SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 1, 2000

OR

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

Commission File Number 0-20001

VISTA EYECARE, 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

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01 per share

(Title of Class)

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 /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The number of shares of Common Stock of the registrant outstanding as of February 1, 2000, was 21,179,103. The aggregate market value of shares of Common Stock held by non-affiliates of the registrant as of February 1, 2000, was approximately $21.2 million based on a closing price of $1.313 on the NASDAQ Stock Market on such date. For purposes of this computation, all executive officers and directors of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such directors and officers are, in fact, affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents have been incorporated by reference into the parts indicated: the Company's definitive Proxy Statement for the 2000 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report--Part III.

ITEM 1. BUSINESS

OVERVIEW

Vista Eyecare, Inc. (the Company, which may be referred to as we, us, our, or Vista) is a retail optical company, with 926 vision centers throughout the United States and Mexico. We operate 604 of our vision centers in host departments, such as Wal-Mart and Sam's Club, and 322 of our vision centers in malls and strip centers. Our locations sell a wide range of optical products, including eyeglasses, contact lenses, and sunglasses. At approximately 650 of our locations, we offer the services of optometrists. These optometrists are typically independent of us and operate their own practices within our retail locations. To support our retail operations, we also operate three manufacturing and distribution centers.

CHAPTER 11 CASES

On April 5, 2000, the Company and ten of its subsidiaries (collectively, the "Debtors") filed voluntary petitions with the United State Bankruptcy Court for the Northern District of Georgia for reorganization under Chapter 11 (the "Chapter 11 Cases"). The Chapter 11 Cases have been consolidated for the purpose of joint administration under Case No. 00-65214. The Debtors are currently operating their businesses as debtors-in-possession pursuant to the Bankruptcy Code. All affiliated entities of the Company are included in the Chapter 11 Cases, except only (a) three subsidiaries which are licensed managed care organizations and (b) foreign subsidiaries of the Company.

We cannot predict the outcome of the Chapter 11 Cases or their effect on the Company's business. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," Note 3 of Notes to Consolidated Financial Statements, and the Report of Independent Public Accountants included herein. If the liabilities subject to compromise in the Chapter 11 Cases exceed the fair value of our assets, unsecured claims in the Chapter 11 cases may be satisfied at less than 100% of their face value and the common stock of the Company may have no value. The NASDAQ Stock Market has notified us that our common stock may no longer be eligible for trading on the NASDAQ SmallCap Market. See Item 5 - "Market for Registrant's Common Stock and Related Stockholder Matters."

DEPENDENCE ON WAL-MART

We operate 385 units in domestic Wal-Mart stores, of which 379 operate pursuant to a master license agreement (see Item 1 - "Leased Department Agreements"). These units generated approximately 61.2% of our revenue in 1999. We therefore depend on Wal-Mart and on our agreement with them for much of our operations.

ACQUISITIONS

To reduce our dependence on Wal-Mart, we acquired Midwest Vision, Inc. in 1997 and Frame-n-Lens Optical, Inc. and New West Eyeworks, Inc. in 1998 (See Note 6 to consolidated financial statements). At the time of the respective acquisitions, these three companies collectively operated more than 500 vision centers and generated approximately $140 million in annualized revenues.

BRANDED FREE-STANDING STORE STRATEGY

Part of our business strategy is to build a national branded value oriented retail optical chain using our free-standing vision centers as a platform. During the first half of 1999, all of the free-standing vision centers were renamed "Vista Optical".

DATE OF INFORMATION

Unless otherwise expressly stated, all information in this "Business" section of this Form 10-K is as of January 1, 2000.

VISION CENTER OPERATIONS

Our vision centers typically occupy between 1,000 and 1,500 square feet, including areas for merchandise display, customer service, and contact lens fitting. Each vision center maintains inventory of approximately 1,000 eyeglass frames and 550 pairs of contact lenses, along with sunglasses and other optical accessories. Our three optical laboratories deliver prescription eyewear to all our vision centers. The vision centers located in Wal-Mart typically have a finishing laboratory, which allows for the vision center to provide one hour service for most single vision prescription lenses. These vision centers carry inventory of approximately 725 pairs of spectacle lenses.

MARKETING

We are a value provider of optical goods and stress that theme in our marketing. We offer everyday low prices at our vision centers. Vista also has a "satisfaction guaranteed" customer policy. We are constantly vigilant about ways to lower our own costs so we may pass savings on to our customers.

MANAGED VISION CARE

We expect that retail optical sales through managed vision care programs will increase over the next several years as a percentage of overall retail optical sales. Under managed vision care programs, participants fulfill their eyecare and eyewear needs at specific locations designated by the program sponsor. We believe our network of 926 vision centers combined with the convenience of their locations and our ability to offer low prices should enable us to make competitive bids for managed care contracts.

TRADEMARKS

We use the "Vista Optical" name to identify our free-standing vision centers, as well as those vision centers operating in Fred Meyer and Meijer Thrifty Acres locations. Our vision centers in Wal-Mart are identified as the "Vision Center Located in Wal-Mart." Our vision centers in Sam's Club are identified as "Optical Center Inside Sam's Club". Vista has also licensed the right to use the "Guy Laroche" trademark for certain optical goods. Our agreement with Guy Laroche expires on December 31, 2001, but can be renewed at our option.

EMPLOYEES

We employ 3,431 associates on a full-time basis and 1,269 associates on a part-time basis. We have 4,079 associates engaged in retail sales, 430 in laboratory and distribution operations, and 191 in management and administration. Apart from our retail employees in Mexico, none of our employees are governed by any collective bargaining agreements. We believe that our employment relations are generally good.

OPTOMETRISTS

Optometrists are important to the success of our vision centers. We strive to have an optometrist on at least a part time basis at many of our locations. These optometrists are typically independent from Vista and lease a portion of our locations for an eye examination facility. We typically charge rent to these optometrists, in exchange for the premises and the equipment which we provide. Our agreement with Wal-Mart requires us to have an optometrist on duty at least 48 hours each week. Our relationships with optometrists are subject to extensive regulation. (See Item 1 - "Business - Government Regulation".)

MANUFACTURING AND DISTRIBUTION

Vista operates three manufacturing and distribution facilities which supply substantially all requirements of our vision centers. The facilities are located in Lawrenceville, Georgia (this facility also includes the central administrative offices of Vista); Fullerton, California (this facility also includes administrative offices); and St. Cloud, Minnesota. Each vision center located in Wal-Mart stores (with the exception of seven vision centers acquired in 1998) has its own finishing laboratory, which manufactures lenses for approximately half of all customers purchasing spectacle lenses.

Our distribution centers provide lens blanks, frames, contact lenses, and sunglasses to our vision centers. We use an overnight delivery service to ship completed orders and replenishment items to the vision centers. The distribution centers and the manufacturing facilities are interfaced with Vista's management information system.

MANAGEMENT INFORMATION SYSTEM

In 1999, Vista completed the development of a new point of sale system. We began installing the system in our vision centers in the fall of 1999 and expect to complete the installation in all of our units by the second half of 2000. The system is working substantially as planned. The system was designed to upgrade data processing, broaden capabilities at the retail level, and improve the processing of managed care transactions. The system was also designed to be Year 2000 compliant. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations- Impact of the Year 2000 Issue."

LEASED DEPARTMENT AGREEMENTS

We have agreements in place which govern our operations in host environments, such as Wal-Mart. Typically, each agreement is for a base term, followed by an option to renew. The agreements provide for payments of minimum and percentage rent, and also contain customary provisions for leased department operations. The table below sets forth key data about each of these agreements:

Vision Centers Located In	No. of Units as of January 1, 2000	Length of Base Term (in years)	Length of Option Term (in years)	No. of Options Exercisable in Fiscal 2000
Wal-Mart	379	9	3	51
Sam's Club	111	5	5	0
Fred Meyer	54	5	5	1
Wal-Mart Mexico	27	5	2	4
Meijers Thrifty Acres	9	5	0	0
Military Bases	18	2 or 5	0	0

The Company also operates six additional Wal-Mart stores which operate under individual leases.

Other Terms

Our agreement with Wal-Mart gives us the right to open at least 400 vision centers, including those already open. Our agreement with Wal-Mart also provides that, if Wal-Mart converts its own store to a "supercenter" (a store which contains a grocery department in addition to the traditional Wal-Mart store offering) and relocates our vision center as part of the conversion, the term of our lease begins again. We believe that Wal-Mart may in the future convert many of its stores and thereby cause many of our leases to start again. We have received no assurances from Wal-Mart as to how many of their locations will ultimately be converted.

Our agreement with Wal-Mart Mexico provides that each party will not deal with other parties to operate leased department vision centers in Mexico. This agreement also permits each party to terminate the lease for each vision center which fails to meet minimum sales requirements specified in the agreement.

Options to Renew

Wal-Mart Vision Centers

We exercised our option to renew 21 the leases for Wal-Mart vision centers in 1999. The base term for 51 vision centers expires in 2000, and we will need to determine which leases to extend. We expect to renew the leases for the vast majority of these vision centers. These decisions will be based on various factors, including sales levels, anticipated future profitability, increased rental fees in the option period, and market share.

Other Vision Centers

We have exercised all options to renew locations in Sam's Clubs. By the end of 2003, the term for all Sam's Club units will have expired. Our agreement with Fred Meyer obligates us to exercise our renewal option as to all or none of these locations with the exception of five stores, which are covered by a separate agreement. This option must be exercised in 2003. Under our agreement with Wal-Mart Mexico, we have two options for two year renewals, and one option for an additional one year renewal, for each vision center.

No Assurances of Expansion

We have no assurances or guarantees that we will be able to expand our operations in any of our host environments. However, we periodically discuss such opportunities with existing and new potential host companies. We believe that our most likely avenue of additional expansion will be the addition of new free standing locations.

