executive session. The evaluation is then used in the consideration of the CEO's compensation.
5. The OCCG is also responsible for undertaking an annual assessment of the Board's performance. This report will be discussed with the full Board. The assessment will focus on the Board's contribution as a whole and areas in which the Board or management believes a better contribution could be made.
6. The Board plans for succession to the position of Chief Executive Officer as well as certain other senior management positions. To assist the Board, the Chief Executive Officer annually provides the Board with an assessment of senior managers and of their potential to succeed him or her. The Board or the OCCG should also receive at that time an assessment of persons considered potential successors to certain senior management positions and the Company's management development plans.

7.

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The Chief Executive Officer is responsible for establishing effective communications with the Company's stakeholders. It is the policy of the Company that designated management speaks for the Company.

### *Composition of the Board of Directors*

8. The members and chairs of Board committees are recommended to the Board by the OCCG in consultation with the Chairman and Chief Executive Officer. The Audit and Finance Committee and the OCCG are

comprised solely of independent directors. Committee members will be rotated as needed. Each committee is responsible for preparing an annual self-evaluation.

9. It is the policy of the Company that the Board consists of a majority of independent directors and that the number of directors not exceed a number that can function efficiently as a body. The OCCG will analyze the independence of its members annually and report to the Board. After receiving the OCCG's report, the Board shall annually review the affiliations of each outside director to determine his or her independence. The Company generally classifies a director as independent if the director meets the following criteria:
- (a) is not and has not been employed by the Company in an executive capacity within the five years immediately prior;
  - (b) is not and has not been affiliated with or employed by a current or former auditor of the Company within the five years immediately prior;
  - (c) is not and has not been in the prior five years part of an interlocking directorate in which an executive officer of the Company serves on the compensation committee of another company that currently employs the director;
  - (d) does not beneficially own and is not affiliated with an entity that owns more than 20% of the Company's common stock;
  - (e) is not (and is not affiliated with a company or a firm that is) a significant advisor or consultant to the Company;
  - (f) is not affiliated with a significant customer or supplier of the Company;
  - (g) does not have significant personal services contracts with the Company;
  - (h) is not affiliated with a tax-exempt entity that receives significant contributions from the Company; and
  - (i) does not share a home with and is not a spouse; parent; sibling; child; mother or father-in-law; son or daughter-in-law; or brother or sister-in-law of any person described by (a) through (h).

Significant means amounts exceeding 5% of either entity's gross revenues.

The Board may make exceptions to the above classification on a case by case basis.

For purposes of membership on the Audit and Finance Committee, in order to be independent its members must receive no compensation from the Company other than director fees (be they in cash, equity or some other form) and may not serve on the audit committees of more than five public companies at any time without prior Board approval.

10. The OCCG, in consultation with the Chairman and Chief Executive Officer, considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The OCCG considers and recommends to the full Board candidates to fill new positions created by expansion and vacancies. Board candidates are selected for their character, judgment, business experience and acumen. Scientific expertise and familiarity with issues affecting the Company are also relevant. Final approval of a new candidate is

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determined by the OCCG before the decision to invite someone to join the Board is made.

11. The roles of Chairman of the Board and Chief Executive Officer need not be separate. The Board will make this decision in each circumstance in the best interests of the stockholders.
12. Individual directors who change the responsibility they held when they were elected to the Board should tender their resignations to the OCCG for consideration. The OCCG will then recommend to the Board the action, if any, to be taken with respect to the resignation.
13. The Board does not believe that it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the

contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations.

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

*Board and Committee Meetings*

- 15. The outside directors will meet in executive session at regularly scheduled meetings. The Chairman, if an outside director, will preside over such meetings. If the Chairman is not an outside director, a director will be selected by a majority of the outside directors to chair such discussions.
- 16. The Chairman and the CEO set the agenda for Board meetings, and the committee chairs set the agendas for the committee meetings. Any member of the Board may request that an item be included on the agenda.
- 17. Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings where necessary to allow the directors to prepare for discussion of the items at the meeting. Directors are expected to review such materials prior to the meeting so that Board meeting time may be conserved and discussion time focused on questions that the Board may have about the materials.
- 18. Regular attendance at Board meetings is important. Directors should attend meetings in person whenever possible. Managers other than the CEO are encouraged to attend Board meetings as necessary.

