SHMERLING MICHAEL D
Form 4
May 29, 2012

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SHMERLING MICHAEL D

(Last) (First) (Middle)

618 CHURCH STREET, SUITE 200

(Street)

NASHVILLE, TN 37219

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HEALTHSTREAM INC [HSTM]

3. Date of Earliest Transaction (Month/Day/Year)
05/29/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/29/2012		M		6,000	A	$ 3.53	106,137	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (right to buy)	$ 3.53	05/29/2012		M			6,000	05/24/2007	05/24/2017	Common Stock	6,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHMERLING MICHAEL D 618 CHURCH STREET SUITE 200 NASHVILLE, TN 37219	X			

Signatures

Michael Shmerling	05/29/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. > **Stock**

Option
All Other
Salary
Bonus
Awards
Awards
Compensation
Total

Name and Principal Position	Year	($)	($)	($)	($)	($)	($)
David Bailey President and Chief Executive Officer	2006	400,583	80,000		237,934	34,768	753,285
Deborah Andrews Vice President and Chief Financial Officer	2006	225,000	67,500		118,967	13,326	424,793
Guenther Roepstorff President, Domilens GmbH	2006	366,824	101,740			18,637	487,201
Nicholas Curtis Vice President, Sales & Marketing	2006	232,875		44,000	149,073	13,418	439,366
Thomas Paul Vice President R&D	2006	179,180			71,380	21,431	271,991

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

Name	Year	Perquisites and Other Personal Benefits ($)	Insurance Premiums ($)	Company Contributions to Retirement and 401(k) Plans ($)	Total ($)
David Bailey	2006	10,000	24,768		34,768
Deborah Andrews	2006		8,232	5,094	13,326
Guenther Roepstorff	2006	18,391	246		18,637
Nicholas Curtis	2006		9,720	3,698	13,418
Thomas Paul	2006		18,600	2,831	21,431

The following table lists each perquisite paid to a Named Executive Officer in 2006 that individually had a value of $10,000 or more.

Name	Year	Personal Use of Company Car ($)	Total Perquisites and Other Personal Benefits ($)
David Bailey	2006	10,000*	10,000

Deborah Andrews	2006		
Guenther Roepstorff	2006	18,391**	18,391
Nicholas Curtis	2006		
Thomas Paul	2006		

* Automobile allowance.

** Automobile lease payments.

Grants of Plan Based Awards
for Fiscal Year Ended
December 29, 2006

The following table provides information on stock and stock options granted in 2006 to each of STAAR s Named Executive Officers. 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	Grant Date	Approval Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Closing Price on Grant Date ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($(1)
David Bailey	2/10/2006	2/10/2006		50,000	$ 6.92	$ 6.92	237,934
Deborah Andrews	2/10/2006	2/10/2006		25,000	$ 6.92	$ 6.92	118,967
Guenther Roepstorff							
Nicholas Curtis	4/4/2006	4/4/2006	5,000	25,000	$ 8.80	$ 8.80	193,073
Thomas Paul	2/10/2006	2/10/2006		15,000	$ 6.92	$ 6.92	71,380

Outstanding Equity Awards
at Fiscal Year-End
December 29, 2006

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 29, 2006.

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options(#) Exercisable**	**Number of Securities Underlying Unexercised Options(#) Unexercisable**	**Option Exercise Price($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested(#)**	**Market Value of Shares or Units of Stock That Have Not Vested($)**
David Bailey	60,000		5.19	5/29/2007		
	140,000		3.60	2/12/2008		
	40,300		3.35	8/8/2011		
	150,000		3.81	1/2/2012		
	50,000	100,000(1)	3.95	4/6/2015		
	40,000	20,000(2)	4.00	5/18/2015		
		50,000(3)	6.92	2/9/2016		
	500,000		11.13	12/20/2010		
Deborah Andrews	3,000		3.60	2/12/2008		
	10,000		10.63	6/15/2009		
	11,667	23,333(1)	3.95	4/6/2015		
	16,667	33,333(4)	4.71	8/2/2015		
		25,000(3)	6.92	2/9/2016		
	13,333	6,667(5)	7.86	2/26/2014		
Guenther Roepstorff	16,667	8,333(5)	7.86	2/26/2014		
	8,333	16,667(1)	3.95	4/6/2015		
Nicholas Curtis	60,000		3.60	2/12/2008		
	75,000		3.45	7/14/2007		
	26,666	13,334(5)	7.86	2/26/2014		
	8,333	16,667(1)	3.95	4/6/2015		
		25,000(6)	8.80	4/3/2016		
					5,000(6)	35,050
Thomas Paul	50,000		10.99	11/27/2008		
	16,667	33,333(1)	3.95	4/6/2015		