GOVERNMENT REGULATION

Our business is heavily regulated by federal, state, and local law. We must comply with federal laws such as the Social Security Act (which applies to our participation in Medicare programs), the Health Insurance Portability Act of 1996 (which governs our participation in managed care programs), and the Food and Drug Administration Act (which regulates medical devices such as contact lenses). In addition, all states have passed laws which govern or affect our arrangements with the optometrists who practice in our vision centers. Some states, such as California, Texas, North Carolina, and Kansas, have particularly extensive and burdensome requirements which affect the way we do business. Many of these states also have adopted laws which mirror the federal laws described above. Local ordinances (such as zoning requirements) can also impose significant burdens and costs of compliance. Frequently, our competitors sit on state and local boards. Our risks and costs of compliance are often increased as a result.

We believe that we substantially comply with material regulations which apply to our business.

COMPETITION

The retail eyecare industry is extremely competitive. We compete with national companies such as Lenscrafters and Cole; we also compete with numerous regional and local firms. In addition, optometrists, ophthalmologists, and opticians provide many of the same goods and services we provide. The level and intensity of competition can vary dramatically depending on the particular market. We believe that we have numerous competitive advantages, such as our everyday low pricing, product selection, and quality and consistency of service.

We also compete for managed care business. Our competition for this business is principally the larger national and regional optical firms. Competition for this business is driven by size of provider network, quality and consistency of service, and by pricing of vision care services. We have one of the largest networks in the country and believe that the size of the network gives us a competitive advantage.

Several of our competitors have significantly greater financial resources than we do. As a result, they may be able to engage in extensive and prolonged price promotions which may adversely affect our business. They may also be able spend more than we do for advertising.

MEXICO OPERATIONS

We operate 27 vision centers in Mexico under a master license agreement with Wal-Mart. Our operations in Mexico face unique risks, such as currency devaluations, inflation, difficulties in cross-cultural marketing, and similar factors.

ITEM 2. PROPERTIES

Our 926 vision centers in operation as of January 1, 2000 are located as follows:

Location	Total	Location	Total
Alabama	12	Nevada	11
Alaska	18	New Hampshire	4
Arkansas	4	New Jersey	13
Arizona	40	New Mexico	12
California	242	New York	29
Colorado	27	North Carolina	47
Connecticut	10	North Dakota	10
Florida	39	Ohio	4
Georgia	40	Oregon	40
Hawaii	4	Pennsylvania	22
Idaho	11	Puerto Rico	1
Illinois	9	South Carolina	14
Indiana	4	South Dakota	1
Iowa	14	Tennessee	8
Kansas	13	Texas	37
Kentucky	3	Utah	1
Louisiana	3	Virginia	26
Maine	1	Washington	47
Maryland	4	West Virginia	7
Massachusetts	5	Wisconsin	3
Michigan	11	Wyoming	3
Minnesota	34		
Missouri	6		
Montana	5	Mexico	27

Our headquarters in Lawrenceville, Georgia is located in a 66,000 square foot building which includes a distribution center and lens laboratory. The building is subleased from Wal-Mart through 2001. We have an option to renew this lease for approximately seven years.

The Company has regional facilities located in St. Cloud, Minnesota and Fullerton, California. The 20,000 square foot St. Cloud facility is subject to a lease that expires in October 2007. The 45,000 square foot Fullerton facility is subject to a lease that expires in August 2006. The Company also has an option to extend the Fullerton lease for five years. Both facilities contain optical laboratories.

ITEM 3. LEGAL PROCEEDINGS

On April 5, 2000, the Company and ten of its subsidiaries filed voluntary petitions with the United States Bankruptcy Court for the Northern District of Georgia for reorganization under Chapter 11 of the Bankruptcy Code. The Debtors are currently operating their businesses as debtors-in-possession. The Chapter 11 Cases have been consolidated for the purpose of joint administration under case number 00-65214. All affiliated entities of the Company are included in the Chapter 11 cases, except only (a) three subsidiaries which are licensed managed care organizations and (b) foreign subsidiaries of the Company.

We cannot predict the outcome of the Chapter 11 Cases or their effect on the Company's business. See Item 1 - "Business - Chapter 11 Cases," Item 7- "Management's Discussion and Analysis of Financial Condition and Results of Operations," Note 3 of Notes to Consolidated Financial Statements, and the Report of Independent Public Accountants included herein. If the liabilities subject to compromise in the Chapter 11 Cases exceed the fair value of the assets, unsecured claims may be satisfied at less than 100% of their face value and the common stock of the Company may have no value.

On October 6, 1999, former store managers of Frame-n-Lens filed a class action in the Orange County Superior Court in California (Kremer and Riddle v. Vista Eyecare, Inc.), alleging that the Company failed to pay overtime wages to present and former store managers. The Company is vigorously defending the lawsuit. The Company has also asserted a right of indemnification pursuant to the share purchase agreement for the acquisition of Frame-n-Lens (See Note 6 to consolidated financial statements).

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

No matters were submitted to a vote of security holders during the last quarter of fiscal 1999.

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock was traded on the NASDAQ National Market System under the symbol "NVAL" from May 1992 until January 4, 1999, when the symbol was changed to "VSTA". As of October 12, 1999, our common stock began trading on the NASDAQ SmallCap Market.

The following table sets forth for the periods indicated the high and low prices of the Company's Common Stock in the over-the-counter market on the NASDAQ Stock Market.

	Quarter Ended	High	Low
Fiscal 1998	April 4, 1998	$7.375	$4.875
	July 4, 1998	$8.750	$5.000
	October 3, 1998	$6.750	$4.125
	January 2, 1999	$6.250	$2.188
Fiscal 1999	April 3, 1999	$6.250	$4.500
	July 3, 1999	$6.250	$3.625
	October 2, 1999	$3.938	$2.250
	January 1, 2000	$2.750	$0.625

On April 5, 2000, trading of our common stock was halted after we issued a press release announcing the filing of the Chapter 11 Cases. NASDAQ has requested that we provide them with certain information before they will permit our common stock to trade. We are considering whether to provide this information. If we do not provide the information, it is likely that NASDAQ will delist our common stock. We anticipate that our common stock would then trade on the OTC Bulletin Board.

As of January 1, 2000, there were approximately 500 holders of record of the Company's Common Stock.

The Company's board of directors presently intends to use the Company's cash resources only for its operations and expenses related to its Chapter 11 proceedings. Future dividend policy will depend upon the earnings and financial condition of the Company, the Company's need for funds and other factors.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data of the Company with respect to the consolidated financial statements for the years ended January 1, 2000, January 2, 1999, January 3, 1998, December 28, 1996, and December 30, 1995, is derived from the Company's consolidated financial statements. The selected financial data set forth below should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Report.

	1999	1998	1997	1996	1995
STATEMENTS OF OPERATIONS DATA:					
(In thousands except per share information)					
Net sales	$ 329,055	$ 245,331	$ 186,354	$ 160,376	$ 145,573
Cost of goods sold	147,768	112,929	86,363	76,692	67,966
Gross profit	181,287	132,402	99,991	83,684	77,607
Gross profit percentage	55%	54%	54%	52%	53%
Selling, general, and administrative expense	174,462	121,413	89,156	76,920	74,390
Impairment loss on long lived assets	1,952	--	--	--	--
Provision for doubtful accounts	2,700	--	--	--	--
Provision for dispositions	--	--	--	--	958
Other nonrecurring charges	--	--	--	--	1,053
Operating income	2,173	10,989	10,835	6,764	1,206
Interest expense, net	19,329	5,538	1,554	2,084	2,626
Income/(loss) before income taxes and extraordinary item	(17,156)	5,451	9,281	4,680	(1,420)
Income tax expense	--	2,037	3,708	1,200	100
Income (loss) before extraordinary item	(17,156)	3,414	5,573	3,480	(1,520)
Extraordinary item, net of tax	(406)	--	--	--	--
Net income/(loss)	$ (17,562)	$ 3,414	$ 5,573	$ 3,480	$ (1,520)
Basic earnings/(loss) per common share:					
Earnings/(loss) before extraordinary item	$ (0.81)	$ 0.16	$ 0.27	$ 0.17	$ (0.07)
Extraordinary loss	(0.02)	--	--	--	--
Basic earnings/(loss) per common share	$ (0.83)	$ 0.16	$ 0.27	$ 0.17	$ (0.07)
Diluted earnings/(loss) per common share:					
Earnings/(loss) before extraordinary item	$ (0.81)	$ 0.16	$ 0.27	$ 0.17	$ (0.07)
Extraordinary loss	(0.02)	--	--	--	--
Diluted earnings/(loss) per common share	$ (0.83)	$ 0.16	$ 0.27	$ 0.17	$ (0.07)

	1999	1998	1997	1996	1995
STATISTICAL DATA (UNAUDITED):					
(In thousands except vision center data) Domestic vision centers open at end of period:					
Leased department vision centers	577	562	364	320	319
Free-standing vision centers	322	331	50	--	--
Average weekly consolidated sales per leased department vision center	$ 8,200	$ 9,000	$ 9,400	$ 9,300	$ 8,700
Average weekly consolidated sales per free-standing vision center	$ 4,700	$ 4,900	$ --	$ --	$ --
Capital expenditures	$ 12,704	$ 9,183	$ 8,049	$ 2,713	$ 13,175
Depreciation and amortization	18,602	14,177	11,035	10,058	10,378
EBITDA	20,775	25,166	21,870	16,822	11,584
EBITDA margin percentage	6.3%	10.3%	11.7%	10.5%	8.0%
EBITDA prior to significant provisions	25,427	25,166	21,870	16,822	13,595
EBITDA margin percentage prior to significant provisions	7.7%	10.3%	11.7%	10.5%	9.3%
Total annual sales growth	34.1%	31.6%	16.2%	10.2%	21.9%
BALANCE SHEET DATA:					
(In thousands except vision center data)					
Working capital	$ (11,714)	$ 4,208	$ 12,171	$ 13,502	$ 14,556
Total assets	220,219	229,097	83,250	74,564	81,237
Current and long-term debt obligations	151,902	139,608	24,973	26,500	38,480
Shareholders' equity	26,557	43,927	35,598	29,906	26,326
Total debt and lease obligations as a percentage of total capital	85%	76%	41%	47%	59%

Financial information for 1995 and subsequent years include results of international operations for the 12 months ended November 30. (see Note 2 to consolidated financial statements.)

