

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended
June 29, 2002

Commission File
Number 0-20001

NATIONAL VISION, INC.
(Exact name of registrant as specified in its charter)

GEORGIA
*(State or other jurisdiction
of incorporation or organization)*

58-1910859
*(I.R.S. Employer
Identification No.)*

**296 Grayson Highway
Lawrenceville, Georgia**
(Address of principal executive offices)

30045
(Zip Code)

Registrant's telephone number, including area code: **(770) 822-3600**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES ☒ NO ☐

The number of shares of Common Stock of the registrant outstanding as of August 2, 2002 was 5,084,400, including shares that are part of the disputed claims reserve in the registrant's Chapter 11 Case.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL VISION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 29, 2002 and December 29, 2001
(In thousands except share information)

	June 29, 2002 (unaudited)	December 29, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,939	\$ 9,846
Accounts receivable (net of allowance: 2002 - \$1,580; 2001 - \$2,377)	2,493	3,939
Inventories	19,764	18,621
Other current assets	1,392	636
Total current assets	36,588	33,042
Property And Equipment:		
Equipment	19,245	17,731
Furniture and fixtures	7,440	6,878
Leasehold improvements	6,481	6,008
Construction in progress	407	1,061
	33,573	31,678
Less accumulated depreciation	(12,898)	(6,996)
Net property and equipment	20,675	24,682
Intangible Value of Contractual Rights		
(net of accumulated amortization: 2002 - \$8,157; 2001 - \$4,370)	105,459	109,246
Other Assets And Deferred Costs		
(net of accumulated amortization: 2002 -- \$469; 2001 -- \$270)	1,425	1,561
Deferred Income Tax Assets		
	--	385
	\$ 164,147	\$ 168,916

	June 29, 2002 (unaudited)	December 29, 2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 4,809	\$ 3,935
Accrued expenses and other current liabilities	24,755	25,695
Current portion, other long-term debt	--	12
Total current liabilities	29,564	29,642
Senior Subordinated Notes	118,403	120,000
Commitments And Contingencies	--	--
Shareholders' Equity:		
Preferred stock, \$1 par value; 5,000,000 shares authorized, none issued	--	--
Common stock, \$0.01 par value; 10,000,000 shares authorized, 5,084,400 shares issued and outstanding	50	50
Additional paid-in capital	24,952	24,940
Retained deficit	(8,836)	(5,860)
Accumulated other comprehensive income	14	144
	16,180	19,274
Total shareholders' equity	164,147	168,916

The accompanying notes are an integral part of these condensed consolidated financial statements.

NATIONAL VISION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share information)
(Unaudited)

	Successor		Predecessor
	Three months ended June 29, 2002	One month ended June 30, 2001	Two months ended June 2, 2001
Net sales	\$ 61,236	\$ 18,606	\$ 45,822
Cost of goods sold	26,982	8,295	20,236
Gross profit	34,254	10,311	25,586
Selling, general & administrative expense	32,246	9,938	25,906
Operating income / (loss)	2,008	373	(320)
Interest expense	3,564	1,109	411
Loss before reorganization expense & taxes	(1,556)	(736)	(731)
Reorganization items and fresh-start adjustments	--	--	(98,261)
Earnings / (loss) before taxes & extraordinary item	(1,556)	(736)	97,530
Income tax benefit	--	--	--
Net earnings / (loss) before extraordinary item	(1,556)	(736)	97,530
Extraordinary items, net of tax	--	--	17,182
Net earnings/(loss)	<u>\$ (1,556)</u>	<u>\$ (736)</u>	<u>\$ 114,712</u>
Basic and diluted earnings/(loss) per share:			
Earnings / (loss) before extraordinary item	\$ (0.31)	\$ (0.15)	\$ 4.61
Extraordinary item, net	--	--	0.81
Net earnings / (loss) per share	<u>\$ (0.31)</u>	<u>\$ (0.15)</u>	<u>\$ 5.42</u>

NATIONAL VISION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share information)
(Unaudited)

	Successor		Predecessor
	Six month ended June 29, 2002	One month ended June 30, 2001	Five months ended June 2, 2001
Net sales	\$ 123,109	\$ 18,606	\$ 120,557
Cost of goods sold	53,961	8,295	54,761
Gross profit	69,148	10,311	65,796
Selling, general & administrative expense	64,980	9,938	64,977
Operating income	4,168	373	819
Interest expense	7,144	1,109	1,150
Loss before reorganization expense & taxes	(2,976)	(736)	(331)
Reorganization items and fresh-start adjustments	--	--	(96,473)
Earnings / (loss) before taxes & extraordinary item	(2,976)	(736)	96,142
Income tax benefit	--	--	--
Net earnings / (loss) before extraordinary item	(2,976)	(736)	96,142
Extraordinary items, net of tax	--	--	17,182
Net earnings / (loss)	\$ (2,976)	\$ (736)	\$ 113,324
Basic and diluted earnings/(loss) per share:			
Earnings / (loss) before extraordinary item	\$ (0.60)	\$ (0.15)	\$ 4.54
Extraordinary item, net	--	--	0.81
Net earnings / (loss) per share	\$ (0.60)	\$ (0.15)	\$ 5.35

NATIONAL VISION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Successor		Predecessor
	Six months ended June 29, 2002	One month ended June 30, 2001	Five months ended June 2, 2001
Cash flow from operating activities:			
Net income / (loss)	\$ (2,976)	\$ (736)	\$ 113,324
Adjustments to reconcile net income / (loss) to cash provided by operating activities:			
Depreciation & amortization	9,821	1,536	4,808
Reorganization items	--	--	17,790
Fresh start adjustments	--	--	(114,263)
Extraordinary item	--	--	(17,182)
Deferred tax asset	385	--	--
Other	144	258	(84)
Changes in operating assets & liabilities, net of effects of dispositions and fresh-start adjustments:			
Receivables	1,446	982	2,777
Inventories	(1,143)	709	1,440
Other current assets	(756)	(553)	597
Accounts payable	874	3,772	1,210
Accrued expenses	(940)	(3,294)	(853)
Total adjustments	9,831	3,410	(103,760)
Net cash provided by operating activities	\$ 6,855	\$ 2,674	\$ 9,564
Cash flow from investing activities:			
Proceeds from sale of freestanding operations	--	--	5,656
Purchase of property & equipment	(2,153)	(335)	(2,084)
Net cash provided by / (used in) investing activities	\$ (2,153)	\$ (335)	\$ 3,572
Net cash from financing activities:			
Advances on revolver	7,232	17,130	125,063
Payments on revolver	(7,232)	(20,130)	(134,975)
Repayments of principal on Senior Subordinated Notes	(1,597)	--	--
Payment of financing costs	--	(150)	(125)
Repayments on capital leases and other long-term debt	(12)	(12)	--
Net cash used in financing activities	\$ (1,609)	\$ (3,162)	\$ (10,037)
Net increase / (decrease) in cash	3,093	(823)	3,099
Cash, beginning of period	9,846	11,165	8,066
Cash, end of period	\$ 12,939	\$ 10,342	\$ 11,165

NATIONAL VISION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 29, 2002
(Unaudited)

(1) BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by National Vision, Inc. (f.k.a. Vista Eyecare, Inc., "National Vision" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although management believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited consolidated financial statements and notes thereto. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations, and cash flows for the interim periods presented have been made. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 28, 2002.

Due to the Company's emergence from bankruptcy and implementation of fresh start accounting principles, the Condensed Consolidated Financial Statements for the reorganized company as of June 2, 2001 and for the periods subsequent to June 2, 2001 will not be comparable to those of the Company for the periods prior to June 2, 2001. Although the Company's plan of reorganization became effective on May 31, 2001, for financial reporting purposes the effective date of the plan of reorganization is considered to be June 2, 2001. The results of operations for the period from May 31, 2001 through June 2, 2001 were not material.

A black line has been drawn between the accompanying Condensed Consolidated Statements of Operations and Cash Flows to distinguish for accounting purposes between the reorganized company ("Successor") and the predecessor company prior to emergence from bankruptcy ("Predecessor").

It is suggested that the unaudited interim condensed consolidated financial statements contained herein be used in conjunction with the financial statements and the accompanying notes to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 29, 2001.

(2) PRINCIPAL AND INTEREST PAYMENTS ON SENIOR NOTES

The Company made a principal redemption payment on the Senior Subordinated Notes of \$1.6 million on February 28, 2002. The Company's second interest payment on the Senior Notes of \$7.1 million, due on March 31, 2002, was made on March 29, 2002 from existing cash balances.

Cash and cash equivalents at June 29, 2002 were \$12.9 million. The second principal redemption payment is due on August 31, 2002 to bondholders of record on August 15, 2002. The amount of the Excess Cash Repayment is based on the results for the six-month period ended June 29, 2002. The following table shows the Excess Cash Repayment for the measurement period ending in June 2002 (in millions):

	Six months ended June 29, 2002
Consolidated EBITDA (a)	\$ 14.0
Less:	
Increase in working capital (b)	0.5
Less:	
Taxes	--
Interest expense	7.1
Capital expenditures	2.2
Payments of principal on notes	--
Excess Cash Repayment	\$ 4.2

- (a) EBITDA is calculated as operating income before interest, taxes, depreciation and amortization expense. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to service or incur indebtedness. In addition, it is the basis for the calculation of the Company's Excess Cash Repayment under the Senior Subordinated Notes. However, EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles (GAAP), is not necessarily indicative of cash available to fund all cash flow needs, should not be considered an alternative to net income or to cash flow from operations (as determined in accordance with GAAP) and should not be considered an indication of the Company's operating performance or as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures for other companies.
- (b) For purposes of this calculation, working capital is defined as changes in the sum of accounts receivable, inventory and other current assets minus changes in the sum of accounts payable and accrued expenses. Increases in working capital reduce the Excess Cash Repayment. Decreases in working capital increase the Excess Cash Repayment. The change in working capital is shown below (in millions):

	Balance at June 29, 2002	Balance at December 29, 2001	Change
Accounts receivable	\$ 2.5	\$ 3.9	\$ (1.4)
Inventory	19.8	18.6	1.1
Other current assets	1.4	0.6	0.8
Increase / (decrease) in current assets			<u>\$ 0.5</u>
Accounts payable	\$ 4.8	\$ 3.9	\$ (0.9)
Accrued expenses	24.8	25.7	0.9
(Increase) / decrease in current liabilities			<u>\$ (0.0)</u>
Net increase in working capital			<u>\$ 0.5</u>

(3) REORGANIZATION ITEMS AND FRESH-START ADJUSTMENTS

The Company emerged from Chapter 11 on May 31, 2002 and implemented “fresh start” accounting as of June 2, 2001. Generally accepted accounting principles require that these charges, incurred subsequent to the Company’s Chapter 11 filing, be presented below operating income as “Reorganization Items.” Results for the second quarter of 2001 include charges that were incurred after the Company’s Chapter 11 filing. The table below summarizes these charges (amounts in thousands):

	Two Months Ended June 2, 2001	Five Months Ended June 2, 2001
Fresh-start adjustments	\$ (114,263)	\$ (114,263)
Provision for rejected leases	895	1,592
Loss on sale of freestanding division	9,688	9,688
Impairment of fixed assets	--	33
Other store closing costs	495	532
Professional fees	1,000	2,008
Retention plan	3,231	3,231
Interest income	(38)	(127)
Letter of credit reserve on DIP Facility	197	197
Other reorganization items	534	636
Total reorganization (gain) / loss	\$ (98,261)	\$ (96,473)

(4) EARNINGS PER COMMON SHARE

Basic earnings per common share were computed by dividing net income by the weighted average number of common shares outstanding during the quarter. Diluted earnings per common share were computed as basic earnings per common share, adjusted for outstanding stock options and other equity grants that are dilutive. The computation for basic and diluted earnings per share may be summarized as follows (amounts in thousands except per share information):

	Successor		Predecessor
	Three months ended	One month ended	Two months ended
	June 29, 2002	June 30, 2001	June 2, 2001
Net earnings / (loss) before extraordinary items	\$ (1,556)	\$ (736)	\$ 97,530
Extraordinary item, net	--	--	17,182
Net earnings / (loss)	\$ (1,556)	\$ (736)	\$ 114,712
Weighted average shares outstanding, basic and diluted	5,000	5,000	21,169
Basic and diluted loss per share:			
Net earnings / (loss) before extraordinary item	\$ (0.31)	\$ (0.15)	\$ 4.61
Extraordinary item	--	--	0.81
Net earnings / (loss) per share	\$ (0.31)	\$ (0.15)	\$ 5.42

	Successor		Predecessor
	Six months ended	One month ended	Five months ended
	June 29, 2002	June 30, 2001	June 2, 2001
Net earnings / (loss) before cumulative effect and extraordinary items	\$ (2,976)	\$ (736)	\$ 96,142
Extraordinary item, net	--	--	17,182
Net earnings / (loss)	\$ (2,976)	\$ (736)	\$ 113,324
Weighted average shares outstanding, basic and diluted	5,000	5,000	21,169
Basic and diluted loss per share:			
Net earnings / (loss) before cumulative effect and extraordinary item	\$ (0.60)	\$ (0.15)	\$ 4.54
Extraordinary item	--	--	0.81
Net earnings / (loss) per share	\$ (0.60)	\$ (0.15)	\$ 5.35

No outstanding options were included in the above calculation as their impact would be anti-dilutive.

