
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 8, 2006

IRIDEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-27598

(Commission File Number)

77-0210467

(IRS Employer
Identification No.)

**1212 Terra Bella Avenue
Mountain View, California 94043**

(Address of principal executive offices, including zip code)

(650) 940-4700

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On March 8, 2006, the Registrant's Board of Directors adopted a 2006 incentive payment program (the "2006 Incentive Program"). The 2006 Incentive Program consists of a profit sharing component (the "Profit Sharing Component") in which a majority of the Registrant's employees, with certain exceptions, are eligible to participate, a management bonus program component (the "Management Bonus Component"), in which only executive officers, director level employees and other managers are eligible to participate and a special bonus program to reward any of the Registrant's employee's who make extraordinary contributions resulting in enhanced revenues, profits or future positioning of the Registrant (the "Special Bonus Component").

Funding of the 2006 Incentive Program

Funding for the 2006 Incentive Program is dependent upon the Registrant's achievement of a targeted operating income amount (the "Targeted Operating Income"). If the Registrant achieves one hundred percent (100%) of the Targeted Operating Income, nineteen percent (19%) of the Targeted Operating Income will be set aside to fund the 2006 Incentive Program (the "2006 Bonus Pool"). In the event that the Registrant's operating income exceeds the Targeted Operating Income, an additional twenty percent (20%) of all incremental operating income above the Targeted Operating Income amount (the "2006 Bonus Pool Increment") will be set aside for inclusion in the 2006 Incentive Program.

Upon achievement of Targeted Operating Income, approximately sixty-seven percent (67%) of the 2006 Bonus Pool would be allocated to the Profit Sharing Component and the Management Bonus Component for the Registrant's director level employees and managers, approximately twenty-seven percent (27%) of the 2006 Bonus Pool would be allocated to the Management Bonus Component for the Registrant's executive officers, and approximately six percent (6%) of the 2006 Bonus Pool would be allocated to the Special Bonus Component. If the Registrant exceeds the Targeted Operating Income, the 2006 Bonus Pool Increment would be allocated as follows: seventy-six and one half percent (76.5%) to the Management Bonus Component (including the Registrant's executive officers, director level employees and managers); and twenty-three and one-half percent (23.5%) to the Profit Sharing Component. If the Registrant's operating income is at or above ninety percent (90%) but below one hundred percent (100%) of the Targeted Operating Income, any payouts under the Profit Sharing Component, Management Bonus Component or Special Bonus Component will be at the recommendation of the Registrant's Chief Executive Officer and subject to the approval of the Compensation and Nominating Committee of the Company's Board of Directors.

Profit Sharing Component

The Profit Sharing Component of the 2006 Incentive Program provides for the payment of profit sharing benefits, based upon meeting or exceeding the Registrant's full fiscal year Targeted Operating Income, after completion of the annual audit for fiscal 2006. All employees not included in the Management Bonus Program or on a Commission Plan are eligible to participate in the Profit Sharing Component of the 2006 Incentive Program.

Management Bonus Component

The Management Bonus Component of the 2006 Incentive Program provides for the payment of cash bonuses to the Registrant's executive officers, director level employees and other managers. Management bonus payouts under the Management Bonus Component of the 2006 Incentive Program will be based on meeting or exceeding established milestones and/or based on demonstrating exceptional performance.

Special Bonus Component

The Special Bonus Component of the 2006 Incentive Program provides for the payment of cash bonuses to all of the Registrant's employees who make extraordinary contributions during fiscal 2006. Special Bonus Component payouts will be determined by the Registrant's Compensation and Nominating Committee in consultation with the Registrant's Chief Executive Officer.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	2006 Incentive Program.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

IRIDEX CORPORATION

By: /s/ LARRY TANNENBAUM

Larry Tannenbaum

**Chief Financial Officer, Secretary and Senior Vice
President of Finance and Administration**

Date: **March 14, 2006**

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	2006 Incentive Program.