Effective January 1, 1995, the Company changed its year end to a 52/53 week retail calendar (see Note 2 to consolidated financial statements). Fiscal 1997 consisted of 53 weeks ended January 3, 1998. Sales for the 53rd week approximated $3.0 million in fiscal 1997.

In 1999, the Company recorded a $2.7 million provision for the write-off of certain receivables and an impairment loss of $1.9 million in connection with 36 under-performing vision centers. In 1995, the Company decided to dispose of its non-core business operations, resulting in a $2 million provision.

Calculated from sales from each month during the period divided by the number of store weeks of sales during the period, excluding stores not open a full month.

EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. EBITDA prior to significant provisions is calculated as EBITDA prior to provisions described per Note 3 above.

Current and long-term debt obligations include the Revolving Credit Facility and term loan, Senior Notes, Redeemable Common Stock, and other long-term debt and capital lease obligations.

Total Capital is calculated as total current and long-term debt and capital lease obligations combined with total shareholders' equity.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Proceedings Under Chapter 11 of the Bankruptcy Code

On April 5, 2000, the Company and ten of its subsidiaries filed voluntary petitions with the Bankruptcy Court for reorganization under Chapter 11. The Chapter 11 Cases have been consolidated for the purpose of joint administration under Case No. 00-65214. The Debtors are currently operating their businesses as debtors-in-possession pursuant to the Bankruptcy Code. All affiliated entities of the Company are included in the Chapter 11 Cases, except only (a) three subsidiaries which are licensed managed care organizations and (b) foreign subsidiaries of the Company.

The Debtors expect to file a reorganization plan or plans that provide for emergence from bankruptcy in 2000 or 2001. There can, however, be no assurance that a reorganization plan or plans will be proposed by the Debtors or confirmed by the Bankruptcy Court, or that any such plan(s) will be consummated. A plan of reorganization could result in holders of the common stock receiving no value for their interests. Because of such possibilities, the value of the common stock is highly speculative.

At a hearing held on April 5, 2000, the Bankruptcy Court entered orders granting authority to the Debtors, among other things, to maintain our cash management system, to pay pre-petition and post-petition employee wages, salaries, benefits and other employee obligations, and to honor customer service programs, including warranties, returns, and gift certificates. The Bankruptcy Court also ordered that the Company could enter into a debtor-in-possession credit facility in substantially the form as presented to the Court. See Note 3 of Notes to Consolidated Financial Statements and the Report of Independent Public Accountants included herein.

We cannot predict the outcome of the Chapter 11 Cases or their effect on the Company's business. See Item 1 - "Business - Chapter 11 Cases," Note 3 of Notes to Consolidated Financial Statements and the Report of Independent Public Accountants included herein. If the liabilities subject to compromise in the Chapter 11 Cases exceed the fair value of the assets, unsecured claims may be satisfied at less than 100% of their face value and the common stock of the Company may have no value.

Consolidated Financial Statements

The Company's Consolidated Financial Statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities and commitments in the normal course of business. The filing of the bankruptcy petition, the related circumstances and the losses from operations raise substantial doubt with respect to the Company's ability to continue as a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, confirmation of a plan or plans of reorganization, future profitable operations and the ability to generate cash from operations and financing sources sufficient to meet obligations. As a result of the filing of the Chapter 11 Cases and related circumstances, realization of assets and liquidation of liabilities is subject to significant uncertainty. While under the protection of Chapter 11, the Debtors may sell or otherwise dispose of assets, and liquidate or settle liabilities, for amounts other than those reflected in the Consolidated Financial Statements. Further, a plan or plans of reorganization could materially change the amounts reported in the accompanying Consolidated Financial Statements. The Consolidated Financial Statements do not include any adjustments relating to recoverability of the value of recorded asset amounts or the amounts and classification of liabilities that might be necessary as a consequence of a plan of reorganization.

Results of Operations

As of January 1, 2000, we operated 926 vision centers, versus 919 vision centers at January 2, 1999. Our results for the three-year period discussed below were significantly affected by our acquisitions of Frame-n-Lens Optical, Inc. and New West Eyeworks, Inc. (the "Acquired Businesses") in 1998. These entities had combined revenues of $125 million for all of 1998 and operated approximately 455 vision centers at the time of the acquisitions. (See Note 6 to consolidated financial statements.) These acquisitions, and the substantial debt incurred by the Company to fund them, have had a substantial negative impact on our operating results and cash flow.

YEAR ENDED JANUARY 1, 2000 COMPARED TO YEAR ENDED JANUARY 2, 1999

NET SALES. The Company recorded net sales of $329.1 million in fiscal 1999, an improvement of 34% over sales of $245.3 million in fiscal 1998. We increased sales for two reasons. First, in 1999 our net sales included the net sales of our Acquired Businesses for the entire fiscal year, whereas our net sales for 1998 included the sales of the acquired businesses for only a portion of the year. Second, our sales in our core leased departments increased by 4.1% over 1998 results.

NET SALES IN ACQUIRED BUSINESSES. We believe that the performance of the Acquired Businesses represents the most important operational challenge facing the Company. In 1999, the integration of these businesses fell below expectations which negatively affected our results. The most important reason for the disappointing performance was the significant shortfall in sales.

The following factors contributed to our poor operating results.

- The consolidation of three different retail concepts into one existing concept proved more difficult than we anticipated.

- We underestimated the power of the existing trade names of the acquired businesses and lost market share when we changed the store names to "Vista Optical".

- We incurred significant service disruptions when we closed three of our manufacturing locations and consolidated their operations into our existing facilities.

- We had substantial turnover at the field and management levels, which further disrupted our operations.

In 1999, we made a number of changes to improve these businesses. In particular, we:

- improved the inventory carried by these vision centers.

- recruited optometrists to many locations.

- instituted intensive training programs for retail personnel.

- created a new advertising campaign, which began running in early 2000.

We believe that the acquired businesses will need additional time to benefit from these changes. If sales at the acquired businesses do not improve, the Company's liquidity and profitability will continue to be adversely affected. (See - "Liquidity and Capital Resources".)

GROSS PROFIT. In 1999, we increased gross profit to $181.3 million, a 37% increase over $132.4 million in 1998. The increase in net sales resulted in an increase in gross profit dollars. Our gross profit percentage increased from 54% in 1998 to 55.1% in 1999. Several factors contributed to this increase:

- We have increased our purchasing power since completing the acquisitions.

- The consolidation of our manufacturing operations from six facilities to three facilities has reduced our average lens cost.

- We received significant promotional payments from key vendors.

Other factors had a negative impact on gross profit percentage:

- Retail prices for contact lenses continued to decline because of intense price competition.

- During the consolidation of our manufacturing operations, our service declined, causing an increase in remake and warranty work on customer orders.

- Shortfalls in sales at the acquired vision centers caused rent as a percent of sales to increase.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE. This category of expense includes both retail operating expense and corporate office administrative costs. SG&A expense increased from $121.4 million in 1998 to $177.2 million in 1999. The increase was primarily due to the increase in the number of vision centers. As a percent of net sales, SG&A expense increased from 49.5% in 1998 to 53.8% in 1999. This increase was due to:

- A decline in sales at the acquired businesses, which thereby caused store payroll to increase as a percent of sales.

- An increase in goodwill amortization from $800,000 in 1998 to $3.5 million in 1999 (this increase reflects the goodwill associated with the businesses acquired by the Company in 1998 and therefore amortized over all of 1999 versus a portion of 1998).

- SG&A includes a non-cash expense provision of $2.7 million for the write-off of managed care receivables. During 1999, the Company continued its efforts with its third party processor to timely collect managed care receivable accounts. In the fourth quarter, management concluded these efforts were not achieving anticipated results and, consequently, determined an additional provision for doubtful accounts was warranted. We do not expect to incur any additional charges of this magnitude for write-offs of managed care receivables, although additional write-offs are possible.

We believe that all our vision centers are adequately staffed and that, if sales increase, payroll should decline as a percent of sales. In addition, before giving effect to goodwill amortization, home office expense as a percent of sales decreased by 0.5% over levels recorded in 1998.

Results for 1999 include a non-cash charge of $1.9 million, which represents an impairment loss on fixed assets associated with 36 underperforming vision centers acquired by the Company. We expect to be closing a significant number of these vision centers shortly.

We do expect additional charges associated with the closure of 36 underperforming vision centers. Such charges would primarily be for the settlement of lease obligations.

We are currently evaluating additional underperforming stores for possible closure in 2000 and have identified at least an additional 50 stores which we expect to close during the second quarter. The final plan to close these vision centers will include additional charges for the impairment of assets, consisting primarily of leasehold improvements and furniture and fixtures, and for the settlement of the related lease obligations. The number of vision centers and the aggregate costs to close are currently undetermined.

OPERATING INCOME. Operating income decreased to $2.2 million from $11 million in 1998. Operating margin decreased from 4.5% to 0.7% of net sales in 1999. The decrease was attributable to:

- The shortfall in operating results of the acquired businesses. - The increase in SG&A expense discussed above. - The non-cash charges discussed above.