*Director Compensation*

- 19. The OCCG will evaluate director compensation periodically with information provided by Company management and outside consultants. Changes in Board compensation, if any, will be made with the full discussion and approval by the Board.
- 20. Each director is encouraged to maintain ownership of the Company's common stock. In furtherance of this objective, the Board adopted resolutions on January 28, 2003, which encourage each outside director to own a minimum number of shares of the Company's common stock equal to three times the director's annual cash retainer, within five years FOR WITHHELD 1. Election of [ ] [ ] Directors. (see reverse) For, except vote withheld from the following nominee(s): FOR AGAINST ABSTAIN 2. Ratify the Appointment of [ ] [ ] PricewaterhouseCoopers LLP as Independent Accountants. 3. Approve the CIGNA Executive Incentive Plan. Mark here if you would like your voting instructions to be confidential pursuant to the procedures on confidential voting described in the Proxy Statement. Marking this box will not absolve you of any independent fiduciary or other legal obligation to report how you voted nor prevent the inspectors from disclosing your vote if required by law or if otherwise permitted by the procedures. Voting instructions for positions held in the CIGNA 401(k) Plan and the Intracorp 401(k) Performance Sharing Plan will be held confidential. Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

----- SIGNATURE (S) DATE

----- FOLD AND DETACH HERE IF YOU ARE NOT VOTING BY INTERNET OR TELEPHONE - [CIGNA LOGO] Dear Shareholder: We encourage you to take advantage of the convenient ways to submit your proxy or voting instructions. You can do so electronically through the Internet or by telephone. This would eliminate the need to return the attached Proxy/ Voting Instruction Card. To submit your proxy or voting instructions electronically you must use the control number printed in the box above, just below the perforation. The control number that appears in the box above must be used to access the system. 1. To use the telephone: - On a touch-tone telephone call 1-877-779-8683 24 hours a day, 7 days a week. - If you are outside of the United States or Canada, call 1-201-536-8073. 2. To use the Internet: - Log on to the Internet and go to the web site <http://www.eproxyvote.com/ci> Your electronic submission authorizes the named proxies in the same manner as if you marked, signed, dated and returned the Proxy/Voting Instruction Card. Please refer to "How to Vote" in the proxy statement for additional information on submitting electronic proxy or voting instructions. If you choose to submit your proxy or voting instructions electronically, you need not

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mail back the Proxy/Voting Instruction Card. YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING. TRAVEL DIRECTIONS FROM CENTER CITY PHILADELPHIA AND SOUTH JERSEY Take I-76 West (Schuylkill Expressway) to I-476 (Blue Route) South. Proceed on I-476 south to next exit. Exit 5 (US 30-St. Davids/Villanova). Bear right and follow signs for US 30 East (Lancaster Ave.) Continue with directions for "Once On US 30 (Lancaster Ave.)..." FROM PA TURNPIKE (EAST OF VALLEY FORGE) AND NORTH Exit PA Turnpike at Exit 25A (MidCounty). Proceed through toll plaza, follow signs for I-476 (Blue Route) South. Proceed I-476 South for 8 miles, to Exit 5 (US 30-St. Davids/Villanova). Bear right and follow signs for US 30 (Lancaster Ave.) Continue with directions below for "Once On US 30 (Lancaster Ave.)..." FROM PHILADELPHIA INTERNATIONAL AIRPORT AND DELAWARE From Airport follow signs for I-95 South. From Delaware take I-95 North. Proceed on I-95. Follow signs for I-476 (Blue Route) North (near MacDade Boulevard exit). Travel on I-476 North for 14 miles to Exit 5 (US 30-St. Davids/Villanova). Bear right and follow signs for US 30 (Lancaster Ave.) Continue with directions for "Once On US 30 (Lancaster Ave.)..." FROM KING OF PRUSSIA, VALLEY FORGE AND PA TURNPIKE (WEST OF VALLEY FORGE) Exit PA Turnpike at Exit 24 (Valley Forge). Proceed through tolls onto I-76 East (Schuylkill Expressway). From King of Prussia area, take Rt. 202 to I-76 East (Schuylkill Expressway). Travel on I-76 East to Exit 28A, follow signs for I-476 (Blue Route) South (Chester). Proceed on I-476 South; Exit 5 (US 30-St. Davids/Villanova). Bear right and follow signs for US 30 (Lancaster Ave.) Continue with directions for "Once On US 30 (Lancaster Ave.)..." ONCE ON US 30 (LANCASTER AVENUE, FROM I-476) Continue on Route 30 East for approximately 2.5 miles (12 traffic lights). Along the way you will pass Villanova University. You will enter the town of Bryn Mawr. Pass an ACME Market. At the 12th traffic light, just past the Bryn Mawr Movie Theatre on the right, turn right onto Bryn Mawr Avenue (Bryn Mawr Trust is on the left). Continue on Bryn Mawr Avenue through 2 traffic lights. The American College campus entrance is on the right. Once on campus, follow signs for Gregg Center Visitor Parking. BY TRAIN There is frequent SEPTA commuter service, on the R5, between Bryn Mawr and Philadelphia's 30th Street Station and Suburban Station. Travel time is approximately 20 minutes. The Bryn Mawr Station is four blocks from the Gregg Center. The Route 100 Line is only 2 blocks from the Gregg Center. Cigna Corporation 2002 Telephone Voting Script Toll Free: 1-877-PRX-VOTE or 1-877-779-8683