15,000(3)	6.92	2/9/2016

(1) 50% of the securities will vest on April 7, 2007, and the remaining 50% will vest on April 7, 2008.

(2) Vest on May 19, 2007.

(3) 33% of the securities will vest on February 10, 2007, an additional 33% will vest on February 10, 2008, and the remaining 33% will vest on February 7, 2009.

(4) 50% of the securities will vest on August 3, 2007, and the remaining 50% will vest on August 3, 2008.

(5) Vest on February 27, 2007.

(6) 33% of the securities will vest on April 4, 2007, an additional 33% will vest on April 4, 2008, and the remaining 33% will vest on April 4, 2009.

Option Exercises and Stock Vested as of
Fiscal Year-End December 29, 2006

The table below shows the number of shares of STAAR common stock acquired by Named Executive Officers during 2006 on the exercise of options. No stock awards to Named Executive Officers vested in 2006.

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**
David Bailey	4,966	18,093
	20,034	72,991
	15,000	74,431
	15,000	74,190
	15,000	70,176
	15,000	65,938
	6,200	27,953
	3,500	16,331
	2,300	10,715
	100	465
	2,600	12,090
Deborah Andrews	3,000	1,980
	3,900	18,564
	6,100	28,670
Guenther Roepstorff		
Nicholas Curtis		
Thomas Paul		

Change in Control and Termination Payment and Benefit Estimates
December 29, 2006

The table below demonstrates the effect of termination and change-in-control rights held by Named Executive Officers based on a hypothetical termination of each Named Executive Officer on December 29, 2006, and a hypothetical Change in Control and termination on that date. A change in control did not in fact occur on December 29, 2006 and the executives were not 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 at any other price, or if any assumption is not correct when the actual event occurs. Guenther Roepstorff voluntarily terminated employment and his employment agreement on January 23, 2007, and has no remaining termination or change in control rights. All benefits described would be, or could be, paid in lump sum.

ame	Benefit	Before Change in Control Termination w/o Cause or for Good Reason ($)	After Change in Control Termination w/o Cause or for Good Reason ($)	Voluntary Termination	Death ($)(1)	Disability ($)	Change in Control ($)(2)
avid Bailey	Severance	1,201,890	1,201,890	400,630(3)			
	Options vest immediately						370,700
eborah Andrews	Severance	112,500	225,000				
	Options vest immediately						
uenther Roepstorff	Severance				366,824	234,282	
	Options vest immediately						51,001
icholas Curtis	Severance	250,350	250,350				
	Options and restricted stock vest immediately						86,051
homas Paul	Severance	74,658	89,590				
	Options vest immediately						103,349

(1) Excludes amounts payable under life insurance policies maintained by STAAR in the following amounts:

Name	Amount ($)
David Bailey	1,750,000
Deborah Andrews	500,000
Guenther Roepstorff	3,451
Nicholas Curtis	500,000
Thomas Paul	500,000

(2) Options under the 2003 Omnibus Equity Incentive Plan will vest immediately before a change in control only if the surviving company or acquirer fails to assume the options.

(3) Mr. Bailey s Employment Agreement with STAAR requires twelve month s notice of a voluntary termination. If he provides such notice and the Board of Directors elects not to employ him for that period, he will receive salary, vacation and accrued bonus for any portion of the twelve-month period following notice when he is not employed by STAAR.