Despite poor results in the acquired businesses, we increased operating income in our core leased business more than 10% over levels recorded in 1998.

INTEREST EXPENSE. Interest expense increased to $19.3 million from $5.5 million in 1998. The Company issued its $125 million senior notes in 1998 (See Note 6 to consolidated financial statements) and incurred the associated expense over the entirety of 1999 versus a portion of 1998. In November 1999, the Company refinanced its secured credit facility at a higher interest rate than that provided for in its previous credit facility. (See "Item 7-Liquidity and Cash Resources".)

PROVISION FOR INCOME TAXES. Vista recorded a pre-tax operating loss before extraordinary item of $17.2 million in 1999. The resulting income tax benefit was approximately $5.2 million. We have established a valuation allowance equal to the amount of the tax benefit.

EXTRAORDINARY LOSS. Results also include an extraordinary loss of $406,000 associated with the write-off of the capitalized costs of the Company's 1998 secured credit facility.

NET INCOME. The Company recorded a net loss of $17.6 million, or a loss of $(0.83) per basic and diluted share.

YEAR ENDED JANUARY 2, 1999 COMPARED TO YEAR ENDED JANUARY 3, 1998

Consolidated Results

NET SALES. Net sales during fiscal 1998 increased to $245.3 million from $186.4 million in fiscal 1997. The increase was primarily due to the acquisitions of Frame-n-Lens and New West in 1998 and a full year of operations from Midwest Vision which was acquired in October 1997. Comparable store sales in leased departments increased by 3% over levels recorded in fiscal 1997. Consolidated average weekly net sales per leased vision center decreased from $9,400 during fiscal 1997 to $9,000 in fiscal 1998, primarily as the result of acquired vision centers with lower net sales levels. Vision centers acquired in the Frame-n-Lens acquisition recorded significant negative comparable store sales and had a negative impact on results following the date of the acquisition. This trend had a negative impact on earnings and liquidity in 1998.

For the core leased departments, average spectacle unit sales per week increased and the average spectacle transaction value decreased over that recorded in fiscal 1997, resulting in a net increase in spectacle sales for stores open for more than one year. Contact lens unit sales increased over the prior year, but such increase was more than offset by a decline in the average transaction value on disposable contacts resulting from competitive pressure on pricing. Sales under managed care plans increased over levels recorded in 1997.

GROSS PROFIT. Gross profit increased to $132.4 million in fiscal 1998 from $100 million in fiscal 1997. The increase was due to the increase in net sales described above. Gross profit percentage essentially remained even against levels recorded in fiscal 1997. Promotional monies from vendors and increased manufacturing efficiencies had a positive impact on gross profit. However, this was partially offset by the lower gross profit recorded at the vision centers acquired by the Company in 1998.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE. SG&A expense (which includes both operating expenses and home office overhead) increased to $121.4 million in 1998 from $89.2 million in 1997. As a percentage of sales, SG&A expense increased from 47.8% in 1997 to 49.5% in 1998. Administrative costs increased because of the acquisitions of Frame-n-Lens and New West. SG&A expense in 1998 included $800,000 of goodwill amortization relating to the recent acquisitions. Store expense as a percentage of sales was negatively affected by the vision centers recently acquired, which had higher store expenses as a percentage of sales than did the Company's other vision centers. SG&A expense as a percentage of net sales was positively affected by reduced incentive payment levels as a result of the Company's lower earnings in 1998 versus 1997. Additionally, reserves associated with managed care receivables were increased.

OPERATING INCOME. Operating income for fiscal 1998 increased to $11.0 million from $10.8 million in fiscal 1997. As a percentage of net sales, operating income declined to 4.5% from 5.8% in fiscal 1997. The decline was primarily due to the increase in SG&A expense discussed above and lower than expected operating margins from Frame-n-Lens. Before giving effect to the businesses acquired in 1998, operating income in 1998 improved 21 percent to $13.1 million from $10.8 million recorded in 1997. The Company's Mexican business operated at a break-even level in 1998, essentially flat against 1997 results. Mexican operating results do not include allocated corporate overhead, interest, and taxes.

OTHER EXPENSE. Other expense increased from $1.6 million in 1997 to $5.5 million in 1998, primarily as a result of the interest expense arising out of the issuance of the Company's senior notes in October 1998 (see Note 6 to consolidated financial statements).

PROVISION FOR INCOME TAXES. The effective income tax rate on consolidated pretax income was 37% in 1998 versus 40% in 1997, primarily as the result of the 1998 operating losses from Frame-n-Lens and New West. In 1998, the Company made cash payments for federal and state income taxes approximating 30% of consolidated pretax earnings primarily due to the utilization of alternative minimum tax credits.

NET INCOME. Net income was $3.4 million, or $0.16 per share, as compared to net income of $5.6 million, or $0.27 per share, in 1997.

Inflation

Although the Company cannot determine the precise effects of inflation, it does not believe inflation has had a material effect on its domestic sales or results of operations. The Company cannot determine whether inflation will have a material long-term effect on its sales or results of operations. Continued inflation in Mexico may cause consumers to reduce discretionary purchases such as eyeglasses.

As a result of inflation in prior years, the Company has in the past adjusted its retail pricing. Further pricing adjustments are contingent upon competitive pricing levels in the marketplace. Management is monitoring the continuing impact of these inflationary trends.

LIQUIDITY AND CAPITAL RESOURCES

Our capital needs have been for operating expenses, capital expenditures, and acquisitions and interest expense. Our sources of capital have been cash flow from operations and borrowings under our credit facilities.

In October 1998, we issued our $125 million notes due 2005 to help fund our acquisitions of Frame-n-Lens Optical, Inc. and New West Eyeworks, Inc. These notes bear interest of 12.75% and were issued pursuant to an indenture which contains a variety of customary provisions and restrictions (See note 6 to consolidated financial statements). Interest payments are due on April 15 and October 15 of each year. The indenture also gives us a 30 day grace period in which to make interest payments. We must pay penalty interest if we go into the grace period.

At the time we issued our notes, we also entered into a $25 million secured credit facility. The agreement contained customary provisions and restrictions (See Note 6 to consolidated financial statements).

In October 1999, we announced that, because of slow sales in the acquired businesses, we would use the 30 day grace period contained in the indenture. We also announced that we had breached various provisions of our credit facility.

We then entered into a replacement credit facility with Foothill Capital Corporation (the "Foothill Credit Facility"), and we used proceeds from the new facility to make the October 15 interest payment under the notes and to pay off the balance under the prior credit facility. As of January 1, 2000, we had borrowed $19.3 million under this credit facility.

The Foothill Credit Facility was in the amount of $25 million and included a $12.5 million revolver and $12.5 million term loan. Our obligations under the Foothill Credit Facility were secured by substantially all assets of the Company. The facility contained customary provisions and restrictions, including restrictions on the amount we can borrow under the revolver portion (See Note 6 to consolidated financial statements).

As of January 1, 2000, we had breached a cash flow and a net worth covenant in the Foothill Credit Facility. On April 5, 2000, the Debtors filed the Chapter 11 Cases. We expect that the filing of these cases will affect the Company's liquidity and capital resources in fiscal 2000.

On April 5, 2000, the Bankruptcy Court entered an interim order permitting the Company to enter into debtor-in possession financing with Foothill Capital Corporation (the "DIP Facility"). The DIP Facility remains subject to final Bankruptcy Court approval. A hearing for this purpose has been set for May 3, 2000. See Item 1 - "Business - Chapter 11 Cases." If and when approved by the Bankruptcy Court in a final order, the DIP Facility will refinance all amounts previously outstanding under the Foothill Credit Facility and provide additional working capital. As of April 5, 2000, we had borrowed a total of $15.4 million (inclusive of the $12.5 million term loan portion) under the Foothill Credit Facility.

Under the DIP Facility, the Company may borrow up to $25 million (inclusive of amounts outstanding under the Foothill Credit Facility), subject to certain limitations, to fund ongoing working capital needs while it prepares a reorganization plan. The DIP Facility includes a maximum of $12.5 million in revolving loans. The DIP Facility also contains a $12.5 million term loan bearing interest at 15% per annum. The DIP Facility requires that the Company have a rolling twelve month EBITDA of no less than $15 million during its term, which expires on May 31, 2001. Events occuring in the Chapter 11 Cases could result in earlier termination. The DIP Facility includes a $4 million sub-facility for letters of credit. Interest rates on the revolver portion of the DIP Facility are based on either the Wells Fargo Bank, N.A. Base Rate plus 2% or the Adjusted Eurodollar Rate plus 3.25%. The DIP Facility is secured by substantially all of the assets of the Company and its subsidiaries, subject only to valid, enforceable, subsisting and non-voidable liens of record as of the date of commencement of the Chapter 11 Cases and other liens permitted under the DIP Facility.

The DIP Facility contains customary covenants including, among others, covenants restricting the incurrence of indebtedness, the creation or existence of liens, the guarantee of other indebtedness, the declaration or payment of dividends, the repurchase or redemption of debt and equity securities of the Company, change in business activities, affiliate transactions, change in key management and certain corporate transactions, such as sales and purchases of assets, mergers, or consolidations. The DIP Facility also limits capital expenditures, investments, prepayments of other indebtedness, and requires the delivery of financial and other information to Foothill. The DIP Facility also contains certain customary default provisions and also specifies certain possible occurrences in the Chapter 11 Cases which could result in events of default.

Availability under the DIP Facility is limited to certain percentages of accounts receivable and inventory, subject to other limitations based on rolling twelve-month historical EBIDTA and rolling 60-day cash collections.