1. Welcome to the electronic voting system. Please have your proxy card or voting instruction sheet or ballot available before voting.
2. Enter the Voter Control Number as it appears on the card followed by the pound sign.
3. One moment please while we verify your information.
4. Enter the last four digits of the U.S. Social Security number or the U.S. taxpayer identification number for this account followed by the pound sign.
5. The company that you are voting is Cigna Corporation.
6. Your vote is subject to the same terms and authorizations as indicated on the proxy card. It also authorizes the named proxies to vote according to the instructions at the meeting of the stockholders.
7. To vote all proposals in accordance with the recommendations of the Board of Directors, press 1. If you wish to vote on one proposal at a time, press 2. If 1, go to 8. If 2, go to 9.
8. If you would like your voting instructions to be confidential press 1 (see A). If not press 2 (see B)
- (A): you have cast your votes as follows. You have voted in the manner recommended by the board of directors. To confirm your vote, press 1 (see A1). To cancel your vote, press 2 (see B1).
- (B): You have cast your votes as follows. You have voted in the manner recommended by the board of directors. To confirm your vote, press 1 (see A1). To cancel your vote press 2 (B1)
- (A1): Your vote has been successfully recorded. It is not necessary for you to mail in your card. If you wish to vote another card or change your vote, press Page 1 of 1 1 (go to beginning). Otherwise please hang up and mark, sign and return your card in the envelope provided. Thank you for calling.
9. Item # 1. To vote for all nominees press 1. To withhold from all nominees press 2. To withhold from individual nominees press 3. If 1, go to 10. If 2, go to 10. If 3, go to Director Exception. Director Exception Enter the 2-digit number next to the nominee from whom you would like to withhold your vote followed by the pound key. Or if you have completed voting on directors, press the pound key again. If pound key entered twice, go to the next item. If valid nominee number, go to Next Nominee. Next Nominee To withhold your vote from another nominee, enter the 2-digit number next to the nominee followed by the pound key, or if you have completed voting on directors press the pound key again. If pound key entered twice, go to the next item. If valid nominee number, go to Next Nominee. Invalid Nominee Number You have entered an invalid nominee number. {Go to Next Nominee.}
10. Item # 2. To vote for, press 1; against, press 2; abstain, press 3. If 1, go to 11. If 2, go to 11. If 3, go to 11.
11. Item # 3. To vote for, press 1; against, press 2; abstain, press 3. If 1, go to 12. If 2, go to 12. If 3, go to 12.
12. See # 8. Playback {Playback the appropriate vote for this proxy card.}