NATIONAL VISION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 29, 2002
(Unaudited)

(5) EQUITY TRANSACTIONS

Under the Company's Restated Stock Option and Incentive Award Plan (the "Plan"), the Compensation Committee may issue stock options and other equity awards, covering up to a total of 720,000 shares of common stock. In April 2002, the Compensation Committee granted 84,400 shares of restricted stock under the Plan to the Company's Chief Operating Officer. The shares vest one-third each year over the subsequent three years of continued employment. After giving effect to outstanding awards, there were, at June 29, 2002, 145,000 remaining unissued shares under the Company's Restated Stock Option and Incentive Award Plan. Unamortized deferred compensation expense with respect to the restricted stock amounted to approximately \$146,000 at June 29, 2002 and is being amortized over the three-year vesting period. Compensation expense related to the issuance of restricted stock aggregated \$12,000 in the three and six months ended June 29, 2002.

In May 2002, the Company's Board of Directors granted options to purchase 10,000 shares of Company stock under the Restated Non-Employee Director Stock Option Plan (the "Directors' Plan") to each non-employee director at an exercise price equal to the market value on the date of grant. Under the option grant, 50% of the shares vest on the second anniversary of the grant date, 25% on the third anniversary and 25% on the fourth anniversary. All option grants are exercisable for a ten-year period. Under the Directors' Plan, 180,000 shares of common stock are available for awards. The remaining unissued shares under the Directors' Plan totaled 95,000 at June 29, 2002

(6) SUPPLEMENTAL DISCLOSURE INFORMATION

Inventory balances, by classification, may be summarized as follows (amounts in thousands):

	June 29, 2002	December 29, 2001
Raw Material	\$ 13,288	\$ 12,262
Finished Goods	5,915	5,868
Supplies	561	491
	\$ 19,764	\$ 18,621

Significant components of accrued expenses and other current liabilities may be summarized as follows (amounts in thousands):

	Balance at June 29, 2002	Balance at December 29, 2001
Accrued employee compensation and benefits	\$ 7,218	\$ 6,452
Accrued rent expense	\$ 3,943	\$ 4,714
Accrued capital expenditures	\$ --	\$ 584
Customer deposit liability	\$ 3,932	\$ 2,491
Accrued interest	\$ 3,676	\$ 3,691

Prior to emergence from bankruptcy, we stopped accruing interest on unsecured debt. Contractual interest for the two and five months ending June 2, 2001 was \$3.0 million and \$8.1 million, respectively. The components of interest expense, net, may be summarized as follows (amounts in thousands):

	Successor		Predecessor
	Three months ended June 29, 2002	One month ended June 30, 2001	Two months ended June 2, 2001
Interest expense on debt and capital leases	\$ 3,576	\$ 1,133	\$ 246
Purchase discounts on invoice payments	(115)	(5)	(14)
Finance fees	69	11	159
Interest income	(18)	(37)	--
Other	52	7	20
	<u>\$ 3,564</u>	<u>\$ 1,109</u>	<u>\$ 411</u>

	Successor		Predecessor
	Six months ended June 29, 2002	One month ended June 30, 2001	Five months ended June 2, 2001
Interest expense on debt and capital leases	\$ 7,186	\$ 1,133	\$ 805
Purchase discounts on invoice payments	(232)	(5)	(44)
Finance fees	147	11	349
Interest income	(52)	(37)	--
Other	95	7	40
	<u>\$ 7,144</u>	<u>\$ 1,109</u>	<u>\$ 1,150</u>

Interest expense excludes interest income of \$38,000 and \$127,000 for the two and five months ended June 2, 2001, respectively. These amounts were treated as reorganization items.

(7) COMPREHENSIVE INCOME

Comprehensive income / (loss), which consists of net income and foreign currency translation adjustments, was a loss of approximately \$677,000 and income of \$114.7 million for the one month and two months ended June 30, 2001 and June 2, 2001, respectively, and a loss of approximately \$1.7 million for the three months ended June 29, 2002. Comprehensive income was approximately \$113.3 million and a loss of \$3.1 million for the five and six months ended June 2, 2001 and June 29, 2002, respectively.

(8) NEW ACCOUNTING PRONOUNCEMENTS

As of December 31, 2001, the Company has adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which specifies that goodwill and other intangible assets with indefinite useful lives will no longer be amortized, but instead will be subject to periodic impairment testing. The Company's intangible assets have finite lives and will continue to be amortized over their useful lives. As a result, the Company's adoption of SFAS No. 142 has not had a material impact on the Company's financial statements.

As of December 31, 2001, the Company has adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets and for Long-lived Assets to be Disposed Of." The adoption of SFAS No. 144 had no effect on the Company.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment to FASB Statement 13, and Technical Corrections." One of the major changes of this statement is to change the accounting for the classification of gains and losses from the extinguishment of debt. Upon adoption, the Company will follow APB 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" in determining whether such extinguishment of debt may be classified as extraordinary. The provisions of this statement related to the rescission of FASB Statement 4 shall be applied in fiscal years beginning after May 15, 2002 with early application encouraged. The Company is currently evaluating the impact of this Statement.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. Adoption of this Statement is required with the beginning of fiscal year 2003. We have not yet completed our evaluation of the impact of adopting this Statement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The Company's results of operations in any period are significantly affected by the number and mix of vision centers opened and operating during such period. At June 29, 2002, the Company operated 518 vision centers, versus 503 vision centers at June 30, 2001.

The Company emerged from Chapter 11 on May 31, 2001 and implemented "fresh start" accounting as of June 2, 2001. Results of operations for the 3-day period from May 31, 2001 through June 2, 2001 were not material. The consolidated financial statements after that date are those of a new reporting entity and are not comparable to the pre-emergence periods. However, for purposes of this discussion, the Successor results for the one month ended June 30, 2001 have been combined with the Predecessor results of two and five months ended June 2, 2001 and then compared to the Successor results for the three and six months ended June 29, 2002.

These periods are summarized in the following tables:

National Vision, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands)

	Three months ended June 29, 2002	Three months ended June 30, 2001
Net sales	\$ 61,236	\$ 64,428
Cost of goods sold	26,982	28,531
Gross profit	34,254	35,897
Selling, general & administrative expense	32,246	35,844
Operating income	2,008	53
Interest expense	3,564	1,520
Earnings / (loss) before reorganization expense & taxes	(1,556)	1,467
Reorganization items and fresh-start adjustments	--	(98,261)
Earnings / (loss) before taxes & extraordinary item	(1,556)	96,794
Income tax benefit	--	--
Net earnings / (loss) before extraordinary item	(1,556)	96,794
Extraordinary items, net of tax	--	17,182
Net earnings / (loss)	\$ (1,556)	\$ 113,976
EBITDA prior to significant provisions	\$ 6,876	\$ 7,415

	Six months ended June 29, 2002	Six months ended June 30, 2001
Net sales	\$ 123,109	\$ 139,163
Cost of goods sold	53,961	63,056
Gross profit	69,148	76,107
Selling, general & administrative expense	64,980	74,915
Operating income / (loss)	4,168	1,192
Interest expense	7,144	2,259
Earnings/ (loss) before reorganization expense & taxes	(2,976)	1,067
Reorganization items and fresh-start adjustments	--	(96,473)
Earnings / (loss) before taxes & extraordinary item	(2,976)	95,406
Income tax benefit	--	--
Net earnings / (loss) before extraordinary item	(2,976)	95,406
Extraordinary items, net of tax	--	17,182
Net earnings / (loss)	\$ (2,976)	\$ 112,588
EBITDA prior to significant provisions	\$ 13,989	\$ 11,436

THREE MONTHS ENDED JUNE 29, 2002 (THE “CURRENT THREE MONTHS”) COMPARED TO THREE MONTHS ENDED JUNE 30, 2001 (THE “PRIOR THREE MONTHS”)

CONSOLIDATED RESULTS

Net Sales. The Company recorded net sales of \$61.2 million in the Current Three Months, a decrease of 5% from sales of \$64.4 million in the Prior Three Months. Sales decreased primarily due to the disposal of the Company’s freestanding stores in April 2001. These stores had sales of \$4.4 million in the second quarter of 2001. This decrease was partially offset by domestic comparable store sale increase of 1.0% and new store openings.

Gross Profit. In the Current Three Months, gross profit decreased to \$34.3 million from \$35.9 million in the Prior Three Months. This decrease in gross profit dollars was primarily driven by a reduction in sales caused by the 2001 disposal of freestanding locations. However, the disposal of unprofitable stores had a favorable impact on gross margin percentages that increased to 55.9% in the Current Three Months versus 55.7% in the Prior Three Months. This margin improvement was partially offset by an increase in rent expense (which is a component of Gross Profit) for the Wal-Mart division. This was due to approximately 50 vision centers entering the “3-year option period” of the Wal-Mart lease. The option period effectively increases each location’s minimum rent requirement. We expect this trend of increased rent to continue as additional Wal-Mart locations enter the “option period” of their lease.

Selling, General, And Administrative Expense (“SG&A expense”). SG&A expense (which includes both store operating expenses and home office overhead) decreased to \$32.2 million in the Current Three Months from \$35.8 million for the Prior Three Months. The dollar decrease was partially the result of \$3.9 million fewer managed care receivable write-offs in the Current Three Months. A further decrease in SG&A dollars is attributable to 1) reductions of approximately \$1.0 million in retail, field supervision, and home office payroll costs resulting from the 2001 disposal of freestanding locations, 2) decreases in advertising spending as we changed our product presentation, and 3) increases in professional fees and administrative costs arising out of the difficult legal and regulatory environment in California. These dollar decreases were partially offset by increases in depreciation and amortization expense of approximately \$1.5 million resulting from the increase in fair value of certain assets established as part of fresh start accounting in May 2001. SG&A expense also decreased as a percent of sales from 55.6% in the Prior Three Months to 52.6% in the Current Three Months.

The percentage decrease in SG&A expense was primarily attributable to the above-mentioned factors with the exception of retail-level payroll costs, which increased 0.8% of sales over the Prior Three Months. This percentage increase was due to an increase in rates in certain markets, where growing competition resulted in upward pressure on rates for optical personnel.