2006 Director Compensation

The chart below summarizes remuneration paid to non-employee directors during 2006 in the form of cash or stock option awards. The value shown for stock option is the dollar amount STAAR recognized for financial statement reporting purposes in 2006 in accordance with FAS 123R.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Don Bailey	61,209	86,544		147,753
Donald Duffy	45,000	109,365		154,365
David Morrison	32,598			32,598
David Schlotterbeck	34,395			34,395

Employment Agreements

David Bailey, President and Chief Executive Officer

On December 19, 2000, we entered into an employment agreement with David Bailey to act as our Chief Executive Officer and President. The agreement had an original term of three years, expiring on December 31, 2003, and will be automatically renewed for successive three-year periods unless terminated pursuant to provisions stated in the agreement. On August 16, 2006, the Board of Directors resolved to allow the employment agreement to renew automatically in accordance with its terms. Accordingly, the agreement currently runs through December 31, 2009. The agreement provides for a base salary, currently $420,630, and for automatic annual cost of living adjustments. The Board of Directors reviews Mr. Bailey s compensation annually and may propose additional increases in base salary if merited.

In addition to his base salary, Mr. Bailey is entitled to an automobile allowance, reimbursement of costs associated with obtaining permanent residency visas and relocation expenses, disability insurance that will replace 60% of his annual salary in the event of his disability, and life insurance in the amount of $1,750,000. Mr. Bailey also receives standard employee medical and dental benefits for himself and his family.

Each year during the term of the employment agreement, Mr. Bailey and the Committee will establish performance goals, including earnings, cash flow and other objectives. If he meets these goals, in the determination of the Committee, Mr. Bailey is entitled to receive an annual bonus of up to 60% of his base annual salary based on performance of objectives as determined by the Compensation Committee.

Under the terms of the agreement, Mr. Bailey s employment may be terminated for cause (as defined in the agreement), on Mr. Bailey s death or disability, or on 12 months written notice by Mr. Bailey. If Mr. Bailey s employment is terminated by STAAR without cause or due to a change of control (as defined in the agreement), Mr. Bailey will be entitled to receive severance equal to three years annual base salary, plus accrued bonus and vacation.

Mr. Bailey s Employment Agreement with STAAR requires him to give twelve month s advance written notice of a voluntary termination. If he provides such notice and the Board of Directors elects not to employ him for that period, he will receive salary, vacation and accrued bonus for any portion of the twelve-month period following notice when he is not employed by STAAR.

Nicholas Curtis, Senior Vice President, Sales and Marketing

On July 12, 2002, we entered into an agreement with Nicholas Curtis to act as our Senior Vice President, Sales and Marketing for the U.S. and Canada. The agreement provides for a base salary, currently $232,875, which the Committee may adjust periodically. Mr. Curtis may also earn an annual bonus of up to 50% of his annual salary if he achieves established performance goals as determined by the Committee. Should certain performance targets be exceeded, this amount could be increased by the Committee. Should Mr. Curtis employment be terminated without cause, or due to a change of control, he will receive severance equal to one year s salary plus the average bonus earned over the last two years of employment and immediate vesting of all unvested stock options.

In April 2007, STAAR divided its Sales and Marketing department into two separate departments. Mr. Curtis assumed the office of Senior Vice President, Sales at that time, with no other change in his employment agreement other than a revision in his duties.

Deborah Andrews, Vice President and Chief Financial Officer

On August 17, 2005, we promoted Ms. Andrews to the position of Chief Financial Officer and agreed to new terms of employment. STAAR agreed to provide Ms. Andrews an annual base salary in the amount of $225,000 and a performance bonus of up to 40% of base salary, as determined by the Committee. If terminated without cause, Ms. Andrews will receive a severance payment equal to six months salary. If she is terminated as a result of a change in control, she will receive severance equal to one year s salary and immediate vesting of all unvested stock options.

26

Thomas Paul, Head of Research

On January 5, 2004, we employed Thomas Paul to act as our Vice President, Research & Development. The terms of our offer of employment were memorialized in an agreement dated March 18, 2005. The agreement does not have a stated term. The agreement provides for a base salary of $165,000, which may be adjusted periodically. Mr. Paul may also earn an annual bonus of up to 25% of his annual salary based on achievement of personal and corporate performance goals, as determined by the Committee.

Under the terms of the agreement, Mr. Paul s employment may be terminated for cause (as defined in the agreement) or poor performance, on Mr. Paul s death, or on 30 days written notice by Mr. Paul. If Mr. Paul s employment is terminated by STAAR without cause, on 30 days written notice, he will be entitled to severance equal to five months salary. Should Mr. Paul s employment be terminated due to a change of control (as defined in the agreement), Mr. Paul will receive severance equal to six months salary and the immediate vesting of any unvested stock options.