Page 2 of 2 **DEFAULT PLAYBACK** You have voted in the manner recommended by the Board of Directors. **DIRECTOR PROPOSAL PLAYBACK VOTED FOR ALL NOMINEES:** Item #. You have voted for all nominees. **WITHHOLD FROM ALL NOMINEES:** Item #. You have voted to withhold your vote from all nominees. **WITHHOLD FROM INDIVIDUAL NOMINEES:** Item #. You have voted for all nominees except for the following nominee numbers **FOR/AGAINST/ABSTAIN PROPOSAL PLAYBACK** Item # {For | Against | Abstain} **INVALID CONTROL NUMBERS** We are unable to authenticate the information that you entered. **NO KEY PRESSED** Go to the same item (repeat three times); otherwise, go to Error. **INVALID NUMBER** Go to the same item (repeat three times); otherwise, go to Error. **ERROR** We are unable to process your request at this time. Thank you for calling. {Call ends.}

Page 3 of 3 [CIGNA LOGO] CIGNA Corporation One Liberty Place 1650 Market Street Philadelphia, PA 19192-1550 March 22, 2002 **NOTICE OF 2002 ANNUAL MEETING OF SHAREHOLDERS** CIGNA and Intracorp 401(k) Participants: The annual meeting of shareholders will be held on Wednesday, April 24, 2002 at 3:30 p.m. at The Gregg Conference Center at The American College, at 270 S. Bryn Mawr Avenue, Bryn Mawr, Pennsylvania. Directions to The Gregg Conference Center are on the back of the attached proxy statement. At the meeting, we will ask the shareholders to: 1. Elect four directors for terms expiring in April 2005; 2. Ratify the appointment of PricewaterhouseCoopers LLP as independent accountants for 2002; and 3. Approve the CIGNA Executive Incentive Plan. We plan a brief business meeting focused on these items, then we will attend to any other proper business that may arise. We also will offer time for your questions and comments. **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF ITEMS 1, 2 AND 3.** These proposals are described in the proxy statement. CIGNA's 2002 Proxy Statement and 2001 Annual Report to Shareholders are available on CIGNA Central by clicking on the CIGNA Financial button. If you do not have access to CIGNA Central, please contact CIGNA's Shareholder Services Department at 215-761-3516 for a copy of the Annual Report and Proxy Statement. CIGNA shareholders of record at the close of business on February 28, 2002 are entitled to notice of and to vote at the meeting and any adjournment thereof. As investors in the CIGNA Stock Fund of your 401(k) plan, you are entitled to pass-through voting rights at the 2002 Annual Meeting based on the amount of money you had invested in