Operating Income. Operating income for the Current Three Months increased to \$2.0 million from \$53,000 in the Prior Three Months primarily due to the disposal of the freestanding operations in April 2001. Operating income as a percentage of sales was 3.3% in the Current Three Months, compared to break even levels in the Prior Three Months.

Interest Expense. Interest Expense increased to \$3.6 million compared to \$1.5 million in the Prior Three Months. As a result of the Chapter 11 filing, the Company did not accrue interest on unsecured debt until it emerged from Chapter 11 on May 31, 2001. Contractual interest for the two months ended June 2, 2001 was \$3.0 million.

Reorganization Items. Generally accepted accounting principles require that these charges, incurred subsequent to the Company’s Chapter 11 filing, be presented below operating income as “Reorganization Items.” Results for the second quarter of 2001 include charges that were incurred after the Company’s Chapter 11 filing. The table below summarizes these charges (amounts in thousands):

Two Months Ended

June 2, 2001

Fresh-start adjustments	\$ (114,263)
Provision for rejected leases	895
Loss on sale of freestanding division	9,688
Other store closing costs	495
Professional fees	1,000
Retention plan	3,231
Interest income	(38)
Letter of credit reserve on DIP Facility	197
Other reorganization items	534
Total reorganization items	\$ (98,261)

Benefit For Income Taxes. The Company recorded a pre-tax operating loss in the Current Three Months. No income tax benefit has been recorded due to the uncertainty of realizability.

Extraordinary Item. The extraordinary item in the Prior Three Months represents the gain on extinguishment of debt as recorded in fresh start accounting.

Net Income. The Company posted a net loss of \$1.5 million versus net income of \$114.0 million in the Prior Three Months. The current period variance is primarily the result of the fresh-start adjustments and the gain on extinguishment of debt recognized in May 2001 as the Company emerged from Chapter 11.

EBITDA Prior to Significant Provisions. EBITDA is calculated as operating income before interest, taxes, depreciation and amortization. EBITDA prior to significant provisions is calculated as EBITDA prior to significant non-cash charges. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to service or incur indebtedness. In addition, it is the basis for the calculation of the Company's Excess Cash Repayment under the Senior Subordinated Notes. However, EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles (GAAP), is not necessarily indicative of cash available to fund all cash flow needs, should not be considered an alternative to net income or to cash flow from operations (as determined in accordance with GAAP) and should not be considered an indication of the Company's operating performance or as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures for other companies. Due to the reorganization, EBITDA prior to June 2, 2001 may not be meaningful. The following is a reconciliation of operating income to EBITDA prior to significant provisions:

Three Months Ended

	June 29, 2002	June 30, 2001
Operating income	\$ 2,008	\$ 53
Add-back depreciation and amortization	4,868	3,462
EBITDA	\$ 6,876	\$ 3,515
Add-back significant provisions:		
Non-cash charge for managed care receivables	--	3,900
EBITDA prior to significant provisions	\$ 6,876	\$ 7,415

SIX MONTHS ENDED JUNE 29, 2002 (THE “CURRENT SIX MONTHS”) COMPARED TO SIX MONTHS ENDED JUNE 30, 2001 (THE “PRIOR SIX MONTHS”)

CONSOLIDATED RESULTS

Net Sales. The Company recorded net sales of \$123.1 million in the Current Six Months, a decrease of 12% from sales of \$139.2 million in the Prior Six Months. Sales decreased primarily due to the disposal of the Company’s freestanding stores in April 2001. These stores had sales of \$18.2 million in the Prior Six Months. This decrease was partially offset by a domestic comparable store sales increase of 1.5% and new store openings.

Gross Profit. In the Current Six Months, gross profit decreased to \$69.1 million from \$76.1 million in the Prior Six Months. This decrease in gross profit dollars was primarily driven by a reduction in sales caused by the disposal of the freestanding locations. The disposal of unprofitable stores, however, had a favorable impact on gross margin percentages that increased to 56.2% from 54.7% in the Prior Six Months. This margin improvement was partially offset by an increase in rent expense (which is a component of Gross Profit) for the Wal-Mart division. This was due to approximately 50 vision centers entering the “3-year option period” of the Wal-Mart lease. The option period effectively increases each location’s minimum rent requirement. We expect this trend of increased rent to continue as additional Wal-Mart locations enter the “option period” of their lease.

Selling, General, And Administrative Expense (“SG&A expense”). SG&A expense (which includes both store operating expenses and home office overhead) decreased to \$65.0 million in the Current Six Months from \$74.9 million for the Prior Six Months. The dollar decrease was primarily the result of (1) fewer payroll, depreciation and other expenses due to the above-mentioned store closures and (2) \$3.9 million fewer managed care receivable write-offs in the Current Six Months. These decreases were partially offset by 1) increases in the amortization of Intangible Value of Contractual Rights and depreciation of revalued fixed assets, both of which were established as part of fresh start accounting and 2) increases in professional fees and administrative costs arising out of the difficult legal and regulatory environment in California. SG&A expense also decreased as a percent of sales from 53.8% in the Prior Six Months to 52.8% in the Current Six Months.

Decreases in SG&A expense as a percent of sales were primarily driven by the factors mentioned above, but also by a decrease in advertising spending in the second quarter of 2002.

Operating Income. Operating income for the Current Six Months increased to \$4.2 million from \$1.2 million in the Prior Six Months primarily due to the disposal of the freestanding operations in April 2001. Operating income as a percentage of sales was 3.4% in the Current Six Months, compared to 0.9% in the Prior Six Months.

Interest Expense. Interest expense increased to \$7.1 million in the Current Six Months, compared to \$2.3 million in the Prior Six Months. As a result of the Chapter 11 filing, the Company did not accrue interest on unsecured debt until it emerged from Chapter 11 in May 2001. Contractual interest for the five months ended June 2, 2001 was \$8.1 million.

Reorganization Items. Generally accepted accounting principles require that these charges, incurred subsequent to the Company’s Chapter 11 filing, be presented below operating income as “Reorganization Items.” Results for the Prior Six Months include charges which were incurred after the Company’s Chapter 11 filing. The table below summarizes these charges (amounts in thousands):

	Five Months Ended June 2, 2001
Fresh start adjustments	\$ (114,263)
Impairment of fixed assets	33
Provision for rejected leases	1,592
Loss on disposal of freestanding division	9,688
Other store closing costs	532
Retention plan	3,231
Professional fees	2,008
Letter of credit reserve on DIP Facility	197
Interest income on accumulated cash	(127)
Other reorganization costs	636
	<u>\$ (96,473)</u>

Benefit For Income Taxes. The Company recorded a pre-tax operating loss in the Current Six Months. No income tax benefit has been recorded due to the uncertainty of realizability.

Extraordinary Item. The extraordinary item in the Prior Six Months represents the gain on extinguishment of debt as recorded in fresh start accounting.

Net Income. The Company posted a net loss of \$3.0 million versus net income of \$112.6 million in the Prior Six Months. The current period variance is primarily the result of the fresh-start adjustments and the gain on extinguishment of debt recognized in May 2001 as the Company emerged from Chapter 11.

EBITDA Prior to Significant Provisions. EBITDA is calculated as operating income before interest, taxes, depreciation and amortization. EBITDA prior to significant provisions is calculated as EBITDA prior to significant non-cash charges. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to service or incur indebtedness. In addition, it is the basis for the calculation of the Company's Excess Cash Repayment under the Senior Subordinated Notes. However, EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles (GAAP), is not necessarily indicative of cash available to fund all cash flow needs, should not be considered an alternative to net income or to cash flow from operations (as determined in accordance with GAAP) and should not be considered an indication of the Company's operating performance or as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures for other companies. Due to the reorganization, EBITDA prior to June 2, 2001 may not be meaningful. The following is a reconciliation of operating income to EBITDA prior to significant provisions:

	Six Months Ended	
	June 29, 2002	June 30, 2001
Operating income	\$ 4,168	\$ 1,192
Add-back depreciation and amortization	9,821	6,344
EBITDA	<u>\$ 13,989</u>	<u>\$ 7,536</u>
Add-back significant provisions:		
Non-cash charge for managed care receivables	--	3,900
EBITDA prior to significant provisions	<u>\$ 13,989</u>	<u>\$ 11,436</u>

Historical Pro Forma Results of Ongoing Operations

The following pro forma information presents the Company's results of operations for the retail store operations retained by the Company upon emergence from bankruptcy ("Ongoing operations," "Ongoing host operations"). Accordingly, such pro forma data is presented as if the freestanding operations were closed or disposed of as of the beginning of 2001. Costs related to the bankruptcy, reorganization and restructuring costs, as well as large non-cash provisions, are also excluded.

2002	First Quarter	Second Quarter			
Domestic store comp %	1.5%	1.0%			
Store count at end of period	516	518			
Net sales	\$ 61,873	\$ 61,236			
Gross profit	\$ 34,893	\$ 34,254			
Operating income	\$ 2,160	\$ 2,008			
EBITDA prior to significant provisions	\$ 7,113	\$ 6,876			
Capital expenditures	\$ 796	\$ 1,357			
Depreciation and amortization	\$ 4,953	\$ 4,868			

2001	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal 2001
Domestic store comp %	-1.0%	1.0%	-0.5%	-1.5%	-0.5%
Store count at end of period	502	503	505	514	514
Net sales	\$ 60,906	\$ 60,042	\$ 59,741	\$ 57,196	\$ 237,885
Gross profit	\$ 33,357	\$ 33,699	\$ 33,644	\$ 30,100	\$ 130,800
Operating income	\$ 4,428	\$ 3,689	\$ 2,204	\$ (48)	\$ 10,274
EBITDA prior to significant provisions	\$ 7,245	\$ 7,132	\$ 7,183	\$ 4,862	\$ 26,423
Capital expenditures	\$ 1,200	\$ 1,100	\$ 970	\$ 1,445	\$ 4,715
Depreciation and amortization	\$ 2,817	\$ 3,443	\$ 4,979	\$ 4,910	\$ 16,149

The following is a reconciliation of reported results for the three and six months ended June 30, 2001 to the historical pro forma results as if the freestanding operations were closed or disposed of as of the beginning of the periods presented. No pro forma results are presented for the three and six months ended June 29, 2002, as these periods did not include the freestanding operation nor any restructuring expenses.

Three Months Ending
June 30, 2001

	As Reported (A)	Adjustments	Pro Forma
Net sales	\$ 64,428	\$ 4,386 (C)	\$ 60,042
Cost of goods sold	28,531	2,188 (C)	26,343
Gross profit	35,897	2,198	33,699
Less selling, general & administrative	35,844	2,934 (C)	32,910
Addback non-cash provision (B)	3,900 (B)	1,000 (B)	2,900 (B)
Operating income / (loss) (D)	3,953	264	3,689
Addback depreciation and amortization	3,462	19	3,443
EBITDA prior to significant provisions	\$ 7,415	\$ 283	\$ 7,132

Six Months Ending
June 30, 2001

	As Reported (A)	Adjustments	Pro Forma
Net sales	\$ 139,163	\$ 18,215 (C)	\$ 120,948
Cost of goods sold	63,056	9,164 (C)	53,892
Gross profit	76,107	9,051	67,056
Less selling, general & administrative	74,915	13,076 (C)	61,839
Addback non-cash provision (B)	3,900 (B)	1,000 (B)	2,900 (B)
Operating income / (loss) (D)	5,092	(3,025)	8,117
Addback depreciation and amortization	6,344	84	6,260
EBITDA prior to significant provisions	\$ 11,436	\$ (2,941)	\$ 14,377

- (A) Represents the combination of the Predecessor Company's financial results for the two and five months ended June 2, 2001, respectively, and the Successor Company's financial results for the one month ending June 30, 2001.
- (B) Represents the significant non-cash charge incurred for uncollectible accounts receivable of the Predecessor Company, of which \$2.9 million related to ongoing host operations.
- (C) Represents the results of the freestanding operations that were either sold or closed during the restructuring of the Company.
- (D) For purposes of this pro forma presentation, Operating income excludes significant non-cash provisions, as well as costs associated with the bankruptcy, reorganization and restructuring of the Company.