**IRIDEX CORPORATION
2006 INCENTIVE PROGRAM**

Purpose: The 2006 Incentive Program is designed to reward those eligible employees whose performance throughout the year was helpful in achieving our financial goals and the management team based upon company and personal performance against key objectives. The incentive program will consist of three parts: (1) a Management Bonus Program covering Executives, Directors, and Managers to award performance and completion of individual and Company goals; (2) a Profit Sharing Program covering all eligible employees not included in the Management Bonus Program or on a Commission Plan; and (3) a Special Bonus Program for any employee who makes extraordinary contributions above and beyond their job description resulting in enhanced revenues, profits or future positioning for the Company.

Eligible Employees: All IRIDEX employees who are not covered by a commission program are eligible to receive either a Management Bonus or Profit Sharing. All IRIDEX employees are eligible to be awarded a Special Bonus in recognition of extraordinary contributions. Eligible employees who start during the 2006 year will receive a prorated incentive. An employee must be employed in good standing at the time of payment in order to receive an incentive payment.

Incentive Pool: After the completion of the annual audit for the 2006 fiscal year, an incentive pool (the "Incentive Pool") will be calculated as follows: (1) at 100% of the targeted 2006 operating income, as determined by the Board of Directors (the "Targeted 2006 Operating Income"), 19% of the Targeted 2006 Operating Income will be placed into the Incentive Pool; and (2) in the event that the Company's operating income for fiscal 2006 is greater than 100% of the Targeted 2006 Operating Income, then 20% of the increment above the Targeted 2006 Operating Income will be added to the Incentive Pool.

Distribution of Incentive Pool: If the Company achieves operating income for fiscal 2006 equal to 100% of the Targeted 2006 Operating Income, then the Incentive Pool will be distributed as follows: (1) approximately 67% to all employees eligible for the Profit Sharing payouts and the Company's Directors and Managers eligible for Management Bonus Program payouts; (2) approximately 27% for Company's Executive Officers Management Bonus payouts; and (3) approximately 6% for Special Bonus Program payouts.

If the Company achieves operating income for fiscal 2006 in excess of 100% of the Targeted 2006 Operating Income, then the distribution of the increment added to the Incentive Pool is intended to be distributed as follows: (1) 76.5% for Management Bonus Program payouts (including the Company's Executive Officers, Directors and Managers); and (2) 23.5% for Profit Sharing Program payouts.

If the Company achieves operating income for fiscal 2006 at or above 90% but below 100% of the Targeted 2006 Operating Income, payouts, if any, under the Management Bonus Program, the Profit Sharing Program, or the Special Bonus Program shall be at the recommendation of the Company's Chief Executive Officer, with the final approval of the Compensation and Nominating Committee of the Company's Board of Directors.

After calculation of the amount available for the Incentive Pool, the Compensation and Nominating Committee of the Company's Board of Directors will review and approve the amount available for distribution for each program. The Compensation and Nominating Committee will then: (1) work with the Company's Chief Executive Officer and Chief Financial Officer to establish the percentage to be paid to each eligible participant in the Profit Sharing Program, which payments will be based on each eligible participant's base salary at the end of the year; (2) evaluate the list proposed by the Chief Executive Officer for payouts to employees under the Special Bonus Program for extraordinary contributions made during the year; and (3) determine the amount of any distributions to be made under the Management Bonus Program, after evaluating the performance of the Company's Managers towards completion of their individual and Company goals.

The Compensation and Nominating Committee will establish the amount of any bonus to be paid to the Company's Chief Executive Officer. The Chief Executive Officer will then recommend the amount of any bonuses to be paid to each of his or her direct reports. The remainder of the bonus pool will then be allocated to the remaining Managers by the department heads with the approval of the Company's Chief Executive Officer. The final list of incentive payments will be returned to the Compensation and Nominating Committee for approval.

Payment of Incentive Payments: The Profit Sharing Program payments will be made as soon as possible after the completion of the annual audit for the 2006 fiscal year. The Management Bonus Program and Special Bonus Program payments will be made after the final approval of the Compensation and Nominating Committee.