

1 800 CONTACTS INC
Form DEF 14A
April 11, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

1-800 CONTACTS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:

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Date Filed:



1-800 CONTACTS, INC.

**66 E. Wadsworth Park Drive
Draper, Utah 84020
Telephone: (801) 316-5000**

Dear Stockholder:

April 14, 2006

You are cordially invited to attend our 2006 Annual Meeting of Stockholders, which will be held on Friday, May 19, 2006, at 10:00 a.m. (Mountain time) at our executive offices, 66 E. Wadsworth Park Drive, Draper, Utah, 84020. With this letter, we have enclosed a copy of our 2005 Annual Report for the fiscal year ended December 31, 2005, notice of annual meeting of stockholders, proxy statement and proxy card. These materials provide further information concerning the annual meeting. If you would like another copy of the 2005 Annual Report, please contact Robert G. Hunter, Chief Financial Officer, and you will be sent one.

At this year's annual meeting, the agenda includes the election of certain directors and a proposal to ratify the appointment of our independent registered public accounting firm. The Board of Directors recommends that you vote FOR election of the slate of nominees for directors and FOR ratification of appointment of the independent registered public accounting firm. We will also report on current business conditions and our recent developments. Members of the Board of Directors and our executive officers will be present to discuss the affairs of 1-800 CONTACTS and to answer any questions you may have.

It is important that your shares be represented and voted at the annual meeting, regardless of the size of your holdings. Accordingly, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope to ensure your shares will be represented. If you do attend the annual meeting, you may, of course, withdraw your proxy should you wish to vote in person.

We look forward to seeing you at the annual meeting.

Sincerely,

Jonathan C. Coon
Chief Executive Officer

1-800 CONTACTS, INC.

**66 E. Wadsworth Park Drive
Draper, Utah 84020
Telephone: (801) 316-5000**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 19, 2006
10:00 a.m. Mountain Time

The 2006 Annual Meeting of Stockholders of 1-800 CONTACTS, INC. will be held on Friday, May 19, 2006, at 10:00 a.m. (Mountain time), at our executive offices, 66 E. Wadsworth Park Drive, Draper, Utah, 84020. The annual meeting is being held for the following purposes:

1. To elect two Class II Directors to serve until the annual meeting of stockholders in 2009 and until their successors are duly elected and qualified or until their earlier removal or resignation (the Board of Directors recommends a vote FOR the nominees named in the attached proxy statement proposal);
2. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of 1-800 CONTACTS, INC. for the fiscal year ending December 30, 2006 (the Board of Directors recommends a vote FOR this proposal); and
3. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

These items are fully discussed in the following pages, which are made part of this notice. Only stockholders of record at the close of business on April 7, 2006 will be entitled to vote at the annual meeting.

Enclosed with this Notice of Annual Meeting of Stockholders is a proxy statement, related proxy card with a return envelope and our 2005 Annual Report for our fiscal year ended December 31, 2005. The 2005 Annual Report contains financial and other information that is not incorporated into the proxy statement and is not deemed to be a part of the proxy soliciting material.

By Order of the Board of Directors

R. Joe Zeidner
Secretary

April 14, 2006

EVEN IF YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE PROMPTLY COMPLETE, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. STOCKHOLDERS WHO ATTEND THE ANNUAL MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON IF THEY SO DESIRE.

1-800 CONTACTS, INC.

66 E. Wadsworth Park Drive
 Draper, Utah 84020
 Telephone: (801) 316-5000

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QUESTIONS AND ANSWERS ABOUT VOTING

Q: Why did you send me this proxy statement?

A: This proxy statement is being sent to you because 1-800 CONTACTS Board of Directors is soliciting your proxy to vote at the 2006 Annual Meeting of Stockholders. This proxy statement summarizes the information you need to know to vote on an informed basis on the matters to be voted on at the annual meeting. Stockholders of record as of the close of business on April 7, 2006 are entitled to vote. This proxy statement and related proxy card are first being sent on or about April 14, 2006 to those persons who are entitled to vote at the annual meeting.

Q: How many votes do I have?

A: Each share of 1-800 CONTACTS common stock that you own entitles you to one vote.

Q: How do I vote?