Three Months Ended June 29, 2002 (“Current Three Months”) Compared to the Pro Forma Three Months Ended June 30, 2002 (“Pro Forma Prior Three Months”)

The following is a summary of the Company’s results for the Current Three Month period compared with the Company’s historical pro forma results of ongoing operations for the Prior Three Month period.

	Three Months Ended	
	June 29, 2002	June 30, 2001
Domestic store comp %	1.0%	1.0%
Store count at end of period	518	503
Net sales	\$ 61,236	\$ 60,042
Gross profit	\$ 34,254	\$ 33,699
Operating income (A)	\$ 2,008	\$ 3,689
EBITDA prior to significant provisions	\$ 6,876	\$ 7,132
Capital expenditures	\$ 1,357	\$ 1,100
Depreciation and amortization	\$ 4,868	\$ 3,443

(A) The most significant variance in this pro forma information is the \$1.7 million decrease in operating income, which is primarily due to the additional amortization of the Intangible Value of Contractual Rights and the depreciation of revalued fixed assets totaling approximately \$1.5 million in the current Three Months. Other noteworthy factors are discussed below:

-- Net sales have increased over the Pro Forma Prior Three Months primarily due to a 1.0% domestic comparable store sales increase.

-- Gross profit as a percent of sales decreased to 55.9% from 56.1% in the Pro Forma Prior Three Months. This decrease was driven by the following factors:

1) The Company had a contact lens sales promotion in June 2002, which shifted the sales mix toward contact lenses. Contact lenses have a significantly lower gross margin than eyeglasses.

2) Rent expense, which is a component of gross profit, increased 0.4% of sales due to 50 more vision centers entering the “3-year option period” of the Wal-Mart lease.

3) These negative factors were partially offset by an improvement in lens fabrication costs in the labs.

-- Operating income decreased by \$1.7 million from 6.1% as a percent of sales in the Pro Forma Prior Three Months to 3.3% in the Current Three Months. This decrease is primarily attributable to the amortization of the Intangible Value of Contractual Rights and depreciation of revalued fixed assets, both of which were established during fresh start accounting.

-- EBITDA prior to significant provisions declined by approximately \$250,000 in the Current Three Months from 11.9% of sales to 11.2% of sales. This percentage decrease is attributable to the above-mentioned factors, as well as increases in retail-level payroll costs and repair and maintenance costs.

Six Months Ended June 29, 2002 (“Current Six Months”) Compared to the Pro Forma Six Months Ended June 30, 2001 (“Pro Forma Prior Six Months”)

	Six Months Ended	
	June 29, 2002	June 30, 2001
Domestic store comp %	1.5%	0.0%
Store count at end of period	518	503
Net sales	\$ 123,109	\$ 120,948
Gross profit	\$ 69,148	\$ 67,056
Operating income (B)	\$ 4,168	\$ 8,117
EBITDA prior to significant provisions	\$ 13,989	\$ 14,377
Capital expenditures	\$ 2,153	\$ 2,300
Depreciation and amortization	\$ 9,821	\$ 6,260

(B) The most significant variance in this pro forma information is the \$3.9 million decrease in operating income, which is primarily due to the additional amortization of the Intangible Value of Contractual Rights and the depreciation of revalued fixed assets totaling approximately \$3.8 million above the Pro Forma Prior Six Months. Other factors are discussed below:

- Net sales have increased over the Pro Forma Prior Six Months primarily due to a 1.5% domestic comparable store sales increase.
- Gross profit as a percent of sales increased to 56.2% from 55.4% in the Pro Forma Prior Six Months. This increase was primarily driven by an increase in store gross margins due to lower lens fabrication costs in the labs as well as favorable shifts in frame and lens mix.
- The improvement in gross profit was partially offset by an increase in rent expense of approximately \$800,000 resulting partially from new stores and partially from more Wal-Mart store locations entering the three-year option period, which has a higher minimum rent requirement.
- Operating income declined in the Current Six Months primarily as a result of the amortization of Intangible Value of Contractual Rights and depreciation of revalued fixed assets, both of which were established during fresh start accounting, totaling approximately \$3.2 million and \$0.6 million, respectively.
- Also, SG&A expense increased due to a 1% increase in payroll costs as a percent of sales primarily resulting from new store openings and an increase in rates in certain markets where increased competition has resulted in upward pressure on rates for optical personnel.
- EBITDA prior to significant provisions declined by approximately \$370,000 in the Current Six Months from 11.9% of sales to 11.4% of sales. This is primarily attributable to the above-mentioned factors, as well as increases in retail-level payroll costs and repair and maintenance costs.

Recently Issued Accounting Pronouncements. As of December 31, 2001, the Company has adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which specifies that goodwill and other intangible assets with indefinite useful lives will no longer be amortized, but instead will be subject to periodic impairment testing. The Company's intangible assets have finite lives and will continue to be amortized over their useful lives. As a result, the Company's adoption of SFAS No. 142 has not had a material impact on the Company's financial statements.

As of December 31, 2001, the Company has adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets and for Long-lived Assets to be Disposed Of." The adoption of SFAS No. 144 had no effect on the Company.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment to FASB Statement 13, and Technical Corrections." One of the major changes of this statement is to change the accounting for the classification of gains and losses from the extinguishment of debt. Upon adoption of SFAS 145, the Company will follow APB 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transaction" in determining whether such extinguishment of debt may be classified as extraordinary. The provisions of this statement related to the rescission of FASB Statement 4 shall be applied in fiscal years beginning after May 15, 2002 with early application encouraged. The Company is currently evaluating the impact of this Statement.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. Adoption of this Statement is required as of the beginning of fiscal year 2003. We have not yet completed our evaluation of the impact of adopting this Statement.

Liquidity And Capital Resources. Our capital needs have been for operating expenses, capital expenditures, the repayment of principal on the Senior Subordinated Notes and interest expense. Our sources of capital have been cash flow from operations.

It is the Company's intent to use excess cash for its ongoing operations and repayment of principal on the Company's outstanding debt. As of August 5, 2002, the Company's remaining unused availability under its credit facility with Fleet, after being reduced for letter of credit requirements, has increased slightly to approximately \$2.2 million from \$1.7 million at December 29, 2001. At June 29, 2002 and at August 5, 2002, the Company had no borrowings under its credit facility, and had letters of credit of \$4.4 million outstanding. The Company believes that cash generated from operations and funds available under the credit facility will be sufficient to satisfy its cash requirements through 2002.

The Company made a principal redemption payment on the Senior Subordinated Notes of \$1.6 million on February 28, 2002. The Company expects to make a second principal redemption payment of \$4.2 million from existing cash balances on August 31, 2002 to bond holders of record on August 15, 2002. Also, the Company expects to make its third interest payment of approximately \$7.1 million from existing cash balances on September 30, 2002.

During the second quarter of 2002, the Company's Board of Directors authorized the repurchase of up to \$3 million of the Company's Senior Subordinated Notes (in a rolling twelve-month period) in private unsolicited transactions. As of the end of July, the Company had not repurchased any Notes.

Prior to 2002, we opened 400 domestic Wal-Mart vision centers, as provided for in our Master Lease Agreement. In the second quarter of 2002, the Company opened 2 Fred Meyer vision centers. We expect to open between 5 and 7 vision centers in 2002 in host environments other than domestic Wal-Mart depending upon liquidity, construction schedules and other constraints. For each of our new vision centers, we typically spend between \$100,000 and \$140,000 for fixed assets and approximately \$25,000 for inventory.

Through August 5, 2002, we have converted 5 Wal-Mart vision centers to supercenters. In all of 2002, we expect to convert between eight and eleven of our existing Wal-Mart vision centers to supercenters. Each supercenter conversion requires expenditures of approximately \$60,000 to \$80,000 and effectively “re-starts” that location’s lease term.

In conjunction with our historical results from operations, emergence from Chapter 11 and the disposition of our freestanding operations, the Company incurred significant net operating losses. These losses are expected to result in significant tax net operating loss carry-forwards.

SUMMARY OF MASTER LEASE AGREEMENTS. The following table sets forth the number of leases for domestic Wal-Mart and Fred Meyer vision centers that expire each year, assuming the Company exercises all available options to extend the terms of the leases. This table does not include any future Wal-Mart superstore conversions that are unknown at this time.

Host Company	Leases Expiring In						2008 and Thereafter
	2002(a)	2003	2004	2005	2006	2007	
Wal-Mart	6	37	43	43	53	62	156
Fred Meyer	--	--	--	--	--	--	55
Totals	6	37	43	43	53	62	211

(a) The number of leases expiring in 2002 includes one location that was closed at the end of the original lease term.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management’s Discussion and Analysis of Financial Condition and Results of Operations discuss the consolidated financial statements of National Vision, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas that require management’s judgment and the use of estimates include: reserves for loss, obsolescence and discontinuance of inventory, reserves for uncollectible managed care receivables, accruals for group medical insurance claims and workers’ compensation claims, accruals for remake and warranty costs and estimates for the deferral of revenue for product not delivered at the end of the reporting period.

On an ongoing basis, management evaluates its estimates and judgments and incorporates any changes in such estimates and judgments into the accounting records underlying the Company’s consolidated financial statements. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management’s Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results.

Revenue Recognition

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, “Revenue Recognition in Financial Statements”. SAB 101 summarizes the SEC’s view in applying generally accepted accounting principles to selected revenue recognition issues. The Company recognizes revenue upon delivery of the product. The Company estimates the specific transactions in which final delivery to the customer has not occurred at the end of the period presented. These estimates are based on historical trends and take into consideration current changes in the Company’s manufacturing and distribution process.

Management must make estimates of potential returns, warranty and replacement of all or part of the eyewear sold to a customer. We analyze historical remake and warranty activity, consider current economic trends and changes in customer demand and acceptance of our products when evaluating the adequacy of our estimate of these costs. Differences may result in the amount and timing of revenue and related costs for any period if management made different judgments or utilized different estimates.

Allowance for Uncollectible Receivables under Reimbursement Plans

Managed care accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Substantially all of the Company’s receivables are due from health care plans or third-party administrators located throughout the United States. Approximately 11% of the Company net sales from ongoing businesses relate to products sold to customers that ultimately will be funded in full or in part through private insurance plans, third party insurance administration programs or government reimbursement programs such as Medicare and Medicaid. Failure by the Company to accurately file for reimbursement on a timely basis with these programs can have an adverse affect on the Company’s collection results which, in turn, will have an adverse affect on liquidity and profitability.

Estimates of our allowance for uncollectible receivables are based on our historical collection experience, historical and current operating, billing and collection trends and a percentage of our receivables by aging category. Changes in our billing and collection processes, changes in funding policies by insurance plans and changes in our sales mix within insurance plans may have a material affect on the amount and timing of our estimated uncollectible accounts.

Valuation of long-lived and intangible assets

We assess the impairment of identifiable intangibles and long-lived assets on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review include (1) a significant underperformance of vision center operations relative to historical or projected future operating results; (2) significant changes in the manner of our use of Company assets or the strategy for our overall retail optical business; (3) significant negative industry or economic trends; and (4) a permanent adverse change in cash flows generated by an operation.