In January 2007, Mr. Paul s agreement was amended to provide for a change in his title from Vice President of Research and Development to Head of Research, with no other change.

Guenther Roepstorff, Former President, Domilens GmbH

Guenther Roepstorff, former president of our German subsidiary, Domilens GmbH, voluntarily terminated his employment and his employment agreement on January 23, 2007. Until that time, he was subject to an employment agreement with STAAR that was last amended on January 2, 2003. As described in detail in STAAR s Annual Report on Form 10-K, Mr. Roepstorff resigned following admissions that he had diverted significant assets of Domilens to his own use. STAAR believes it has no further obligations to Mr. Roepstorff under his employment agreement.

Employee Benefit Plans

Equity Compensation Plan Information

Whenever we use a general statement to incorporate this Proxy Statement by reference into another of our documents filed with the SEC, the following table is excluded. The following table will not be deemed filed under the Securities Act or the Exchange Act unless we explicitly incorporate it by reference in such a filing.

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 29, 2006.

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	3,417,290	6.75	1,016,887(1)
Equity Compensation Plans Not Approved by Stockholders	55,000(2)	10.08	0
TOTAL	3,472,290	6.84	1,016,887

(1) Represents awards granted under the STAAR Surgical Company 2003 Omnibus Equity Incentive Plan (the 2003 Omnibus Plan) and the following prior plans that were consolidated into the 2003 Omnibus Plan: the 1991 Stock Option Plan of STAAR Surgical Company, the 1995 STAAR Surgical Company Consultant Stock

27

Plan, the 1996 STAAR Surgical Company Non-Qualified Stock Plan, the 1998 STAAR Surgical Company Stock Plan, the STAAR Surgical Company Stock Option Plan and Agreement for Chief Executive Officer, all of which were approved by the stockholders. The number of shares reserved for issuance under the 2003 Omnibus Plan automatically increases to 2% of the total number of shares of common stock outstanding on the preceding December 31, up to a maximum of 6,500,000 shares.

(2) Represents shares originally issued under individual grants prior to May 9, 2000, which were not submitted to the stockholders for approval and which have also been consolidated into the 2003 Omnibus Plan.

STAAR Surgical Company 2003 Omnibus Equity Incentive Plan

The 2003 Omnibus Plan was adopted by the Board of Directors on May 14, 2003 and approved by the stockholders on June 25, 2003 as both a new plan and as a consolidation of STAAR s existing incentive plans. 4,913,629 shares of Common Stock were originally authorized for awards under the 2003 Omnibus Plan, consisting of 1,000,000 newly available shares, and 3,913,629 shares that were already available or subject to outstanding awards under prior plans. The following prior plans were consolidated into the 2003 Omnibus Plan: 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 Company Stock Plan and the STAAR Surgical Company Stock Option Plan and Agreement for Chief Executive Officer. All of these plans had been previously approved by STAAR s stockholders.

The 2003 Omnibus Plan also provides that on each January 1 during the life of the plan the number of shares of Common Stock available for awards will automatically increase by a number of shares equal to 2% of STAAR s outstanding Common Stock, up to a maximum of 1,586,371 additional shares, and a maximum total of 6,500,000 shares issuable as incentives to employees, directors and consultants. As of December 29, 2006, 1,016,887 shares were authorized and available for grants under the 2003 Omnibus Plan.

The Committee administers the 2003 Omnibus Plan. Employees, non-employee directors, and consultants of STAAR and its subsidiaries are eligible to participate in the 2003 Omnibus Plan. Awards available under the 2003 Omnibus Plan include stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards that the Committee may approve. Stock options under the 2003 Omnibus Plan may either be issued in a form intended to qualify as incentive stock options (ISOs) within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or non-qualified options, which are not intended to satisfy Section 422 of the Code. Awards granted under the 2003 Omnibus Plan may generally not be transferred except by will or the laws of descent.