A: You can vote on matters presented at the annual meeting in two ways:

1. You can vote by filling out, signing and dating your proxy card and returning it in the enclosed envelope,

OR

2. You can attend the annual meeting and vote in person.

Q: How do I vote by proxy?

A: If you properly fill out your proxy card and send it to us in time to vote, your shares will be voted as you have directed. If you do not specify a choice on your proxy card, the individuals named on the proxy card will vote your shares in accordance with the recommendations of 1-800 CONTACTS Board of Directors.

Whether or not you plan to attend the annual meeting, we urge you to complete, sign, date and return your proxy card in the enclosed envelope. Returning the proxy card will not affect your right to attend the annual meeting and vote in person.

Q: How do I vote in person?

A: If you attend the annual meeting, we will give you a ballot when you arrive.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q: Can I change my vote or revoke my proxy after I have mailed my proxy card?

A: You can change your vote at any time before your proxy is voted at the annual meeting. You can do this in one of three ways. First, you can send a written notice to the Corporate Secretary of 1-800 CONTACTS at our headquarters stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card. Third, you can attend the annual meeting and vote in person. Simply attending a meeting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you received from your broker to change your vote.

Q: Will there be any matters voted upon at the annual meeting other than those specified in the Notice of Annual Meeting?

A: 1-800 CONTACTS management does not know of any matters other than those discussed in this proxy statement that will be presented at the annual meeting. If other matters are properly brought before the meeting and 1-800 CONTACTS does not have notice of these matters a reasonable time prior to the annual meeting, all proxies will be voted in accordance with the recommendations of 1-800 CONTACTS management.

Q: What is the voting requirement to approve each of the proposals?

A: Directors will be elected by a plurality of the votes cast at the annual meeting, which means that the two nominees receiving the highest number of votes will be elected. The *affirmative vote of a majority of the* total number of shares present and entitled to vote at the annual meeting will be necessary to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2006 fiscal year.

Q: How are votes counted?

A: Stockholders of record of 1-800 CONTACTS common stock as of the close of business on April 7, 2006 are entitled to vote at the annual meeting. As of April 7, 2006, there were 14,009,209 shares of common stock outstanding. The presence in person or by proxy of a majority of the outstanding shares of common stock will constitute a quorum for the transaction of business. Each share of common stock is entitled to one vote on each matter to come before the annual meeting.

In the election of directors, you can withhold your vote for any nominee. Withheld votes will be excluded entirely from the vote and will have no effect on the outcome. On the other proposals, you can vote to abstain. If you vote to abstain, your shares will be counted as present at the annual meeting for purposes of that proposal and your vote will have the effect of a vote *against* the proposal.

Under Delaware law, broker non-votes are also counted for purposes of determining whether a quorum is present, but are not counted in determining whether a matter requiring a majority of the shares present and entitled to vote has been approved or whether a plurality of the vote of the shares present and entitled to vote has been cast.

Q: How are proxies being solicited and who pays for the solicitation of proxies?

A: Initially, 1-800 CONTACTS will solicit proxies by mail. 1-800 CONTACTS directors, officers and employees may also solicit proxies in person or by telephone without additional compensation. 1-800 CONTACTS will pay all expenses of solicitation of proxies.

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the **Board**) of 1-800 CONTACTS, INC., a Delaware corporation (**1-800 CONTACTS** or the **Company**), of proxies for use in voting at the Annual Meeting of Stockholders scheduled to be held on May 19, 2006 and at any postponement or adjournment thereof. This Proxy Statement and the related proxy card are being mailed to holders of the common stock of 1-800 CONTACTS, commencing on or about April 14, 2006. References in this Proxy Statement to **we**, **our** or **us** refer to 1-800 CONTACTS, unless otherwise noted.

Voting and Revocability of Proxies

When proxies are properly dated, executed and returned, the shares they represent will be voted as directed by the stockholder on all matters properly coming before the annual meeting.

Where specific choices are not indicated on a valid proxy, the shares represented by such proxies received will be voted

1. **FOR** the nominees for directors named in this Proxy Statement and
2. **FOR** the ratification of the appointment of KPMG LLP as our independent registered public accounting firm,

in accordance with the best judgment of the persons named in the enclosed proxy, or their substitutes.