If we determine that the carrying value of intangibles or long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected cash flow model. If the projected cash flows are not in excess of the book value of the related asset, we measure the impairment based on a projected discounted cash flow method. Significant management judgment is required regarding the existence of impairment indicators as discussed above. Future events could cause us to conclude that impairment indicators exist and that long-lived assets or intangible assets are impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Accounting for income taxes

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as equipment depreciation, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the statement of operations.

The Company emerged from Chapter 11 Bankruptcy on May 31, 2001. As part of the emergence Plan, the Company's capital structure was highly leveraged with \$120 million of senior notes with interest payable at 12% per annum. Before, during and after the bankruptcy process, the Company incurred significant net operating losses ("NOL") that result in tax loss carry-forwards. A portion of these carry-forwards are subject to limitations under section 382 of the Internal Revenue Code.

Generally accepted accounting principles require that we record a valuation allowance against the deferred tax asset associated with this NOL if it is "more likely than not" that we will not be able to utilize it to offset future taxes. Due to the size of the NOL carry-forward in relation to our history of unprofitable operations and the continuing uncertainties surrounding the profitability of our ongoing retail businesses taking into consideration the highly leveraged capital structure within which we operate as discussed above, we have not recognized any of this net deferred tax asset. We currently provide for income taxes only to the extent that we expect to pay cash taxes for current income.

It is possible, however, that we could be profitable in the future at levels which cause management to conclude that it is more likely than not that we will realize all or a portion of the NOL carry forward. Upon reaching such a conclusion, we would immediately record the estimated net realizable value of the deferred tax asset at a rate equal to our combined federal and state effective rates. Subsequent revisions to the estimated net realizable value of the deferred tax asset could cause our provision for income taxes to vary significantly from period to period, although our cash tax payments would remain unaffected until the benefit of the NOL is utilized.

Other Accounting Policies

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment.

RISK FACTORS. Any expectations, beliefs and other non-historical statements contained in this Form 10-Q are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent the Company's expectations or belief concerning future events, including the following: any statements regarding future sales levels, any statements regarding the continuation of historical trends, any statements regarding the Company's liquidity and any statements regarding tax losses. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. With respect to such forward-looking statements and others that may be made by, or on behalf of, the Company, the factors described as "Risk Factors" in the Company's Report on Form 8-K, filed on May 15, 2002, could materially affect the Company's actual results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Market risk is the potential change in an instrument's value caused by, for example, fluctuations in interest and currency exchange rates. The Company's primary market risk exposures are interest rate risk and the risk of unfavorable movements in exchange rates between the U.S. dollar and the Mexican peso. Monitoring and managing these risks is a continual process carried out by senior management, which reviews and approves the Company's risk management policies. We manage market risk on the basis of an ongoing assessment of trends in interest rates, foreign exchange rates, and economic developments, giving consideration to possible effects on both total return and reported earnings. The Company's financial advisors, both internal and external, provide ongoing advice regarding trends that affect management's assessment.

INTEREST RATE RISK

The Company borrows long-term debt under its credit facility at variable interest rates. We therefore incur the risk of increased interest costs if interest rates rise. As of June 29 and August 5, 2002, the Company has no outstanding borrowing under its credit facility.

PART II
OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At the 2002 Annual Meeting of Shareholders (held on May 23, 2002), the shareholders voted upon and elected management's nominees for directors. The results of the voting are as follows:

DIRECTORS	VOTES FOR	VOTES AGAINST	VOTES WITHHELD	ABSTENTIONS	BROKER NON-VOTES
B. Robert Floum	3,220,758		46		
Marc Nelson	3,220,804		0		
Jeffrey Snow	3,220,804		0		
Peter T. Socha	3,220,758		46		
James W. Krause	3,220,664		140		

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed herewith or incorporated by reference:

	<u>Exhibit Number</u>
First Amended Joint Plan of Reorganization Under Chapter 11, Title 11, United States Code, filed by Vista Eyecare, Inc. and Certain of its Debtor Subsidiaries, dated April 13, 2001, incorporated by reference to exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 1, 2001.	2.1
Modification to First Amended Joint Plan of Reorganization Under Chapter 11, Title 11, United States Code, filed by Vista Eyecare, Inc. and Certain of its Debtor Subsidiaries and First Amended Joint Plan of Reorganization Under Chapter 11, Title 11, United States Code, Filed by Frame-N-Lens Optical, Inc.; Midwest Vision, Inc.; New West Eyeworks, Inc., and Certain of Their Debtor Subsidiaries, dated May 17, 2001, incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on June 1, 2001.	2.2
Amended and Restated Articles of Incorporation of the Company, dated April 8, 1992, as amended, incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 8-A filed with the SEC on August 9, 2001.	3.1
Amended and Restated By-Laws of the Company, incorporated by reference to the Company's Registration Statement on Form S-1, registration number 33-46645, filed with the Commission on March 25, 1992, and amendments thereto.	3.2

Form of Common Stock Certificate, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed with the SEC on August 9, 2001.	4.1
Rights Agreement dated as of January 17, 1997 between the Company and Wachovia Bank of North Carolina, N.A., incorporated by reference to the Company's Registration Statement on Form 8-A filed with the Commission on January 17, 1997.	4.2
Amendment to Rights Agreement, dated as of March 1, 1998, between the Company and Wachovia Bank of North Carolina, N.A., incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form 8-A filed with the SEC on March 24, 1998.	4.3
Indenture, dated as of June 15, 2001, between the Company and State Street Bank and Trust Company, as trustee, incorporated by reference to Exhibit TC3 to the Company's Application for Qualification of Indenture on Form T-3 filed with the SEC on May 31, 2001.	4.4
First Amendment of Indenture, dated as of July 6, 2001, between the Company and State Street Bank and Trust Company, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form 8-A filed with the SEC on August 9, 2001.	4.5
Registration Rights Agreement, dated as of May 31, 2001, among the Company and the Holders (as defined therein) of registrable securities, incorporated by reference to Exhibit 4.8 to the Company's Amendment to Quarterly Report on Form 10-Q/A filed with the SEC on August 22, 2001.	4.6
Amendment to Registration Rights Agreement, dated as of August 7, 2001, among the Company and the Holders (as defined therein) of registrable securities, incorporated by reference to Exhibit 4.9 to the Company's Amendment to Quarterly Report on Form 10-Q/A filed with the SEC on August 22, 2001.	4.7
Lock-Up Agreement, dated May 31, 2001 between Scudder High Yield Series -- Scudder High Yield Fund and the Company, incorporated by reference to Exhibit 4.8 to the Company's Report on Form 10-K for fiscal 2001.	4.8
Lock-Up Agreement, dated May 31, 2001, between U.S. Bancorp Investments, Inc. and the Company, incorporated by reference to Exhibit 4.9 to the Company's Report on Form 10-K for fiscal 2001.	4.9
Second Amendment of Indenture, dated as of December 7, 2001, between the Company and State Street Bank and Trust Company, as trustee, incorporated by reference to Exhibit 4.10 to the Company's Report on Form 10-K for fiscal 2001.	4.10
Restricted Stock Award made as of April 11, 2002 by the Company to L. Reade Fahs	10.1
Form Performance Share Award Agreement	10.2
Form Stock Option 2001 Grant for Employees	10.3
Press Release dated August 13, 2002	99.1
Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	99.2

(b)Reports on Form 8-K.

The following reports on Form 8-K have been filed during the quarter for which this report is filed:

<u>Date of Report</u>	<u>Item Reported</u>	<u>Financial Statements Filed</u>
May 15, 2002	Item 4, Item 5	none

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, thereunto duly authorized.

NATIONAL VISION, INC.

By: /s/ Angus C. Morrison
Angus C. Morrison
Senior Vice President
Chief Financial Officer

By: /s/ S. Lynn Butler
S. Lynn Butler
Principal Accounting Officer

August 13, 2002

NATIONAL VISION, INC.

RESTATED STOCK OPTION AND INCENTIVE AWARD PLAN

RESTRICTED STOCK AWARD

Number of Shares: 84,400

Date of Award: April 11, 2002

Restricted Period: April 11, 2002 to April 11, 2005

THIS IS TO CERTIFY THAT, in accordance with and subject to all terms, provisions and conditions of the National Vision, Inc. Restated Stock Option and Incentive Award Plan (the "Plan"), as adopted by the Board of Directors (the "Board") of National Vision, Inc., a Georgia corporation (the "Company"), and approved by the shareholders of the Company, the Company has awarded, and does hereby award unto:

L. Reade Fahs

(the "Grantee") an aggregate of 84,400 shares of Common Stock of the Company ("Common Stock") on April 11, 2002 (the "Grant Date") subject, however, to the terms and conditions hereinafter set forth:

1. The Grantee shall execute and return to the Company an executed copy of this Restricted Stock Award and the stock power attached hereto. At such time, the Company shall cause a stock certificate or certificates for the number of shares of Common Stock noted above ("Restricted Stock") to be issued in the name of the Grantee. Such stock certificate or certificates shall reference the restrictions as set forth herein and shall be retained in the custody of the Company. The Grantee shall have no rights with respect to such Common Stock except as otherwise set forth herein. Physical possession or custody of such stock certificate(s) shall be retained by the Company until such time as the shares of Restricted Stock are fully vested in accordance with Section 2. Upon forfeiture of all or a portion of the shares of Restricted Stock, the stock certificate(s) held on behalf of the Grantee shall be transferred to the Company pursuant to the executed stock power described above.

2. Subject to Section 3 below, if the Grantee remains employed by the Company, the Grantee shall become vested in the Restricted Stock as set forth below on each anniversary of the Grant Date (each such date shall be a "Vesting Date", such vested shares of Restricted Stock, "Vested Shares", and unvested shares of Restricted Stock, "Unvested Shares"), such that on April 11, 2005 all of the Restricted Stock shall be fully vested:

<u>Date</u>	<u>Number of Shares Vested</u>
April 11, 2003	33 1/3% (28,133)
April 11, 2004	33 1/3% (28,133)
April 11, 2005	33 1/3% (28,134)

On each Vesting Date, the Grantee shall own the Vested Shares free and clear of all restrictions imposed by this Award. The Company shall deliver a certificate(s) for the Vested Shares to the Grantee as soon as practicable after each Vesting Date. For purposes of this Award, employment with a subsidiary of the Company shall be considered employment with the Company.

3. Except as otherwise provided in this Award, upon termination of the employment of the Grantee with the Company during the Restricted Period for any reason whatsoever, the Grantee shall lose all rights to any Unvested Shares.

(a) If the Grantee dies during the Restricted Period, the Company shall deliver to the beneficiary of the Grantee, or, if no beneficiary is named, the estate of the Grantee, a stock certificate issued in the name of such beneficiary or the estate for the full amount of the Restricted Stock (less any Vested Shares certificates for which have previously been delivered to the Grantee), without any restrictions other than such restrictions as may apply to Common Stock generally or as may otherwise be required by applicable federal and state law.

(b) If the employment of the Grantee is terminated by the Company as a result of Disability (as defined in the Plan) during the Restricted Period, the Company shall deliver to the Grantee a stock certificate for the full amount of the Restricted Stock (less any Vested Shares certificates for which have previously been delivered to the Grantee), without any restrictions other than such restrictions as may apply to Common Stock generally or as may otherwise be required by applicable federal and state law.

(c) If the Grantee terminates his employment as a result of normal Retirement (as defined in the Plan) on or after age 65 under one of the Company's pension plans, all rights of the Grantee under this Award shall continue as if the Grantee had continued employment with the Company. If, following such Retirement, the Grantee dies during the Restricted Period, the provisions of Section 3(a) shall be applied as if the Grantee had remained employed with the Company until the date of death.