The Company believes the DIP Facility (if approved by the Bankruptcy Court in a final order) should provide it with adequate liquidity to conduct its operations while it prepares a reorganization plan. However, the Company's liquidity, capital resources, results of operations and ability to continue as a going concern are subject to known and unknown risks and uncertainties. See Item 7 - "Management's Discussion and Analysis and Results of Operations - Risk Factors."

Accordingly, we are working to improve the Company's current and long-term liquidity. We are preparing a plan of reorganization, which will likely include the conversion of debt into equity. We do not know if the reorganization plan will be approved, and if approved, we do not know if it will succeed.

Even if the reorganization plan is successful in improving our liquidity, we will have to take steps to improve the Company's operating results in the Acquired Businesses. Our initial plans include improving sales and profitability in the Acquired Businesses in conjunction with closing additional underperforming stores with sizeable losses.

Although management believes that its actions will have a positive impact on the Company's operations, there can be no assurance that the Company will be able to operate profitably.

If the Company is successful in restructuring its debt obligations and its equity, the Company may trigger limitations on certain tax net operating loss carryforwards. (See Note 11 to consolidated financial statements).

We plan, as of January 1, 2000, to open approximately 18 Wal-Mart vision centers during fiscal 2000. We may open up to 12 additional vision centers dependent upon liquidity, construction schedules and other constraints. For each of our new vision centers, we typically spend between $100,000 and $160,000 for fixed assets and approximately $25,000 for inventory. In general, free-standing locations are more costly than leased locations. We also spend approximately $20,000 for pre-opening costs. Before 1998, we capitalized these pre-opening costs. Beginning in 1998, we expensed them as required by new accounting rules (See Note 2 to consolidated financial statements).

IMPACT OF THE YEAR 2000 ISSUE

The transition to the year 2000 has had no impact on the Company's operations. All of the Company's hardware and software functioned without incident during and after the transition. The Company's point of sale system is year 2000 compliant.

Similarly, none of the Company's business relationships have been materially affected by transition to the year 2000. Inventory continues to be shipped and billed properly. We have no basis to believe that our business has been or will be adversely affected by year 2000 issues.

Costs to Address Year 2000 Issues

To prepare the Company for year 2000, we spent approximately $1.1 million for changes to software and hardware and for various services.

Risks of Third-Party Year 2000 Issues

We believe that our business partners have made their systems Y2K compliant. We obviously cannot predict whether they will incur any Y2K problems. Our business could be adversely affected if such problems occur.

DERIVATIVE FINANCIAL INSTRUMENTS

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 our credit facility at variable interest rates. (See Note 8 to consolidated financial statements.) We therefore incur the risk of increased interest costs if interest rates rise.

In anticipation of the issuance of our senior notes, in 1998 we entered into three anticipatory hedging transactions with a notional amount of $100 million. The interest rates on these instruments were tied to U.S. Treasury securities and ranged from 5.43% to 5.62%. We settled these transactions for approximately $4.6 million in September 1998 with $0.6 million cash and additional borrowings of $4.0 million. The settlement costs are treated as deferred financing costs amortized over the life of the notes.

Foreign Exchange Rate Risk

Historically, Mexico qualified as a highly inflationary economy under the provisions of SFAS No. 52 -- Foreign Currency Translation. Consequently, in 1997, the financial statements of the Mexico operation were remeasured with the U.S. dollar as the functional currency. Since 1997, we have recorded immaterial losses because of changes in foreign currency rates between the peso and the U.S. dollar.

RISK FACTORS

This Form 10-K contains a number of statements about the future. It also contains statements which involve assumptions about the future. All these statements are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent our expectations or belief concerning future events, including the following: any statements regarding future sales levels, any statements regarding the continuation of historical trends, and any statements regarding the Company's liquidity. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements.

We do not know whether the forward-looking statements made in this Form 10-K will prove to be correct. We have tried to identify factors which may cause these statements to be incorrect. These factors could also have a negative impact on our results. The following is our list of these factors:

- We have filed for protection under Chapter 11 of the Bankruptcy Code. The fact of this filing, along with the process through the Bankruptcy Court, could affect our business in a variety of unforeseen ways. There could be impairment of our ability to: operate our business during the pendency of the proceedings; continue normal operating relationships with our host licensors, such as Wal-Mart; obtain shipments and negotiate terms with vendors; fund, develop, and execute an operating plan; attract and retain key executives and associates; maintain our gross margins through vendor participation programs and otherwise to maintain favorable courses of dealing with vendors.

- We expect that, under the plan of reorganization we will propose to the Bankruptcy Court, the equity of the current shareholders in the Company will be significantly diluted.

- It is unlikely the our common stock will continue to be listed on the NASDAQ SmallCap Market. We anticipate that our shares will trade on the OTC Bulletin Board. The liquidity of our common stock could be adversely affected as a result.

- There are various risks associated with the Chapter 11 Cases. Our plan of reorganization may not be approved or, even if it is approved, may not succeed. In addition, the Bankruptcy Court must enter a final order approving our DIP Facility.

- We depend heavily on our host store relationships, particularly with Wal-Mart. Any change in these relationships could have a significant negative impact on our business. The filing of the Chapter 11 Cases could affect those relationships.

- The businesses we acquired in 1998 continue to generate low sales. If we cannot improve these sales, we may not generate sufficient cash to continue in business. We might then be forced to convert the Chapter 11 Cases into proceedings under Chapter 7 of the Bankruptcy Code. In addition, even if we are able to pay our bills, we may not be able to expand our business if these low sales levels persist.

- Our new debtor-in-possession credit facility includes a revolver loan. Our ability to borrow under the revolver portion is limited to certain percentages of our inventory and accounts receivable. These limitations could restrict our ability to borrow under this revolver portion.

- Managed care plans are increasingly important in the optical industry. We will need to attract new managed care business if we intend to remain competitive. We will also need to retain our existing managed care arrangements. Loss of these arrangements, or our failure to attract new managed care business, would impair our competitive position. The filing of the Chapter 11 Cases could impair our ability to retain existing contracts and to enter into new ones.

- We depend on reliable and timely reimbursement of claims we submit to third party payors. There are risks we may not be paid on a timely basis, or that we will be paid at all. Some plans have complex forms to complete. Sometimes our staff may incorrectly complete forms, delaying our reimbursement. These delays can hurt our cash flow and also force us to write-off more of these accounts receivable.

- Each year, we expect to have increasing numbers of vision centers under our Wal-Mart agreement come up for renewal. Our rental obligations to Wal-Mart will increase in the option period. We will need to continue to improve sales at these vision centers. If we do not, our rent as a percent of sales will increase significantly during the option period. Alternatively, we may choose not to exercise the options.

- A number of our leases for our free-standing vision centers have annual rent increases or provide for increased rent in option periods. We may need to consider closing locations or not renewing others unless we can increase their sales levels.

- Operating factors affecting customer satisfaction and quality controls of the Company in optical manufacturing.

- Risks associated with the Company's Year 2000 compliance program, including, without limitation, the risks that third parties with whom the Company deals will not have systems which are Year 2000 compliant.

- Risks that the Company's new point of sale system will not function as planned. In addition, we could lose sales because employees are unfamiliar with the new system or because they have difficulty using it.

- Pricing and other competitive factors, including, without limitation, increased price competition with respect to contact lenses.

- Technological advances in the eyecare industry, such as new surgical procedures or medical devices, which could reduce the demand for the Company's products. The number of individuals electing Lasik and similar surgical procedures has dramatically increased each year. If these trends continue, demand for our goods and services could decrease significantly.

- The mix of goods sold.

- Availability of optical and optometric professionals. An element of the Company's business strategy and a requirement of the Wal- Mart Agreement is the availability of vision care professionals at clinics in or nearby the Company's vision centers.

- State and federal regulation of managed care and of the practice of optometry and opticianry.

- General risks arising from investing and operating in Mexico, including a different regulatory, political, and governmental environment, currency fluctuations, high inflation, price controls, restrictions on profit repatriation, lower per capita income and spending levels, import duties, value added taxes, and difficulties in cross-cultural marketing.

- The Company's ability to select in-stock merchandise attractive to customers.

- Weather affecting retail operations.

- Variations in the level of economic activity affecting employment and income levels of consumers.

- Seasonality of the Company's business.

Recent Accounting Pronouncements

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. We are required to apply the guidance in SAB 101 to our financial statements no later than the second quarter of 2000. We currently are reviewing the requirements of SAB 101 and assessing its impact on our consolidated financial statements. We anticipate reporting the impact in the second quarter of 2000 as a cumulative effect adjustment to our consolidated financial statements resulting from a change in accounting principles.

Effective in 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128") "Earnings per Share" and No. 129 ("SFAS 129") "Disclosure of Information and Capital Structure." SFAS 128 simplifies the calculation of basic earnings per common share and diluted earnings per common share. Additionally, disclosure is required presenting a reconciliation of the computations for basic and diluted earnings per common share. The change in calculations did not change the Company's reported earnings per common share amounts presented in previous filings. SFAS 129 requires disclosure of the pertinent rights and privileges of all securities other than ordinary common stock. The Company has disclosed such information in previous years' annual reports filed on Form 10-K.

In July 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income." The statement addresses the reporting and display of changes in equity that result from transactions and other economic events, excluding transactions with owners. The adoption of SFAS No. 130 did not have a material impact on the Company's financial statements, as comprehensive income was equal to net income in 1999, 1998 and 1997.

Effective in 1997, the Company adopted Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information." The statement addresses reporting of segment information (See Note 16 to consolidated financial statements).