In addition, if other matters come before the annual meeting, the persons named in the accompanying form of proxy will vote in accordance with their best judgment with respect to such matters.

Returning your completed proxy will not prevent you from voting in person at the annual meeting should you be present and desire to do so. In addition, the proxy may be revoked at any time prior to its exercise either by giving written notice to the Secretary of the Company prior to the annual meeting or by submission of a later-dated proxy.

At the annual meeting, inspectors of election shall determine the presence of a quorum and shall tabulate the results of the stockholders' voting. The presence of a quorum is required to transact the business proposed to be transacted at the annual meeting. The presence in person or by proxy of holders of a majority of the outstanding shares of common stock entitled to vote will constitute the necessary quorum for any business to be transacted at the annual meeting. In accordance with the General Corporation Law of the State of Delaware (the **DGCL**), properly executed proxies marked **abstain** as well as proxies held in street name by brokers that are not voted on all proposals to come before the annual meeting (**broker non-votes**), will be considered **present** for the purposes of determining whether a quorum has been achieved at the annual meeting.

The two nominees for director receiving the greatest number of votes cast at the annual meeting in person or by proxy shall be elected. Consequently, any shares of common stock present in person or by proxy at the annual meeting but not voted for any reason have no impact in the election of directors, except to the extent that the failure to vote for an individual may result in another individual receiving a larger number of votes. All other matters to be considered at the annual meeting require the favorable vote of a majority of the shares entitled to vote at the meeting either in person or by proxy. Stockholders have no right to cumulative voting as to any matter, including the election of directors. If any proposal at the annual meeting must receive a specific percentage of favorable votes for approval, abstentions in respect of such proposal are treated as present and entitled to vote under the DGCL and therefore have the effect of a vote against such proposal. Broker non-votes in respect to any proposal are not counted for purposes of determining whether such proposal has received the requisite approval under the DGCL.

Record Date and Share Ownership

Only stockholders of record of the common stock on the books of the Company at the close of business on April 7, 2006 will be entitled to vote at the annual meeting. On that date, we had 14,009,209 shares of common stock outstanding. A list of our stockholders will be open to the examination of any stockholders, for any purpose germane to the meeting, at our headquarters for a period of ten (10) days prior to the meeting. Each share of common stock entitles the holder thereof to one vote on all matters submitted to stockholders.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Board is currently comprised of seven directors, five of whom are independent, as defined in Rule 4200(a)(15) of the National Association of Securities Dealers, Inc. (NASD) listing standards. The Board is currently divided into three classes and the term of each class expires in a different year. At the annual meeting, two directors are to be elected as members of Class II to serve until the annual meeting in 2009 and until their successors are elected and qualified or until their earlier removal or resignation. The Board has nominated two nominees set forth below, both of whom have agreed to serve as a director if elected and both of whom have been nominated by the Governance and Nominating Committee. Each nominee currently serves as a director of 1-800 CONTACTS. In the event any nominee is unable or unwilling to serve as a director at the time of the annual meeting (which events are not anticipated), the persons named on the enclosed proxy card may substitute another person as a nominee or may add or reduce the number of nominees to such extent as they shall deem advisable.

Subject to rights of holders of any series of preferred stock to fill newly created directorships or vacancies, any newly created directorships resulting from an increase in the authorized number of directors or any vacancies on the Board resulting from death, resignation, disqualification or removal for cause shall be filled by a vote of majority of the total number of directors then in office, in accordance with the Governance and Nominating Committee Charter.

Jason S. Subotky and Stephen A. Yacktman resigned from the Board effective August 2, 2005. The Governance and Nominating Committee nominated Stephen L. Key to fill the vacancy created by Mr. Subotky's and Yacktman's resignations, and the Board, by resolution on July 28, 2005, unanimously approved the appointment of Mr. Key to the Board.

Information regarding our director nominees and our directors not subject to reelection at the annual meeting is set forth below:

Name	Age	Position
Jonathan C. Coon	35	Chief Executive Officer and Director (Chairman)
Thomas H. Boggs, Jr.(3)	64	Director
Stephen L. Key(1)(2)	62	Director
E. Dean Butler(1)(2)(3)	61	Director
Bradley T. Knight(1)(2)	46	