(d) If the employment of the Grantee terminates as a result of early Retirement (on or after age 55 and completion of at least 10 years of service with the Company) under one of the Company's pension plans, the Company shall deliver to the Grantee a stock certificate for the full amount of the Restricted Stock (less any Vested Shares certificates for which have previously been delivered to the Grantee), without any restrictions other than such restrictions as may apply to Common Stock generally or as may otherwise be required by applicable federal and state law; provided that the Compensation Committee of the Board (the "Committee") in its sole discretion may provide for the forfeiture and cancellation of any or all Unvested Shares as of the date of termination of employment.

(e) In the event of a "Change in Control" of the Company, as defined in the Plan, the Grantee shall immediately be entitled to have a stock certificate issued in the name of such Grantee and delivered to him representing the full amount of the Restricted Stock (less any Vested Shares certificates for which have previously been delivered to the Grantee), without any restrictions other than such restrictions as may apply to Common Stock generally or as may otherwise be required by applicable federal or state law.

(f) Notwithstanding anything in this Award to the contrary, in the event that prior to a Change in Control the Grantee commits an act during the Restricted Period, which act is determined by the Committee, in its sole discretion, to be materially harmful to the best interests of the Company, all rights of the Grantee in the Unvested Shares as provided herein shall terminate as of the date of such determination by the Committee.

4. During the Restricted Period, the Grantee shall not be permitted to sell, transfer, pledge or assign the Unvested Shares. The Grantee shall be entitled to the right to vote the Restricted Stock and to receive dividends with respect thereto. The Unvested Shares shall be deemed to be subject to a substantial risk of forfeiture within the meaning of Section 83 of the Internal Revenue Code.

5. Nothing contained in this Award shall limit whatever right the Company or a subsidiary might otherwise have to terminate the employment of the Grantee and the terms of this Award shall not be affected in any manner by any employment or other agreement between the Grantee and the Company or any subsidiary.

6. This Award is not transferable by the Grantee otherwise than by will or the laws of descent and distribution.

7. This Award shall not be valid if such would involve a violation of any applicable state law, and the Company hereby agrees to make reasonable efforts to comply with any applicable state law.

8. The Committee shall make or provide for such adjustments in the number and kind of shares or other securities subject to this Award as the Committee may determine in accordance with the terms of the Plan.

9. The Committee shall administer this Award in accordance with the terms of the Plan. The interpretation of any terms and conditions contained in this Award or in the Plan shall be made by the Committee whose decision shall be final and binding upon the Grantee.

10. The Grantee shall be responsible for all federal, state and local income taxes payable with respect to this award of Restricted Stock. The Grantee shall have the right to make such elections under the Internal Revenue Code of 1986, as amended, as are available in connection with this award of Restricted Stock, including a Section 83(b) election. The Grantee agrees to report the value of the Restricted Stock for federal income tax purposes in a manner and amount consistent with the value reported by the Company. The Company shall have the right to retain and withhold from any payment of Restricted Stock the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require the Grantee to pay the Company for any such taxes required to be withheld and may withhold any distribution in whole or in part until the Company is so paid. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due to the Grantee an amount equal to such taxes required to be withheld or withhold and cancel (in whole or in part) a number of shares of Restricted Stock having a market value not less than the amount of such taxes.

EXECUTED at Lawrenceville, Georgia, this 11th day of April, 2002.

NATIONAL VISION, INC.

By: /s/ Mitchell Goodman

Name: Mitchell Goodman

Title: Senior Vice President

The undersigned hereby acknowledges receipt of the foregoing Restricted Stock Award and agrees to the provisions set forth therein.

L. Reade Fahs

/s/ L. Reade Fahs

THIS AGREEMENT, made as of the 25th day of October, 2001 (the "Grant Date"), between National Vision, Inc., a Georgia corporation (the "Company"), and _____ (the "Grantee").

WHEREAS, the Company has adopted the National Vision, Inc. Restated Stock Option and Incentive Award Plan (the "Plan") in order to promote greater stock ownership in the Company by those employees who are principally responsible for its future growth and continued success; and

WHEREAS, the Committee responsible for administration of the Plan has determined to grant to the Grantee a Performance Share Award as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Award.

1.1 The Company hereby grants to the Grantee a Performance Share Award (the "Award"), which has a value determined as provided in Section 2 below based upon the performance of the Company and its Subsidiaries during the Performance Period. A Performance Period is one or more fiscal years of the Company. Each Performance Period for this Performance Share Award is set forth on Appendix A. As provided in the Plan, Grantee's right to payment of this Award is dependent upon Grantee's continued employment with the Company during each Performance Period. Under certain circumstances as described below, Grantee may be entitled to receive payment for some portion of the Award if Grantee's employment terminates prior to the end of the Performance Period.

1.2 The Grantee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. This Agreement shall be construed in accordance with, and subject to, the provisions of the Plan (the provisions of which are hereby incorporated by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same meaning as the definitions as set forth in the Plan.

2. Performance Measure and Performance Levels.

The Committee has established the performance measures (each a "Performance Measure"), and award levels set forth in Appendix A attached hereto for each Performance Period. The chart in Appendix A specifies a Target Performance Measure, at which the Target Level Award will be paid, a Maximum Performance Measure, at or above which the maximum Performance Share Level Award will be paid, and a Threshold Performance Measure, at which a minimum incentive award will be paid and below which no Award will be paid. For each level of performance at or above the Threshold Performance Measure through the Maximum Performance Measure, Grantee will receive an Award determined in accordance with the chart and identified by units each of which is determined and valued as set forth in Appendix A. The Performance Measure uses an increase in operating earnings per share for the Performance Period determined as the amount of earnings before interest, taxes, depreciation and amortization, as determined by the Company and released to the public in the Company's filings with the Securities and Exchange Commission (SEC) and press releases ("EBITDA"), for the Performance Period divided by 5,900,000 (being the number of shares of Company Common Stock outstanding as of the beginning of the Performance Period based on actual outstanding shares plus all shares available for Awards or Grants under the Plan).

3. Determination of Performance Share Award.

3.1 Award Determination. As soon as practical following the last day of a Performance Period, the Committee will determine, in accordance with Section 9.3 of the Plan, the level of EBITDA of the Company for the Performance Period and the value of a unit as of the last day of the Performance Period. The Committee may in determining EBITDA adjust the Company's financial results to exclude the effect of extraordinary and nonrecurring items which are distortive of financial results. The Committee shall also adjust the performance calculations to exclude the unanticipated effect on financial results of changes in the Code, or other tax laws, and the regulations thereunder. The Committee may decrease the amount of the Award otherwise payable to Grantee if, in the Committee's view, such adjustment is necessary or desirable, regardless of the extent to which the Performance Measure has been achieved. The Committee may establish such guidelines and procedures for reducing the amount of an Award as it deems appropriate.

3.2 Determination Notice. The Company will notify the Grantee (or the Grantee's beneficiary or the executors or administrators of the Grantee's estate, if applicable) of the Committee's determination (the "Determination Notice") of the Performance Share Award earned for each Performance Period. The Determination Notice shall specify the Performance Measure level achieved by the Company and its subsidiaries for the Performance Period and the amount of Award (if any) Grantee will be entitled to receive. Unless the Committee determines otherwise at the time the Award is paid and except as otherwise provided in the event of a Change in Control under Section 5, of the number of units that Grantee is entitled to receive, two-thirds will be paid in cash and one-third in Shares. The units paid in cash will be valued at the Fair Market Value of a Share of Company Common Stock as of the last day of the Performance Period but not less than \$5.00 per share.

4. Termination of Employment.

4.1 In General. Except as provided in Sections 4.2 and 4.3 below, or as otherwise determined by the Committee, in the event that a Grantee's employment terminates during a Performance Period, all unearned Performance Share Awards shall be immediately forfeited by the Grantee.

4.2 Termination of Employment Due to Disability or Retirement. In the event the employment of Grantee is terminated by reason of Disability or Retirement (on or after age 65) during a Performance Period, the Grantee shall be entitled to a prorated payout with respect to the unearned Award. The payment will be considered earned and will be paid at the end of the Performance Period. The amount will be based upon the length of time that the Grantee was actively employed during the Performance Period relative to the full length of the Performance Period. Payment shall only be made to the extent the Award would have been earned based upon the performance level achieved for the entire Performance Period (taking into account the adjustment provisions and other rules in Section 3 above). Payment of earned Awards to Grantee in the event of termination due to Disability or Retirement shall be made at the same time payments would be made to Grantee if Grantee did not terminate employment during the Performance Period.

4.3 Termination of Employment Due to Death. In the event employment of Grantee is terminated by reason of death during a Performance Period, the Grantee's beneficiary shall be entitled to a prorated payment with respect to the unearned Award. The payout will be paid at the end of the Performance Period. The amount will be based upon the length of time the Grantee was actually employed during the Performance Period relative to the full length of the Performance Period. Payment will be made to the extent the Award would have been earned based on the performance level achieved for the entire Performance Period; provided that if the Performance Period ends more than twelve (12) months after Grantee's death, the performance level achieved for the Performance Period first ending after the Grantee's death under any other Performance Share Award under the Plan shall be used to determine the performance level achieved for the Performance Period of this Award. Grantee may designate a beneficiary in a writing delivered to the Committee. In the absence of a beneficiary designation under this Agreement, the Grantee's beneficiary under the Company's group life insurance plan shall be the designated beneficiary.

5. Change in Control.

In the event a Change in Control (as defined in the Plan) occurs, or if Grantee's employment is terminated by the Company or a Subsidiary, other than for Cause, as a result of a Threatened Change in Control (as defined in the Plan), the performance level for the then current Performance Period shall be deemed to be 100% of Target Performance Measure, the Performance Period shall be deemed to have been completed and the Award will be earned as of the date the Change in Control occurs. Payment of the earned Award in the manner described in Section 3.2 will be made within one hundred twenty (120) days after the Change in Control occurs or, if termination of employment, other than for Cause, results from a threatened Change in Control, payment will be made within one hundred twenty (120) days after the date of termination of employment.

The Committee may modify any Award as the Committee determines to be appropriate before the effective date of a Change in Control or before the date of Grantee's termination of employment by the Company or a Subsidiary, other than for Cause, as a result of a Threatened Change in Control.

6. No Right to Continued Employment.

Nothing in this Agreement or the Plan shall be interpreted to confer upon the Grantee any rights with respect to continuance of employment by the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Grantee's employment at any time for any reason or no reason.

7. Nonassignment.

The Grantee shall not have the right to assign, alienate, pledge, transfer or encumber any amounts due Grantee hereunder, and any attempt to assign, alienate, pledge, transfer, or encumber Grantee's rights or benefits shall be null and void and not recognized by the Plan or the Company.

8. Modification of Agreement.

Except as otherwise provided in Section 5, this Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto.

9. Severability; Governing Law

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Georgia without giving effect to the conflicts of laws principles thereof.

10. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee's beneficiaries, heirs, executors, and administrators.

11. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Company for all purposes.

12. Withholding of Taxes.

The Company shall have the right to deduct from any amount payable under this Agreement, an amount equal to the federal, state and local income taxes and other amounts as may be required by law to be withheld (the "Withholding Taxes") with respect to any such amount. In satisfaction of all or part of the Withholding Taxes, the Grantee may make a written election (the "Tax Election"), which may be accepted or rejected in the discretion of the Company, to have withheld a portion of the Shares issuable to him or her pursuant to an Award, having an aggregate Fair Market Value equal to the Withholding Taxes.

NATIONAL VISION, INC.

By: _____

Chairman of the Board and Chief Executive Officer

Name of Grantee:

National Vision, Inc.
Performance Share Award Agreement

Appendix A

Performance Measure: The Performance Measure for each Performance Period is expressed as the level of EBITDA, as it may be adjusted pursuant to the provisions of Section 3.1 of the Performance Agreement, which is reflected below as to be achieved within the indicated Performance Period.