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the CIGNA Stock Fund on February 28, 2002. CIGNA encourages you to exercise your right to vote by any of the following means: 1. By returning the completed, signed and dated voting instruction card in the enclosed envelope; 2. By telephone at 1-877-779-8683 (or 1-201-536-8073 if outside the United States or Canada) or; 3. Over the Internet at <http://www.eproxyvote.com/ci>. Your vote is important even if you have a small investment in the CIGNA Stock Fund. Your vote must be received by 5:00 E.D.T on April 19, 2002. Sincerely, [ /s/ H. EDWARD HANWAY ] H. EDWARD HANWAY Chairman and Chief Executive Officer By order of the Directors [ /s/ CAROL J. WARD ] CAROL J. WARD, Corporate Secretary [EQUISERVE LOGO] [VOTE BY NET LOGO] [CIGNA LOGO] STEP 1 WELCOME TO THE EQUISERVE ONLINE VOTING WIZARD! Just follow a few simple steps to complete the secure online voting process: AUTHENTICATION: Login using your voter control number DELIVERY PREFERENCE: Setup future delivery of your annual meeting materials VOTING: Cast your vote and receive your confirmation online FINISH: Update your address and review other options If you have more than one proxy card, instruction card or ballot, please vote them one card at a time. To get started now, login below and click "Continue". STEP 1: AUTHENTICATION Enter the voter control number as it appears on your proxy card, instruction card or ballot [ ] Enter the last 4 digits of the U.S. social security number (SSN) or the U.S. taxpayer identification number (TIN) for this account\* [ ] \*If you do not have a SSN or TIN for this account, please leave this box blank. [CONTINUE >>] [EQUISERVE LOGO] [VOTE BY NET LOGO] [CIGNA LOGO] STEP 2 WELCOME SOLAR HUNTER 1000 MAIN STREET ANYWHERE, NJ 12345 DELIVERY PREFERENCE Select how you would like to receive your future annual meeting materials: [ ] Postal mail -or- [ ] Electronically (View Terms and Conditions for Electronic Delivery) E-mail address (e.g., name@xyz.com) [ ] Enter e-mail address again for validation [ ] [CONTINUE >>] [EQUISERVE LOGO] [VOTE BY NET LOGO] [CIGNA LOGO] STEP 3 CIGNA CORPORATION THIS PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS The undersigned hereby constitutes and appoints Robert A. Lukens, the Corporation's Assistant Corporate Secretary, and Carol J. Ward, the Corporation's Corporate Secretary, or either of them, proxies with full power of substitution and each of them is hereby authorized to represent the undersigned and vote all shares of the Corporation held of record by the undersigned on February 28, 2002 and all of the shares as to which the undersigned then had the right to give voting instructions to the record holder (trustees) under the CIGNA 401(k) Plan and the Intracorp 401(k) Performance Sharing Plan at the Annual Meeting of Shareholders, to be held at The Gregg Conference Center at The American College, 270 S. Bryn Mawr Avenue, Bryn Mawr, PA 19010 on April 24, 2002, at 3:30 p.m. or at any adjournment thereof, on the matters set forth below: 1. ELECTION OF DIRECTORS, nominees for terms expiring April 2005: 01. Peter N. Larson 02. Joseph Neubauer 03. Carol Cox Wait 04. Marilyn Ware; 2. RATIFY the Appointment of PricewaterhouseCoopers LLP as Independent Accountants; 3. APPROVE the CIGNA Executive Incentive Plan; and In their discretion, upon such other matters as may properly come before the meeting. Voting instructions for positions held in the CIGNA 401(k) Plan and the Intracorp 401(k) Performance Sharing Plan will be held confidential. CIGNA CORPORATION DIRECTORS RECOMMEND A VOTE: "FOR" ALL NOMINEES "FOR" PROPOSAL 2 "FOR" PROPOSAL 3 Check this box to cast your vote in accordance with the recommendations of Cigna Corporation Directors: [ ] CIGNA CORPORATION DIRECTORS RECOMMEND A VOTE "FOR" ALL NOMINEES, 1. Election of Directors [ ] FOR ALL NOMINEES, EXCEPT AS NOTED BELOW [ ] WITHHOLD AS TO ALL NOMINEES [ ] Peter N. Larson [ ] Joseph Neubauer [ ] Carol Cox Wait [ ] Marilyn Ware CIGNA CORPORATION DIRECTORS RECOMMEND A VOTE "FOR" PROPOSAL 2. 2. Ratify the Appointment of PricewaterhouseCoopers LLP as Independent Accountants. [ ] FOR [ ] AGAINST [ ] ABSTAIN CIGNA CORPORATION DIRECTORS RECOMMEND A VOTE "FOR" PROPOSAL 3. 3. Approve the CIGNA Executive Incentive Plan. [ ] FOR [ ] AGAINST [ ] ABSTAIN IF APPLICABLE, CLICK THE OPTION BOX: If you would like your voting instructions to be confidential pursuant to the procedures on confidential voting described in the Proxy Statement. Marking this [ ] box will not absolve you of any independent fiduciary or other legal obligation to report how you voted nor prevent the inspectors from disclosing your vote if required by law or if otherwise permitted by the procedures. To cast your vote please click "Submit". [SUBMIT >>] (NOTE: Your vote will not be counted until you click "Submit".) [EQUISERVE LOGO] [VOTE BY NET LOGO] [CIGNA LOGO] STEP 3 [X] [E-MAIL A COPY] SOLAR HUNTER 1000 MAIN STREET ANYWHERE, NJ 12345 CONTROL NUMBER: 1167199999912 CONFIRMATION NUMBER: 592379 DATE: THU MAR 21 2002 11:09:52 CDT Thank you for using EquiServe's Vote-By-Net facility. STEP 3: SUMMARY OF YOUR VOTE Your vote was recorded by EquiServe as follows: 1. Election of Directors FOR ALL NOMINEES 2. Ratify the Appointment of PricewaterhouseCoopers LLP FOR as Independent Accountants. 3. Approve the CIGNA Executive Incentive Plan. FOR Please keep a copy for your records. To change your vote click "Back". You can now vote another ballot or go to Cigna Corporation Homepage or click "Finish" to exit to EquiServe Homepage. [BACK] [FINISH]