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 will be effective in fiscal 2000. The Company is evaluating the effects of the adoption of this recent pronouncement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company are included as a separate section of this Report commencing on page F-1.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information Concerning Directors

Name and Age as of March 1, 2000	Position, Business Experience and Directorships
James W. Krause............55	Joined the Company in April 1994 as President and Chief Executive Officer and a director. He was named Chairman of the Company in June 1995.
David I. Fuente............54	A director since April 1992, Mr. Fuente has been Chairman of the Board and Chief Executive Officer of Office Depot, Inc. since 1987. He also serves on the Board of Directors for Ryder Systems, Inc. Mr. Fuente has decided to leave the Board effective the date of the meeting.
Ronald J. Green............52	A director since December 1990, Mr. Green has been a partner in the accounting firm of Stephen M. Berman & Associates, Atlanta, Georgia, since 1980.
James E. Kanaley...........58	A director since October 1998, Mr. Kanaley was employed at Bausch & Lomb Inc. from 1978 until his retirement in 1997. From 1990 until 1993, he served as Senior Vice President and Group President Contact Lens Care, and from 1993 until his retirement he served as Senior Vice President and President, North American Healthcare.
Campbell B. Lanier, III....49	A director since October 1990, Mr. Campbell B. Lanier, III is Chairman of the Board and Chief Executive Officer of ITC Holding Company, a telecommunications services company located in West Point, Georgia. He is also Chairman, Chief Executive Officer and director of Powertel, Inc. He also serves as a director of EarthLink, Inc.
J. Smith Lanier, II........72	A director since October 1990, Mr. J. Smith Lanier, II is Chairman of J. Smith Lanier & Co., an insurance sales company. He is also a director of Interface, Inc. Mr. Lanier is the uncle of Campbell B. Lanier, III.
Peter T. Socha.............40	Mr. Socha joined the Company in October, 1999 as Senior Vice President, Strategic Planning. Prior to joining the Company he worked as a consultant, and served as Executive Vice President of COHR, Inc., from May 1998 to October 1998; and as Chief Credit Officer with Sirrom Capital Corporation, from 1994 to 1997. Mr. Socha became a director and was appointed Senior Vice President, Strategic Planning and Managed Care in February 2000.

Information Concerning Executive Officers

Name, Age and Position as of March 1, 2000		Business Experience
James W. Krause Chairman and Chief Executive Officer	55	See "Information Concerning Directors"
Michael J. Boden Executive Vice President, Retail Operations	52	Mr. Boden joined the Company in June 1995 as Vice President, Sales and Marketing and was named a Senior Vice President in February 1998. He was named Senior Vice President, Leased Retail Operations in February, 1999. From 1992 until joining the Company, he served as Vice President-- Store Operations of This End Up Furniture Company. He was appointed to his current position in February 2000.
Richard D. Anderson Senior Vice President, Real Estate	41	Mr. Anderson joined the Company in January 1999 and was named Senior Vice President, Real Estate in February 1999. From 1987 until joining the Company, he was employed by W.H. Smith, PLC where he served as Vice President, Real Estate and Vice President, Development and Construction.
Eduardo A. Egusquiza Senior Vice President, Information Technology	47	Mr. Egusquiza joined the Company in March 1998 as Senior Vice President, Information Technology. From 1982 until joining the Company, he was employed by Musicland Stores Corporation, Inc. where he served as Vice President of Information Systems and Services.
Mitchell Goodman Senior Vice President, General Counsel and Secretary	46	Mr. Goodman joined the Company as General Counsel and Secretary in September 1992 and was named a Vice President in November 1993 and Senior Vice President in May 1998.
Charles M. Johnson Senior Vice President, Manufacturing and Distribution	50	Mr. Johnson joined the Company in October 1997 as Senior Vice President, Manufacturing and Distribution. From 1988 until joining the Company, he was employed by the Sherwin-Williams Company, where he served as Vice President and Director of Research and Development.
Angus C. Morrison Senior Vice President, Chief Financial Officer	43	Mr. Morrison joined the Company in February of 1995 as Vice President, Corporate Controller. He was appointed Senior Vice President, Chief Financial Officer and Treasurer in March 1998. From 1993 until joining the Company, he was Controller and Senior Financial Officer of the Soap Division of The Dial Corp. He was Controller and Senior Financial Officer of the Food Division of the same company from 1989 through 1992.
Timothy W. Ranney Vice President, Corporate Controller	47	Mr. Ranney joined the Company in September 1998 and was named Vice President, Corporate Controller in October 1998. From 1991 until joining the Company, he was employed by CVS Corporation where he served as Store Controller and then as Director of Financial Systems.
Peter T. Socha Senior Vice President, Strategic Planning and Managed Care	40	See "Information Concerning Directors"
Robert W. Stein Senior Vice President, Human Resources and Professional Services	44	Mr. Stein joined the Company as Director of Human Resources in May 1992. In January 1993, he was appointed Vice President, Human Resources, and was appointed Senior Vice President in February 1999. He was appointed to his current position in February 2000.
Michael C. Thomas Senior Vice President, Vista Retail Operations	34	Mr. Thomas joined the Company as Assistant Vice President, Western Region in October, 1993. He was promoted to Senior Vice President, Vista Retail Operations in July of 1999.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than ten percent (10%) of Common Stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. We believe that, during 1999, our officers, directors and holders of more than ten percent (10%) of Common Stock complied with all Section 16(a) filing requirements, except for ITC Service Company, which filed one late report arising out of one purchase of shares of Common Stock. In making these statements, we have relied upon the written representations of our directors and officers and upon copies of reports furnished to the Company.

ITEM 11. EXECUTIVE COMPENSATION

The following table discloses compensation received from the Company by the Company's Chief Executive Officer, and the Company's four most highly compensated officers other than the Chief Executive Officer (all such individuals, collectively, the "named executive officers").

Summary Compensation Table

		Annual Compensation			Long Term Compensation		
Name and Principal Position	Fiscal Year	Salary($)	Bonus($)	Other Annual Compensation($)	Restricted Stock Awards($)(1)	Securities Underlying Options/SARs(#)	All Other Compensation($)
James W. Krause	1999	375,000	--	--	--(2)	340,000	20,000
Chairman of	1998	368,000	101,500	--	79,688	250,000	20,000(3)
the Board	1997	338,000	247,000	--	72,000	50,000	20,000(3)
and Chief							
Executive Officer							
Michael J. Boden	1999	200,000	--	--	--(4)	12,000	--
Executive Vice	1998	193,000	38,000	--	26,563	15,000	--
President,	1997	185,000	135,000	--	24,000	15,000	--
Retail Operations							
Eduardo A. Egusquiza	1999	170,000	--	153,000(5)	--(6)	12,000	--
Senior Vice	1998(7)	139,000	36,000		26,563	50,000	--
President,							
Information							
Technology							
Charles M. Johnson	1999	204,000	--	--	--(6)	12,000	--
Senior Vice	1998	197,000	39,000	37,000(8)	26,563	15,000	--
President,	1997(9)	41,000	70,000	--	--	75,000	--
Manufacturing and							
Distribution							
Angus C. Morrison	1999	170,000	--	--	--(10)	12,000	--
Senior Vice	1998	160,000	31,000	--	28,155	25,000	--
President, Chief	1997	107,000	49,000	--	14,438	10,000	--
Financial Officer							
and Treasurer							

(1) Restricted Stock Awards vest and restrictions lapse after five-year performance period to the extent and depending upon achievement by the Company of return on asset goals relative to a comparison group of companies. For awards made in 1998, restricted shares, to the extent not vested after five years, vest after ten years of employment. Vesting is accelerated automatically upon a change of control (as defined). Dividends (if any are declared) will be paid on restricted stock.
(2) As of January 1, 2000, Mr. Krause had restricted stock holdings representing 30,000 shares of Common Stock with a value of $30,930.
(3) The Company has executed a "split dollar" insurance agreement with Mr. Krause. The annual premium (payable by the Company) is $20,000. The term life portion of this premium is $2,500; the non-term life portion is $17,500.
(4) As of January 1, 2000, Mr. Boden had restricted stock holdings representing 10,000 shares of Common Stock with a value of $10,310.
(5) $82,000 represents reimbursement of relocation expenses; $71,000 represents tax reimbursement payments on the foregoing.
(6) As of January 1, 2000, this executive had restricted stock holdings representing 5,000 shares of Common Stock with a value of $5,155.
(7) Mr. Egusquiza joined the Company in March 1998.
(8) $34,000 represents reimbursement of relocation expenses; $3,000 represents tax reimbursement payments.
(9) Mr. Johnson joined the Company in October 1997.
(10) As of January 1, 2000, Mr. Morrison had restricted stock holdings representing 8,000 shares of Common Stock with a value of $8,248.

OPTION GRANTS IN LAST FISCAL YEAR

The following table provides information on option grants to the named executive officers by the Company in 1999. The table also shows the hypothetical gains or "option spreads" that would exist for the respective options. These gains are based on assumed rates of annual compound stock price appreciation of 5% and 10% from the date the options were granted over the full option term.

	No. of Securities Underlying Option/SARs Granted	% of Total Options/SARs Granted to Employees in Fiscal Year(1)	Exercise or Base Price($)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Terms($)(2)	
					5%	10%
James W. Krause	300,000(3)	34.0	5.50	4/03/04	456,000	1,008,000
	40,000(4)	4.5	5.281	4/22/09	132,760	336,680
Michael J. Boden	12,000(4)	1.4	5.281	4/22/09	39,828	101,004
Eduardo A. Egusquiza	12,000(4)	1.4	5.281	4/22/09	39,828	101,004
Charles M. Johnson	12,000(4)	1.4	5.281	4/22/09	39,828	101,004
Angus C. Morrison	12,000(4)	1.4	5.281	4/22/09	39,828	101,004

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(1) The Company granted options covering 883,060 shares to employees in 1999.
(2) These amounts represent assumed rates of appreciation only. Actual gains, if any, on stock option exercises and holdings of Common Stock are dependent on the future performance of Common Stock and overall stock market conditions. There can be no assurance that the amounts reflected in this table will be achieved.
(3) Grant under the Company's Restated Stock Option and Incentive Award Plan. Option vests 50% first anniversary of grant date and 25% on each of second and third anniversaries of grant date, subject to continued employment.
(4) Grants under the Company's Restated Stock Option and Incentive Award Plan. Options vest 50% on second anniversary of grant date and 25% on each of the third and fourth anniversary of grant date, subject to continued employment. Expiration date is 10th anniversary of grant date.