While the Committee has the discretion to determine the exercise price of options under the 2003 Omnibus Plan, an option intended to be an ISO may not be priced at less than 100% of fair market value on the date of grant. No ISO may be granted under the 2003 Omnibus 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 STAAR or any affiliate of STAAR, 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 general, stock options issued under the 2003 Omnibus Plan may not have a term in excess of ten years from the date of grant.

The 2003 Omnibus Plan provides that if STAAR has a change in control, including an acquisition by any person or entity of 25% or more of STAAR s common stock, or an acquisition of STAAR or substantially all of its assets, all outstanding options will vest immediately before the change in control unless the successor or acquirer company assumes the options by providing options of equivalent value or, if STAAR is the surviving entity, STAAR affirms the options. In addition, options held by non-employee directors will vest immediately prior to a change in control, irrespective of any assumption or affirmation by an acquiror or the surviving entity.

The 2003 Omnibus Plan will terminate on May 13, 2013, unless terminated earlier by the Board of Directors.

401(k) Plan

The Company maintains a 401(k) profit sharing plan (401(k) Plan) for the benefit of qualified employees in North America. During the fiscal year ended December 29, 2006, employees who participate may elect to make

28

salary deferral contributions to the 401(k) Plan up to $15,000 of the employees eligible payroll, subject to annual Internal Revenue Code maximum limitations. The Company makes a contribution of 50% of the employee s contribution up to the first 2% of the employee s compensation, and 25% of the next 4% of compensation. In addition, STAAR may make a discretionary contribution to qualified employees, in accordance with the 401(k) Plan.

Certain Relationships and Related Transactions

On March 21, 2007, STAAR entered into a loan arrangement with Broadwood Partners, L.P. (Broadwood), which is a shareholder of STAAR. Pursuant to a Promissory Note (the Note) between STAAR and Broadwood, Broadwood loaned $4 million to STAAR. The Note has a term of three years and bears interest at a rate of 10% per annum, payable quarterly. The Note is not secured by any collateral, may be pre-paid by STAAR at any time without penalty, and is not subject to covenants based on financial performance or financial condition (except for insolvency). As additional consideration for the loan STAAR also entered into a Warrant Agreement (the Warrant Agreement) with Broadwood granting the right to purchase up to 70,000 shares of Common Stock at an exercise price of $6, exercisable for a period of six years. The Note also provides that so long as a principal balance remains outstanding on the Note STAAR will grant additional warrants each quarter on the same terms as the Warrant Agreement. The warrant agreement provides that STAAR will register the stock for resale with the SEC. STAAR s Related Person Transaction Policy has been followed in connection with the transaction. (See Security Ownership of Principal Shareholders and Management on page 5 above.)

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, has a direct or indirect material interest. Under the Policy, all Related Person Transactions must first be submitted to the General Counsel of the Company, who will determine whether that 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 the Company.

Code of Ethics

STAAR has adopted a Code of 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 Ethics is published on our website, at www.staar.com, under Investor/ Media Corporate Governance. We intend to disclose future amendments to, or waivers from, certain provisions of the Code of Ethics applicable to senior financial executives on our website within two business days following the date of such amendment or waiver.

REPORT OF THE AUDIT COMMITTEE

In any of our filings under the Securities Act or Exchange Act 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 three 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.

The Audit Committee oversees STAAR s financial reporting process on behalf of the Board of Directors. 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) 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 (ii) an opinion on whether management s assessment that STAAR maintained effective internal control over financial reporting as of December 29, 2006, 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 with management and the independent registered public accounting firm the audited financial statements that have been included in our Annual Report on Form 10-K for the year ended December 29, 2006.

The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. In addition, the Audit Committee has reviewed with the independent registered public accounting firm their independence from STAAR and its management including the written disclosures and the letter provided to the Audit Committee as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

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

In the first quarter of fiscal year 2007, the Audit Committee oversaw an investigation of fraud at STAAR s German subsidiary, Domilens GmbH, which involved Domilens former President. After management informed the Audit Committee that it believed the investigation at Domilens had revealed a material weakness in STAAR s internal controls, the Audit Committee advised management in its evaluation of the material weakness and in its remediation plan.

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 2006 fiscal year for filing with the SEC. The Audit Committee has recommended the selection of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending December 28, 2007, subject to approval by the Stockholders at the Annual Meeting.