Unit(s): equivalent in value to one share of Company Common Stock, but with a minimum per share value of \$5.00, as adjusted for any subsequent stock split, dividend, combination or recapitalization. Value is determined as of the date the Award is earned.

	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
2002 Performance Period			
Performance Measure (EBITDA)			
Award Level (in units) –Sr. Mgt.			
-CEO			
2002-3 Performance Period			
Performance Measure (EBITDA)			
Award Level (in units) – Sr. Mgt			
-CEO			
2002-4 Performance Period			
Performance Measure (EBITDA)			
Award Level (in units) – Sr. Mgt.			
-CEO			

EBITDA falling between the levels will result in an Award Level (in units) determined using straight interpolation.

(Company Logo)

RESTATED STOCK OPTION AND INCENTIVE AWARD PLAN

Stock Option Award Certificate

National Vision, Inc., a Georgia corporation (the "Company"), grants to the optionee named below ("Optionee") an option ("Option") to purchase the total number of shares shown below of Common Stock of the Company (the "Shares") at the exercise price per share set forth below (the "Exercise Price"), subject to all of the terms and conditions on the reverse side of this Stock Option Award Certificate and the National Vision, Inc. Restated Stock Option and Incentive Award Plan (the "Plan"). Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed to them in the Plan. The terms and conditions set forth on the reverse side hereof and the terms and conditions of the Plan are incorporated herein by reference. This Stock Option Award Certificate constitutes the applicable "Option Agreement" or "Agreement" (as defined in the Plan) for this Option.

Shares Subject to Option: Grant Date: October 25, 2001

Exercise Price Per Share: \$0.40 Type of Stock Option: Incentive Stock Option (ISO) Non-Qualified Stock Option (NQSO) XXXX

Term of Option: 10 years Vesting: 100% - October 25, 2008

By signing below, Optionee hereby accepts the Option subject to all its terms and provisions and agrees to be bound by the terms and provisions of the Plan. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee responsible for administration of the Plan, upon any questions arising under the Plan. Optionee authorizes the Company to withhold, in accordance with applicable law, from any compensation payable to him or her, any taxes required to be withheld by federal, state or local law as a result of the grant, existence or exercise of the Option or subsequent sale of the Shares.

Early Vesting - Exhibit A IN WITNESS WHEREOF, this Stock Option Award Certificate has been executed by the Company's duly authorized officer as of the date specified hereon.

NATIONAL VISION, INC.

By: _____

[OPTIONEE NAME]

1. **Duration and Vesting of Option.** The Option shall be exercisable to the extent and in the manner provided herein, provided, however, that such Option shall expire on the day before the tenth anniversary of the Grant Date (the "Exercise Term"). The Option shall vest, and may be exercised, with respect to all of the Shares, on or after the date first set forth on the face of this Agreement. Notwithstanding the foregoing, if during the measurement period, as set forth on Exhibit A attached hereto, the Company has achieved at least the corresponding level of earnings before interest, taxes, depreciation and amortization, as determined by the Company and released to the public through the Company's filings with the Securities and Exchange Commission (SEC) and press releases, as it may be adjusted as provided in Section 7 of this Agreement ("EBITDA"), then the corresponding number of Shares shall vest as of the date that EBITDA is first so released. Vesting will also be measured on a cumulative basis with respect to the entire period from the Date of Grant through the end of the most current measurement period, so that if the cumulative EBITDA for such entire period meets the indicated level, then the Option shall vest with respect to the cumulative number of Shares for such level over the entire period (taking into account Shares previously vested), even if the EBITDA for any preceding single measurement period may not have been achieved.

2. **Manner of Exercise and Payment.** The Optionee must complete the Option Exercise Form, provided by the Committee and deliver it to the Company at the address designated by the Company from time to time. The Option may be exercised in whole or in part with respect to vested Shares; provided, however, the Committee may establish a minimum number of Shares (e.g., 100) for which an Option may be exercised at a particular time. As soon as practicable after receipt of the Option Exercise Form, the Company shall deliver certificates evidencing the Shares to the Optionee, duly endorsed for transfer to the Optionee, free and clear of all liens, security interests, pledges or other claims or charges. Contemporaneously with the delivery of the Option Exercise Form, Optionee shall tender the Option Exercise Price to the Company, by cash, check, wire transfer or such other method of payment (e.g., delivery or attestation of Shares already owned) as may be acceptable to the Committee pursuant to the Plan.

3. **Termination of the Option.** In the event the Optionee dies while actively employed, all outstanding unvested Options shall immediately vest, and thereafter all vested Options shall remain exercisable at any time prior to the end of the Exercise Term, or for one (1) year after the date of death, whichever period is shorter, by (i) such person(s) as shall have been named as the Optionee's beneficiary, or in the absence of a designated beneficiary, (ii) such person(s) that have acquired the Optionee's rights under such Options by will or by the laws of descent and distributions, or (iii) Optionee's estate or representative of the Optionee's estate.

In the event the employment of the Optionee is terminated by reason of Disability, all outstanding unvested Options granted to the Optionee shall immediately vest as of the date the Committee determines the definition of Disability to have been satisfied, and thereafter all vested Options shall remain exercisable at any time prior to the end of the Exercise Term, or for one (1) year after the date that the Committee determines the definition of Disability to have been satisfied, whichever period is shorter.

In the event the employment of the Optionee is terminated by reason of Retirement, the Optionee shall be entitled to prorata vesting of all outstanding unvested Options, as determined by the Committee, in its sole discretion, based upon the length of time that the Optionee held the unvested Options relative to the vesting period for each Grant of outstanding unvested Options. Upon Retirement, vested Options shall remain exercisable at any time prior to the end of the Exercise Term, or for six (6) months after the effective date of Retirement, whichever period is shorter.

If the Optionee's employment is terminated by the Company without Cause, all outstanding unvested Options shall immediately expire on the date of termination of employment and any Options vested as of the date of termination shall remain exercisable at any time prior to the end of the Exercise Term, or for six (6) months after the date of termination of employment, whichever period is shorter. Notwithstanding the foregoing, the Committee, in its sole discretion, shall have the right to immediately vest all or any of the outstanding unvested Options described above, subject to such terms as the Committee, in its sole discretion, deems appropriate; provided, further, that the foregoing discretion shall not be applicable with regard to Grants to Named Executive Officers except to the extent permitted under Code Section 162(m).

If the Optionee's employment is terminated by the Company for Cause, or the Optionee terminates his employment (except as set forth below), all vested outstanding Options shall terminate immediately upon termination of such employment. If the Optionee voluntarily terminates employment other than for Cause after a Change in Control, all vested Options as of the date of termination shall remain exercisable at any time prior to the end of the Exercise Term, or for six (6) months after his date of termination of employment, whichever period is shorter.

For purposes of this Agreement, employment with the Company includes employment with any Parent or Subsidiary of the Company.

4. **Nontransferability.** No Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, and any attempt to sell, transfer, pledge, assign or otherwise alienate or hypothecate an Option shall be null and void and of no force or effect, and all Options granted to an Optionee shall be exercisable during the lifetime of the Optionee and only by such Optionee.

5. **Restrictions on the Options; Restrictions on the Shares.** The Option may not be exercised at any time unless, in the opinion of counsel for the Company, the issuance and sale of the Shares issued upon such exercise is exempt from registration under the Securities Act of 1933, as amended, or any other applicable federal or state securities law, rule or regulation, or the Shares have been duly registered under such laws. The Company shall not be required to register the Shares issuable upon the exercise of the Option under any such laws. Unless the Shares have been registered under all applicable laws, the Optionee shall represent, warrant and agree, as a condition to the exercise of the Option, that the Shares are being purchased for investment only and without a view to any sale or distribution of such Shares and that such Shares shall not be transferred or disposed of in any manner without registration under such laws, unless it is the opinion of counsel for the Company that such a disposition is exempt from such registration. The Optionee acknowledges that an appropriate legend, in such form as the Company shall determine, giving notice of the foregoing restrictions shall appear conspicuously on all certificates evidencing the Shares issued upon the exercise of the Option.

6. **No Right to Continued Employment.** Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Optionee any right with respect to continuance of employment by the Company or any Parent or Subsidiary, nor shall this Agreement or the Plan interfere in any way with the right of the Company or a Parent or Subsidiary to terminate the Optionee's employment at any time.

7. **Adjustments Upon Certain Events.** In the event of a change in capitalization, such as a stock split, the Committee shall make appropriate adjustments to the number and class of Shares or other stock or securities subject to the Option and the purchase price for such Shares or other stock or securities. The Committee may in determining EBITDA for purposes of Section 1 of this Agreement adjust the Company's financial results to exclude the effect of extraordinary and nonrecurring items which are distortive of financial results. The Committee shall also adjust the performance calculations to exclude the unanticipated effect on financial results of changes in the Code, or other tax laws, and the regulations thereunder. Any such adjustments shall be made in accordance with the provisions of Section 4.3 of the Plan and shall be effective and final, binding and conclusive for all purposes of the Plan and this Agreement.

Upon the effective date of the liquidation or dissolution of the Company without a successor, the Option shall terminate; provided that the Optionee shall, in such event, have the right immediately prior to such dissolution or liquidation, to exercise this Option in whole or in part whether or not previously vested.

8. **Withholding of Taxes.** The Company shall have the right to deduct from any distribution of cash to the Optionee an amount equal to the federal, state and local income taxes and other amounts as may be required by law to be withheld (the "Withholding Taxes") with respect to the Option. If the Optionee is entitled to receive Shares upon exercise of the Option, the Optionee shall pay the Withholding Taxes (if any) to the Company in cash prior to the issuance of such Shares. In satisfaction of the Withholding Taxes, the Optionee may make a written election (the "Tax Election"), which may be accepted or rejected in the discretion of the Committee, to have withheld a portion of the Shares issuable to him or her upon exercise of the Option, having an aggregate Fair Market Value equal to the withholding Taxes, provided that, if the Optionee may be subject to liability under Section 16(b) of the Exchange Act, the election must comply with the requirements applicable to Share transactions by such Optionees.

If the Optionee makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to him pursuant to his exercise of the Option within the two-year period commencing on the day after the Date of Grant or within the one-year period commencing on the day after the date of transfer of such Share or Shares to the Optionee pursuant to such exercise, the Optionee shall, within ten (10) days of such disposition, notify the Company thereof, by delivery of written notice to the Company at its principal executive office, and immediately deliver to the Company the amount of Withholding Taxes.

9. **Modification of Agreement.** This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, only by a written instrument executed by the parties hereto.

10. **Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

11. **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Georgia without giving effect to the conflicts of laws principles thereof.

12. **Successors in Interest.** This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, reorganization, purchase of stock or assets, or otherwise, all or substantially all of the Company's assets and business. This Agreement shall inure to the benefit of the Optionee's heirs and legal representatives. All obligations imposed upon the Optionee and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Optionee's heirs, executors, administrators and successors.

13. **Resolutions of Disputes.** Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Optionee and the Company for all purpose.

Exhibit A

<u>Measurement Period</u> (the Company's fiscal year ending closest to):	EBITDA	Shares Vested		
	<u>By Year</u>	<u>Cumulative</u>	<u>By Year</u>	<u>Cumulative</u>
12/31/02			12.5% 20% 25%	— — —
12/31/03			12.5% 20% 25%	25% 40% 50%
12/31/04			12.5% 20% 25%	37.5% 60% 75%
12/31/05			12.5% 20% 25%	50% 80% 100%

CONTACTS:

Angus C. Morrison

Sr. VP & Chief Financial Officer

(770) 822-4295

FOR IMMEDIATE RELEASE

August 13, 2002

**NATIONAL VISION REPORTS SECOND QUARTER AND SIX-MONTH RESULTS
FOR THE PERIOD ENDED JUNE 29, 2002**

LAWRENCEVILLE, GEORGIA – National Vision, Inc., a national retail optical company, today announced results for the second quarter and six months ended June 29, 2002.