FISCAL YEAR END OPTION VALUES

The following table provides information, as of January 1, 2000, regarding the number and value of options held by the named executive officers.

	No. of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options At Fiscal Year End($)	
	Exercisable	Unexercisable(1)	Exercisable	Unexercisable
James W. Krause	112,500	627,500	0	0
Michael J. Boden	68,750	38,250	0	0
Eduardo A. Egusquiza	0	62,000	0	0
Charles M. Johnson	37,500	64,500	0	0
Angus C. Morrison	47,500	44,500	0	0

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(1) Shares represented were not exercisable as of January 1, 2000, and future exercisability is subject to the executive's remaining employed by the Company for up to four years from grant date of options.

Change in Control Arrangements

The Company has agreements with the named executive officers which provide severance benefits in the event of termination of employment under certain circumstances following a change in control of the Company (as defined). The circumstances are:

- termination by the Company, other than because of death or disability commencing prior to a threatened change in control (as defined);

- for cause (as defined); or

- by an officer as the result of a voluntary termination (as defined).

Following any such termination, in addition to compensation and benefits already earned, the officer will be entitled to receive a lump sum severance payment equal to up to three times the officer's annual rate of base salary.

Cause for termination by the Company is the:

- commission of any act that constitutes, on the part of the officer,

  (a) fraud, dishonesty, gross negligence, or willful misconduct and
  (b) that directly results in material injury to the Company, or

- officer's material breach of the agreement, or

- officer's conviction of a felony or crime involving moral turpitude.

Circumstances which would entitle the officer to terminate as a result of voluntary termination following a change in control include, among other things:

- the assignment to the officer of any duties inconsistent with the officer's title and status in effect prior to the change in control or threatened change in control;

- a reduction by the Company of the officer's base salary;

- the Company's requiring the officer to be based anywhere other than the Company's principal executive offices;

- the failure by the Company, without the officer's consent, to pay to the officer any portion of the officer's then current compensation;

- the failure by the Company to continue in effect any material compensation plan in which the officer participates immediately prior to the change in control or threatened change in control; or

- the failure by the Company to continue to provide the officer with benefits substantially similar to those enjoyed by the officer under any of the Company's life insurance, medical, or other plans.

The term of each agreement is for a rolling three years unless the Company gives notice that it does not wish to extend such term, in which case the term of the agreement would expire three years from the date of the notice.

REPORT OF THE COMPENSATION COMMITTEE

A. General

The Compensation Committee (the Committee) determines the compensation of the executive officers of the Company and also administers and makes awards of equity compensation under Vista's equity programs. None of the members of the Committee is an officer or employee of the Company.

Compensation Philosophy

The compensation philosophy of the Company is based on the premise that the Company's achievements result from the coordinated efforts of its employees. The Company strives to achieve those objectives through teamwork that is focused on meeting the expectations of customers and shareholders.

Goals of the Compensation Program

The goals of the compensation program are to:

- Link compensation with business objectives and performance

- Enable the Company to attract, retain, and reward executive officers who contribute to the long-term success of the Company.

Components

The program consists of three components:

- Salaries. Salaries are based on compensation studies of comparable positions in the Company's market area and on the Committee's assessment of the individual's performance. Generally, the Company's objective is to set executive salaries at or near the midpoint of the survey range of salaries for similar positions at other companies. Salaries are reviewed on an annual basis.

- Annual Incentive Compensation. The Company has adopted a plan under which the Committee will award annual incentive compensation only if the Company has met certain financial goals (based on defined improvement in earnings per share) and if the executive meets defined individual performance goals. Both conditions must be met; as a result, if the Company does not meet its financial goals, the Committee will not approve awards of annual incentive compensation, even if the executive has met the individual goals.

- Equity Compensation. Each year, the Committee grants stock options to administrative and field level employees. In 1999, the Committee approved guidelines for annual grants of stock options to the executive officers of the Company. These guidelines contemplate annual grants of 40,000 shares to the chief executive officer and 12,000 to the executive officers of the Company. The Committee approved these guidelines on the basis of a report submitted by independent compensation consultants.

B. 1999 Compensation Decisions

The Company's financial performance in 1999 had a significant impact on the Committee's actions this year.

- Salaries. Because of the significant operational and financial issues facing the Company in 1999, the Committee did not implement any proposed salary increases. [Because of raises awarded during 1998 (and therefore applicable to only a portion of 1998), the summary compensation table on page 30 sets forth different salaries for 1998 and 1999.]

- Annual Incentive Compensation. The Company did not meet its financial goals for 1999. As a result, the Committee did not approve any awards of incentive compensation.

- Equity Compensation. In May 1999, the Committee approved annual grants of stock options to executive officers in the amounts contemplated by the guidelines described above. In October, the Committee approved a grant of an option covering 100,000 shares to Mr. Socha in consideration of Mr. Socha's prior experience as well as the position and duties he would assume. In addition, in 1999 the Committee approved grants of options to three executive officers (including Mr. Krause) to replace stock options which had expired. The earlier grants had been for five-year terms. Because the Company has changed its policies to provide for options with ten-year terms, the Committee awarded the replacement options with five-year terms (at the same exercise price as in the original stock options).

C. Internal Revenue Code

Section 162(m) of the Internal Revenue Code limits to $1 million the deductibility of compensation paid to the Company's five most highly compensated officers, unless the Company meets certain requirements. One requirement is that the Committee consist entirely of outside directors. The Committee meets this requirement. Because the stock option plan of the Company was approved by our shareholders, grants of stock options under the Company's stock option plan meet the requirement that such awards be approved by the shareholders. With respect to salary compensation under Section 162(m), the Committee has not adopted any policies because total salary compensation of each executive officer is well below $1 million.

COMPENSATION COMMITTEE

David I. Fuente (Chairman)
Ronald J. Green
James E. Kanaley

PERFORMANCE GRAPH

NOTE: The stock price performance shown on the graph below is not necessarily indicative of future price performance.

[PERFORMANCE GRAPH WHICH APPEARS HERE IS REPRESENTED BY THE TABLE BELOW.]

CUMULATIVE TOTAL RETURN
Based upon an initial investment of $100 on December 31, 1994
with dividends reinvested

	31-Dec-94	30-Dec-95	28-Dec-96	3-Jan-98	2-Jan-99	1-Jan-00
Vista Eyecare, Inc.	$100	$80	$110	$160	$143	$28
Nasdaq Composite Index	$100	$141	$174	$213	$300	$542
Nasdaq Retail Group	$100	$110	$131	$154	$188	$182

SOURCE: GEORGESON SHAREHOLDER COMMUNICATIONS INC.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company is not aware of any person who, on March 1, 2000, was the beneficial owner of five percent (5%) or more of outstanding shares of Common Stock, except as set forth below.

	Amount and Nature of Beneficial Ownership	Percent of Class
Campbell B. Lanier, III	4,361,187(a)(b)	20.6
Rayna Casey	1,808,152(c)	8.5

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(a) Includes shares owned by the following individuals and entities, who may be deemed a "group" within the meaning of the beneficial ownership provisions of the federal securities laws: Mr. Lanier (836,957 shares); Mr. Lanier's wife (750 shares); Campbell B. Lanier, IV (25,550 shares); ITC Service Company (3,356,648 shares); William H. Scott, III (82,782 shares); Martha J. Scott (28,000 shares, inclusive of 10,000 shares owned by the Scott Trust, of which Ms. Scott is the sole trustee); William H. Scott, III Irrevocable Trust F/B/O Martha Scott (the "Scott Trust") (10,000 shares); Bryan W. Adams (8,000 shares).
(b) Includes 22,500 shares which Mr. Lanier has the right to acquire under the Company's Non-Employee Director Stock Option Plan.
(c) Includes 159,948 shares owned by a trust of which Ms. Casey is the trustee and her daughter the beneficiary. Ms. Casey's address is 712 West Paces Ferry Road, Atlanta, Georgia.

The following table sets forth information, as of March 1, 2000, concerning beneficial ownership by all directors and nominees, by each of the executive officers named in the Summary Compensation Table below, and by all directors and executive officers as a group. Percent of Number of Shares Outstanding Name and Address of Beneficial Owner(1) Beneficially Owned Common Stock

Campbell B. Lanier, III................	4,361,187(2)(3)	20.6
James W. Krause.........................	494,444(4)	2.3
J. Smith Lanier, II.....................	302,235(3)(5)	1.4
Ronald J. Green.........................	111,500(3)(6)	*
Peter T. Socha..........................	100,000(7)	*
David I. Fuente.........................	50,500(3)	*
James E. Kanaley........................	0	*
Michael J. Boden........................	96,827(8)	*
Angus C. Morrison.......................	59,500(9)	*
Charles M. Johnson......................	58,350(10)	*
Eduardo A. Egusquiza....................	30,000(11)	*
All directors and executive officers as a group (sixteen persons)................	5,832,753	26.6

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* Represents less than one percent of the outstanding Common Stock.

(1) Unless otherwise indicated below, the address of the persons named is 296 Grayson Highway, Lawrenceville, GA 30045.