The Audit Committee

Donald Duffy (Chairman)

Don Bailey
David Morrison

Dated April 11, 2007

Compliance with Section 16(a) of the Exchange Act

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 2006 fiscal year our directors, executive officers and persons who own more than 10% of our Common Stock complied with all Section 16(a) filing requirements, except for the following: a Form 4 filed on May 2, 2006 reporting the April 21, 2007 exercise of stock options by David Morrison, a Form 4 filed on May 22, 2006 reporting the May 17, 2006 grant of stock options to Donald Duffy, and a Form 4 filed on August 31, 2006 reporting the August 16, 2006 grant of stock options to Don Bailey.

PROPOSAL NO. 2

RATIFICATION OF REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors, upon the recommendation of the Audit Committee, has ratified the selection of BDO Seidman, LLP to serve as our independent registered public accounting firm for the fiscal year ending December 28, 2007.

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 outstanding 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.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF BDO SEIDMAN, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 28, 2007.

Representatives of BDO Seidman, LLP, the independent registered public accounting firm for STAAR for fiscal year 2006, will be 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 Seidman, LLP related to fiscal 2005 and fiscal 2006:

	2005	**2006**
Audit Fees(1)	$ 593,000	985,000
Audit-related Fees(2)	9,000	12,000
Tax-related Fees(3)	1,000	21,000
All Other Fees(4)	3,000	

(1) Both 2005 and 2006 Audit Fees include: (i) the audit of our consolidated financial statements included in our 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 and other regulatory filings; and (v) associated expense reimbursements, and the Audit Committee pre-approved all fees and services of BDO Seidman, LLP, for work done in 2005 and 2006.

(2) Audit-related Fees were for audits of our employee benefit plan.

(3)

Tax related fees in 2005 were for review of statutory tax filings in our European jurisdictions. In 2006, these fees were for services provided as tax preparer for German operations and to a lesser extent, review of statutory tax filings for our Swiss operations.

(4) All Other Fees were for transaction-related services.

The increased audit fees related to fiscal year 2006 primarily result from additional services provided in the investigation of Domilens GmbH. While incurred in the first quarter of 2007, these services related to the preparation of financial statements for fiscal year 2006.

The Audit Committee administers STAAR s engagement of BDO Seidman, 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 Seidman, 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 Seidman, LLP of the non-audit services related to the fees shown in the table above did not affect that firm s independence.

Prior to engagement, the Audit Committee pre-approves all independent auditor services, and the Audit Committee pre-approved all fees and services of BDO Seidman, LLP, for work done in 2005 and 2006. The fees are budgeted and the Audit Committee requires the independent auditor 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.

ANNUAL REPORT ON FORM 10-K

A copy of STAAR s Annual Report on Form 10-K for the fiscal year ended December 29, 2006 (excluding exhibits), as filed with the SEC, accompanies this Proxy Statement, but it is not deemed to be a part of the proxy soliciting material. The Form 10-K contains consolidated financial statements of STAAR and its subsidiaries and the reports of BDO Seidman, LLP, STAAR s independent registered public accounting firm.

We will provide to any beneficial owner of STAAR s common stock as of the record date a copy of the Annual Report on Form 10-K for the fiscal year ended December 29, 2006, without charge, if the beneficial owner submits a written request to STAAR Surgical Company, c/o Charles Kaufman, Corporate Secretary, 1911 Walker Avenue, Monrovia, California 91016. Exhibits to the Form 10-K will be provided on written request of any beneficial owner, subject to reimbursement of STAAR s reasonable expenses. Exhibits are available at no charge on the SEC s website, www.sec.gov.

STOCKHOLDERS ARE URGED IMMEDIATELY TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENVELOPE PROVIDED, TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

By Order of the Board of Directors,

STAAR SURGICAL COMPANY

Charles S. Kaufman, Secretary

Monrovia, California
April 10, 2007

Appendix I

STAAR SURGICAL COMPANY

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. MEMBERSHIP

A. The Audit Committee (the Committee) of the Board of Directors (the Board) shall meet the requirements of the Sarbanes-Oxley Act (the Act) and applicable rules of the National Association of Securities Dealers (the NASD) and the SEC.