For the quarter, the Company recorded net sales of \$61.2 million and gross profit of \$34.3 million, versus pro forma net sales and gross profit of \$60.0 million and \$33.7 million, respectively, recorded in the comparable period last year from the Company's continuing operations. Sales from domestic stores that are part of continuing operations increased by 1.0% from levels recorded in the comparable period last year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) in the current period were \$6.9 million, down slightly from pro forma EBITDA of \$7.1 million achieved in the comparable period last year. At the end of the second quarter, the Company operated 518 vision centers, versus 503 vision centers on a pro forma basis at the end of the second quarter a year ago. Of the Company's current vision centers, 399 are in domestic Wal-Mart stores, 37 are in Wal-Mart de Mexico stores, 58 are located in Fred Meyer stores, and 24 are in military bases throughout the United States.

For the six months ended June 29, 2002, net sales were \$123.1 million and gross profit was \$69.1 million, versus pro forma net sales and gross profit of \$120.9 million and \$67.1 million, respectively, recorded in the comparable period last year from the Company's continuing operations. Sales for our domestic stores that are part of continuing operations were up 1.5% from levels recorded in the comparable period last year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) declined slightly in the current period to \$14.0 million from pro forma EBITDA of \$14.4 million in the comparable period a year ago.

All references to pro forma results in this release refer to results of the Company's current vision centers after giving effect to the dispositions made during the Company's restructuring process as if they had occurred at the beginning of the periods indicated. Additionally, pro forma results are prior to restructuring and reorganization costs incurred during the bankruptcy proceedings, as well as significant non-cash provisions. A reconciliation between pro forma results and historical results presented in the Company's 2002 second quarter 10-Q is set forth in the attached financial tables.

The Company made significant cash payments during the first half of 2002, including a principal repayment of \$1.6 million, a semi-annual interest payment of \$7.1 million, and the final 2001 rent reconciliation payment to Wal-Mart. These payments were funded from current cash balances and cash flow from operations. After making these payments, the Company had cash balances at June 29 of \$12.9 million, versus a 2001 year-end cash balance of \$9.8 million. The Company expects to make a principal repayment of \$4.2 million on August 31, 2002.

The Company adopted "fresh start" accounting on June 2, 2001. The attached Pro Forma Condensed Consolidated Statements of Operations present pro forma information for the continuing businesses. Due to the fresh start accounting and the disposition of unprofitable store operations, the results since June 2, 2001 are generally not comparable to periods prior to this date.

The Company further disclosed that each of its Chief Executive Officer and its Chief Financial Officer will sign the certification called for under Section 906 of the Sarbanes-Oxley Act of 2002 and that the Company will file the certification with the Securities and Exchange Commission.

In conjunction with the second quarter results, the Company will hold an Investor Relations Conference Call on Tuesday, August 13, 2002 at 11:00 a.m. EST. The general public can access this Conference Call via the Company's web site at www.nationalvision.com. At the conclusion of the prepared remarks by management, the Company will accept and address questions from institutional investors. The Company's common stock and senior notes are listed on the American Stock Exchange. The common stock of the Company trades under the symbol "NVI" and the senior notes trade under the symbol "NVI.A".

- FINANCIAL TABLES TO FOLLOW -

This release includes statements concerning the Company's plans, beliefs and expectations for future periods. These "forward-looking statements" may be identified by the use of words such as "intends," "contemplates," "believes," "anticipates," "expects," "should," "could," "would" and words of similar import. These forward-looking statements involve known and unknown risks and uncertainties that could cause actual results to differ materially from the expectations expressed or implied in such statements. With respect to such forward-looking statements and others that may be made by, or on behalf of, the Company, the factors described as "Risk Factors" in the Company's Report on Form 8-K, filed on May 15, 2002, could materially affect the Company's actual results.

These risks and uncertainties include, among others, impaired relationships with the Company's vendors or customers as a result of the Company's recent emergence from bankruptcy, the Company's high leverage and its potential inability to repay its debt, an adverse change in the Company's relationship with Wal-Mart, changes in economic conditions (including an increase in interest rates), financial markets or customer demand, the level of competition in the retail eyecare industry, federal and state regulation of the healthcare and insurance industries (particularly in California), the Company's financial condition and other risks and uncertainties set forth in the Company's filings with the Securities and Exchange Commission.

All forward-looking statements included in this release are based upon management's present expectations and the information available at this time. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or other factors.

National Vision, Inc.
Pro Forma Condensed Consolidated Statements of Operations (a)
(in thousands – unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net Sales	\$ 61,236	\$ 60,042	\$ 123,109	\$120,948
Cost of Goods Sold	26,982	26,343	53,961	53,892
Gross Profit	34,254	33,699	69,148	67,056
Selling, General and Admin. Expense (b)	32,246	30,010	64,980	58,939
Operating Income	\$2,008	\$3,689	\$4,168	\$8,117
Capital Expenditures	\$ 1,357	\$1,100	\$2,153	\$2,300
Depreciation and Amortization Expense	\$4,868	\$3,443	\$9,821	\$6,260
EBITDA (c)	\$6,876	\$7,132	\$13,989	\$14,377

National Vision, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

	June 29, 2002	December 29, 2001
<u>Assets:</u>		
Cash	\$ 12,939	\$ 9,846
Accounts receivable, net	2,493	3,939
Inventories	19,764	18,621
Prepaid expenses	1,392	636
Net Property and Equipment	20,675	24,682
Other Assets and Deferred Costs, net	1,425	1,946
Intangible Value of Contractual Rights (d)	105,459	109,246
	<u>\$164,147</u>	<u>\$168,916</u>
<u>Liabilities and Shareholders' Equity:</u>		
Accounts Payable and Accrued Expenses	\$29,564	\$29,642
Senior Subordinated Notes	118,403	120,000
Revolving Credit Facility	-	-
Total Shareholders' Equity	16,180	19,274
	<u>\$164,147</u>	<u>\$168,916</u>

(a) Pro-Forma results represent unaudited financial results for the continuing businesses for the periods indicated, and are prior to restructuring and reorganization costs incurred during the bankruptcy proceedings, as well as large non-cash provisions.

(b) For the three and six months ended June 29, 2002, the Company recorded depreciation expense related to fresh start accounting and amortization expense of intangible value of contractual rights, which, in the aggregate, approximates \$1.5 million and \$3.8 million, respectively.

(c) EBITDA represents earnings before interest, taxes, depreciation and amortization expense prior to restructuring and reorganization costs and significant non-cash provisions.

(d) Intangible value of contractual rights was established upon emergence from bankruptcy. This amount will be amortized on a straight-line basis over a 15-year period.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share information)
(Unaudited)

	Successor		Predecessor
	Three months ended June 29, 2002	One month ended June 30, 2001	Two months ended June 2, 2001
Net sales	\$ 61,236	\$ 18,606	\$ 45,822
Cost of goods sold	26,982	8,295	20,236
Gross profit	34,254	10,311	25,586
Selling, general & administrative expense	32,246	9,938	25,906
Operating income / (loss)	2,008	373	(320)
Interest expense, net	3,564	1,109	411
Loss before reorganization expense & taxes	(1,556)	(736)	(731)
Reorganization items	--	--	(98,261)
Earnings / (loss) before taxes & extraordinary item	(1,556)	(736)	97,530
Income tax benefit	--	--	--
Net earnings / (loss) before extraordinary item	(1,556)	(736)	97,530
Extraordinary items, net of tax	--	--	17,182
Net earnings/(loss)	\$ (1,556)	\$ (736)	\$ 114,712
Basic and diluted earnings / (loss) per share:			
Earnings / (loss) before extraordinary item	\$ (0.31)	\$ (0.15)	\$ 4.61
Extraordinary item, net	--	--	0.81
Net earnings / (loss) per share	\$ (0.31)	\$ (0.15)	\$ 5.42

NATIONAL VISION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share information)
(Unaudited)

	Successor		Predecessor
	Six month ended June 29, 2002	One month ended June 30, 2001	Five months ended June 2, 2001
Net sales	\$ 123,109	\$ 18,606	\$ 120,557
Cost of goods sold	53,961	8,295	54,761
Gross profit	69,148	10,311	65,796
Selling, general & administrative expense	64,980	9,938	64,977
Operating income	4,168	373	819
Interest expense, net	7,144	1,109	1,150
Loss before reorganization expense & taxes	(2,976)	(736)	(331)
Reorganization items	--	--	(96,473)
Earnings / (loss) before taxes & extraordinary item	(2,976)	(736)	96,142
Income tax benefit	--	--	--
Net earnings / (loss) before extraordinary item	(2,976)	(736)	96,142
Extraordinary item, net of tax	--	--	17,182
Net earnings / (loss)	\$ (2,976)	\$ (736)	\$ 113,324
Basic and diluted earnings / (loss) per share:			
Earnings / (loss) before extraordinary item	\$ (0.60)	\$ (0.15)	\$ 4.54
Extraordinary item, net	--	--	0.81
Net earnings / (loss) per share	\$ (0.60)	\$ (0.15)	\$ 5.35

National Vision, Inc.
Condensed Consolidated Statement of Operations
Reconciliation of Pro Forma Information with Historical Consolidated Statements of Operations

Three Months Ending June 30, 2001				
	As Reported (A)	Adjustments		Pro Forma
Net sales	\$ 64,428	\$ 4,386 (C)	\$	60,042
Cost of goods sold	28,531	2,188 (C)		26,343
Gross profit	35,897	2,198		33,699
Less selling, general & administrative	35,844	2,934 (C)		32,910
Addback non-cash provision (B)	3,900 (B)	1,000 (B)		2,900 (B)
Operating income / (loss) (D)	3,953	264		3,689
Addback depreciation and amortization	3,462	19 (C)		3,443
EBITDA prior to significant provisions	\$ 7,415	\$ 283	\$	7,132

Six Months Ending June 30, 2001				
	As Reported (A)	Adjustments		Pro Forma
Net sales	\$ 139,163	\$ 18,215 (C)	\$	120,948
Cost of goods sold	63,056	9,164 (C)		53,892
Gross profit	76,107	9,051		67,056
Less selling, general & administrative	74,915	13,076 (C)		61,839
Addback non-cash provision (B)	3,900 (B)	1,000 (B)		2,900 (B)
Operating income / (loss) (D)	5,092	(3,025)		8,117
Addback depreciation and amortization	6,344	84 (C)		6,260
EBITDA prior to significant provisions	\$ 11,436	\$ (2,941)	\$	14,377

- (A) Represents the combination of the Predecessor Company's financial results for the two and five months ended June 2, 2001, respectively, and the Successor Company's financial results for the one month ending June 30, 2001.
- (B) Represents the significant non-cash charge incurred for uncollectible accounts receivable of the Predecessor Company, of which \$2.9 million related to ongoing host operations.
- (C) Represents the results of the freestanding operations that were either sold or closed during the restructuring of the Company.
- (D) For purposes of this pro forma presentation, Operating income excludes significant non-cash provisions, as well as costs associated with the bankruptcy, reorganization and restructuring of the Company.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of National Vision, Inc. (the "Company") on Form 10-Q for the period ending June 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I James W. Krause, Chief Executive Officer of the Company and I, Angus C. Morrison, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ James W. Krause

James W. Krause
Chief Executive Officer
August 12, 2002

/s/ Angus C. Morrison

Angus C. Morrison
Chief Financial Officer
August 12, 2002