B. No member of the Committee shall receive compensation other than director s fees and benefits for service as a director of the Company, including reasonable compensation for Chairing and/or serving on the Committee.

C. Any member of the audit committee may be removed or replaced at any time by the Board of Directors and shall cease to be a member of the Audit Committee on ceasing to be a Director.

II. PURPOSE

A. The Committee serves as the representative of the Board for the general oversight of Company affairs relating to:

i. The quality and integrity of the Company s financial statements.

ii. The independent auditor s qualifications and independence, and

iii. The performance of the Company s independent auditors.

B. Through its activities, the Committee facilitates open communication among directors, independent auditors, and management by meeting in private session regularly with these parties.

III. MEETING AND PROCEDURES

A. The Committee shall meet in person or by telephone at least quarterly.

B. It shall endeavor to determine that auditing procedures and controls are adequate to safeguard Company assets and to assess compliance with Company policies and legal requirements.

C. The Committee shall be given full access to the Board Chairman, Company executives and independent auditors. When any audit has been prepared by a registered public accounting firm for the Company, the Committee shall timely receive a report from such firm on (1) all critical accounting policies and practices; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officers of the issuer, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm; and (3) other material written communications between the registered public accounting firm and company management, such as any management letter or schedule of unadjusted differences.

D. A majority of the members shall constitute a quorum.

IV. RESPONSIBILITIES

A. The Committee shall:

i. Have the sole authority to appoint, compensate, oversee, evaluate and, where appropriate, replace the independent auditor.

ii. Annually review and approve the proposed scope of each fiscal year s outside audit.

iii. Review and, if appropriate, approve in advance any audit and non-audit services and fees to be provided by the Company s independent auditor, other than prohibited nonauditing services and minor audit services, each as specified in the Act. The Committee has the sole authority to make these approvals, although such approval may be delegated to any committee member so long as the approval is presented to the full Committee at a later time. In approving non-audit services, the Committee shall consider whether the engagement has any potential to compromise the independence of the independent auditor, and whether for reasons of efficiency or convenience it is in the best interest of the Company to engage its independent auditor to perform the services.

iv. Inform each registered public accounting firm performing work for the Company that such firm shall report directly to the Committee.

v. Oversee the work of any registered public accounting firm employed by the Company, including the resolution of any disagreement between management and the auditor regarding financial reporting, for the purpose of preparing or issuing an audit opinion or related work.

vi. At, or shortly after the end of each fiscal year, review with the independent auditor and Company management, the audited financial statements and related opinion and costs of the audit for that year.

vii. Provide any recommendations, certifications and reports that may be required by the NASD or the SEC including the report of the Committee that must be included in the Company s annual proxy statement.

viii. Review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor.

ix. Establish and oversee procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

x. Have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties. The Company shall provide for appropriate funding as determined by the Committee, in its capacity as a committee of the Board of Directors, for payment of compensation to any advisors employed by the Committee and to the independent auditor employed by the Company for the purpose of rendering or issuing an audit report. xii. Ensure the rotation of the lead audit partner at least every five years. xiii. Confirm with any independent auditor retained to provide audit services for any fiscal year that the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has not performed audit services for the Company in each of the five previous fiscal years of the Company and that the firm meets all legal and professional requirements for independence.

xi. Discuss with management the Company s policies with respect to risk assessment and risk management.

xii. Meet separately, and periodically, with management and with the independent auditor.

xiii. In consultation with management, review the integrity of the Company s financial reporting process.

xiv. Review with the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on an annual basis the Company s disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.

xv. Review with the independent auditor (a) any audit problems or other difficulties encountered by the auditor in the course of the audit process, including any restrictions on the scope of the independent auditor s activities or on access to requested information, and any significant disagreements with management and (b) management s responses to such matters, and all other items required by law.

xvi. Verify that the policies of the Audit Committee regarding hiring of employees or former employees of the independent auditor have been met. At a minimum, these policies should provide that any registered public accounting firm may not provide audit services to the Company if the CEO, Controller, CFO, Chief Accounting Officer or any person serving in an equivalent capacity for the Company was employed by the registered public accounting firm and participated in the audit of the Company within one year of the initiation of the current audit.

xvii. Report regularly to the Board of Directors. Such report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

xviii. Perform a review and evaluation, at least annually, of the performance of the Committee. The Audit Committee shall solicit feedback from the Board, CEO, CFO, and the external auditor on specific opportunities to improve Audit Committee effectiveness. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to the Charter that the Committee considers necessary or valuable. The Committee shall conduct evaluations and reviews in such a manner as it deems appropriate.

xix. Review periodically the effect of accounting initiatives on the financial statements of the Company.

xx. At least annually, receive a report by the external auditors describing any material issues raised by the most recent internal quality control review by the local practice office or by any inquiry or investigation by governmental or professional authorities of the local practice office, within the preceding two years, and steps taken to address any such issues. The report shall also include any similar matters pertaining to offices other than the local practice office, to the extent the audit partner is aware of such matters.

xxi. Discuss with management an outline of press releases or announcements regarding results of operations as well as general policies on earnings guidance to be provided to analysts, rating agencies, and the general public. Review any relevant items with management and the Company s independent auditors prior to release of any such press releases or earnings guidance including the use of pro forma or adjusted non-GAAP information. The review shall be with the Chairman of the Audit Committee or the full Committee, as may be appropriate.

B. Management is responsible for preparing the financial statements for the Company completely, accurately and in accordance with generally accepted accounting principles.

C. The independent auditors are responsible for performing an audit of the Company s financial statements and reporting on the effectiveness of the internal controls over financial reporting in accordance with the standards of the U.S. Public Company Accounting Oversight Board.

STAAR SURGICAL COMPANY

Proxy For Annual Meeting Of Stockholders

The undersigned, a stockholder of STAAR SURGICAL COMPANY, a Delaware corporation (the Company), hereby appoints David Bailey and Charles S. Kaufman, and each of them, the proxies of the undersigned, each with full power of substitution, to attend, vote and act for the undersigned at the annual meeting of the stockholders of the Company, to be held on May 16, 2007, at 10:00 a.m., and any postponements or adjournments thereof, and in connection herewith, to vote and represent all of the shares of the Company which the undersigned would be entitled to vote as follows on the reverse side.

(Continued and to be signed on the reverse side)

ANNUAL MEETING OF STOCKHOLDERS OF

STAAR SURGICAL COMPANY

This Proxy is solicited on behalf of the Board of Directors of STAAR Surgical Company.

May 16, 2007

Please date, sign and mail your proxy card in the envelope provided as soon as possible.

Please detach and mail in the envelope provided.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý

1.	**Election of Directors**	NOMINEES
¨	**For All Nominees**	¨ Barry Caldwell
		¨ Donald Duffy
¨	**Withhold Authority For All Nominees**	¨ David Morrison ¨ David Schlotterbeck
¨	**For All Except** (See instructions below)	

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the box next to each nominee you wish to withhold, as shown here: ý

	FOR	AGAINST	ABSTAIN
2. Ratification of Independent Auditors Ratification of BDO Seidman, LLP as the Company s independent public accountants for the year ending December 28, 2007.	¨	¨	¨
3. Other Business In their discretion, the proxyholders are authorized to transact such other business as properly may come before the Meeting and any adjournment thereof.	¨	¨	¨

The board of directors recommends that you vote FOR the election of each of the nominees in Proposal No. 1 and FOR the ratification of BDO Seidman, LLP as the company s independent public accountants. All proposals to be acted upon are proposals of the company. If any other business is properly presented at the

meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place in order to solicit additional proxies in favor of the recommendations of the board of directors, this proxy shall be voted by the proxyholders in accordance with the recommendations of a majority of the board of directors. At the date this proxy statement went to press, we did not anticipate any other matters would be raised at the annual meeting.

This Proxy will be voted in accordance with the instructions set forth above. If instructions are not given, this Proxy will be treated as a GRANT OF AUTHORITY TO VOTE FOR the election of the directors named above, the ratification of BDO Seidman, LLP as the Company s independent auditors, and as said proxies shall deem advisable on such other business as may come before the Meeting, unless otherwise directed.

To change the address on your account, please check the box at the right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ¨
Signature of Stockholder: ________________ Date: _________ Signature of Stockholder: _______________ Date: _________

Note: This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partner, please sign in partnership name by authorized person.