(2) See footnote (a) in table above.

(3) Includes 22,500 shares which this individual has the right to acquire under the Company's Non-Employee Director Stock Option Plan.

(4) Includes 262,500 shares which Mr. Krause has the right to acquire under the Company's Restated Stock Option and Incentive Award Plan (the "Plan"). Also includes 30,000 shares of restricted stock awarded under the Plan.

(5) Includes 1,800 shares owned by Mr. Lanier's wife, as to which he disclaims beneficial ownership.

(6) Includes 9,000 shares owned by Mr. Green's children, as to which he disclaims beneficial ownership.

(7) Represents 100,000 shares which Mr. Socha has the right to acquire under the Plan.

(8) Includes 83,750 shares which Mr. Boden has the right to acquire under the Plan. Also includes 10,000 shares of restricted stock awarded under the Plan.

(9) Includes 11,200 shares held as custodian for Mr. Morrison's children, 22,500 shares which Mr. Morrison has the right to acquire under the Plan, and 8,000 shares of restricted stock awarded under the Plan.

(10) Includes 45,000 shares which Mr. Johnson has the right to acquire under the Plan and 5,000 shares of restricted stock awarded under the Plan.

(11) Includes 25,000 shares which Mr. Egusquiza has the right to acquire under the Plan and 5,000 shares of restricted stock awarded under the Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company paid insurance premiums of approximately $1.5 million in 1999 for insurance policies purchased through an agency in which J. Smith Lanier, II, a director of the Company, has a substantial ownership interest. The Audit Committee (which has ratified the purchase of insurance by the Company from this insurance agency) and management of the Company believe that these premiums are comparable to those which could have been obtained from unaffiliated companies.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) and (2) The Consolidated Financial Statements and Schedule of the Company and its subsidiaries are filed as a separate section of this Report commencing on page F-1.

(3) We have filed or incorporated by reference the following exhibits:

Exhibit Number	Description
3.1	-- Amended and Restated Articles of Incorporation of the Company, dated April 8, 1992, along with Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company dated January 17, 1997, and Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company dated December 31, 1998, incorporated by reference to the Company's Form 8-K filed with the Commission on January 6, 1999.
3.2	-- 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.
4.1	-- Form of Common Stock Certificate, incorporated by reference to the Company's Registration Statement on Form 8-A filed with the Commission on January 17, 1997.
4.2	-- 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.
4.3	-- Indenture dated as of October 8, 1998, among the Company, the Guarantors and State Street Bank & Company, as Trustee (including form of Exchange Note), incorporated by reference to the Company's Registration Statement on Form S-4, registration number 333-71825, filed with the Commission on February 5, 1998, and amendments thereto.
4.4	-- Purchase Agreement dated as of October 8, 1998, among the Company, the Guarantors and the Initial Purchasers, incorporated by reference to the Company's Registration Statement on Form S-4, registration number 333-71825, filed with the Commission on February 5, 1998, and amendments thereto.
4.5	-- Registration Rights Agreement dated as of October 8, 1998, among the Company, the Guarantors and the Initial Purchasers, incorporated by reference to the Company's Registration Statement on Form S-4, registration number 333- 71825, filed with the Commission on February 5, 1998, and amendments thereto.

10.1 -- Sublease Agreement, dated December 16, 1991, by and between Wal-Mart Stores, Inc. and 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.

10.2 -- Form indemnification agreement for directors and executive officers of the Company, incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 1992.

10.3 -- Vision Center Master License Agreement, dated as of June 16, 1994, by and between Wal-Mart Stores, Inc. and the Company, incorporated by reference to the Company's Form 10-Q for the quarterly period ended September 30, 1994. [Portions of Exhibit 10.3 have been omitted pursuant to an order for confidential treatment granted by the Commission. The omitted portions have been filed separately with the Commission.]

10.4++ -- Split Dollar Life Insurance Agreement, dated as of November 3, 1994, among the Company, A. Kimbrough Davis, as Trustee, and James W. Krause, incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 1994.

10.5++ -- Level IV Management Incentive Plan, incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 1994.

10.6 -- Agreement dated as of November 23, 1995 by and between Mexican Vision Associates Operadora, S. de R.L. de C.V. and Wal-Mart de Mexico, S.A. de C.V. in original Spanish and an uncertified English translation, incorporated by reference to the Company's Form 10-K for the fiscal year ended December 30, 1995. [Portions of Exhibit 10.6 have been omitted pursuant to a request for confidential treatment filed with the Commission. The omitted portions have been filed separately with the Commission.]

10.7++ -- Executive Relocation Policy, incorporated by reference to the Company's Form 10-Q for the quarterly period ended March 30, 1996.

10.8++ -- Restated Stock Option and Incentive Award Plan, incorporated by reference to the Company's Form 10-Q for the quarterly period ended June 29, 1996.

10.9++ -- First Amendment to Restated Stock Option and Incentive Award Plan, incorporated by reference to the Company's Form 10-Q for the quarterly period ended March 29, 1997.

10.10++-- Form Change in Control Agreement for executive officers of the Company, incorporated by reference to the Company's Form 10-K for the fiscal year ended December 28, 1996.

10.11++-- Form Restricted Stock Award, incorporated by reference to the Company's Form 10-Q for the quarterly period ended March 29, 1997.

10.12++-- Restated Non-Employee Director Stock Option Plan, incorporated by reference to the Company's Form 10-Q filed on June 28, 1997.

10.13++-- Executive Deferred Compensation Plan, incorporated by reference to the Company's Form 10-K for the fiscal year ended January 3, 1998.

10.14 -- Credit Agreement dated October 8, 1998 by and among the Company, Bank of America, FSB, First Union National Bank and the financial institutions listed hereto, incorporated by reference to the Company's Registration Statement on Form S-4, registration number 333-71825, filed with the Commission on February 5, 1999, and amendments thereto.

10.15**-- Amended and Restated Credit Agreement dated as of November 12, 1999 by and between the Company and Foothill Capital Corporation.

10.16**-- Agreement dated as of September 9, 1999, by and among the Company, ITC Service Company, and Campbell B. Lanier, III.

21** -- Subsidiaries of the Registrant.

23** -- Consent by Arthur Andersen LLP.

27** -- Financial Data Schedule.

** Filed with this Form 10-K.

++ Management contract or compensatory plan or arrangement in which a director or named executive officer participates.

(b) The following reports on Form 8-K have been filed during the last quarter of the period covered by this report:.

Date of Report	Item Reported	Financial Statements Filed
October 19, 1999	Item 5	None

VISTA EYECARE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE
AS OF JANUARY 1, 2000, JANUARY 2, 1999 AND JANUARY 3, 1998
TOGETHER WITH
AUDITORS' REPORT

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

The following consolidated financial statements and schedule of the registrant and its subsidiaries are submitted herewith in response to Item 8 and Item 14(a)1 and to Item 14(a)2, respectively.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or have been disclosed in the notes to consolidated financial statements and, therefore, have been omitted.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Vista Eyecare, Inc.
and Subsidiaries:

We have audited the accompanying consolidated balance sheets of VISTA EYECARE, INC. (a Georgia corporation) AND SUBSIDIARIES as of January 1, 2000 and January 2, 1999 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended January 1, 2000. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vista Eyecare, Inc. and subsidiaries as of January 1, 2000 and January 2, 1999 and the results of their operations and their cash flows for each of the three years in the period ended January 1, 2000 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company incurred a net loss in 1999 and has a net working capital deficiency of approximately $11.7 million at January 1, 2000. In addition, the Company filed voluntary petitions with the United States Bankruptcy Court for reorganization under Chapter 11. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 3. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 17, 2000
(except for the matter
discussed in Note 3,
as to which the date
is April 5, 2000)

VISTA EYECARE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
January 1, 2000 and January 2, 1999
(In thousands except share information)

	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,886	$ 7,072
Accounts receivable (net of allowance: 1999 - $4,403; 1998 - $1,516)	10,416	10,135
Inventories	34,373	31,670
Other current assets	2,761	2,899
Total current assets	50,436	51,776
PROPERTY AND EQUIPMENT:		
Equipment	57,750	54,396
Furniture and fixtures	26,600	23,124
Leasehold improvements	28,458	26,806
Construction in progress	3,427	2,022
	116,235	106,348
Less accumulated depreciation	(62,329)	(48,305)
Net property and equipment	53,906	58,043
OTHER ASSETS AND DEFERRED COSTS (net of accumulated amortization: 1999 - $1,500; 1998 - $1,292)	9,315	9,953
DEFERRED INCOME TAX ASSET	385	385
GOODWILL AND OTHER INTANGIBLE ASSETS (net of accumulated amortization: 1999 - $6,994; 1998 - $2,544)	106,177	108,940
	$ 220,219	$ 229,097

	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 17,192	$ 18,925
Accrued expenses and other current liabilities	24,568	26,637
Current portion other long-term debt and capital lease obligations	1,098	2,006
Revolving credit facility and term loan	19,292	--
Total current liabilities	62,150	47,568
SENIOR NOTES (net of discount: 1999 - $1,253; 1998 - $1,391)	123,747	123,609
REVOLVING CREDIT FACILITY	--	6,000
OTHER LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	6,865	7,223
COMMITMENTS AND CONTINGENCIES (Note 11)		
REDEEMABLE COMMON STOCK	900	770
SHAREHOLDERS' EQUITY:		
Preferred stock, $1 par value; 5,000,000 shares authorized, none issued	--	--
Common stock, $0.01 par value, 100,000,000 shares authorized, 21,179,103 and 21,166,612 shares issued and outstanding as of January 1, 2000 and January 2, 1999, respectively	211	211
Additional paid-in capital	47,387	47,195
Retained (deficit)earnings	(16,968)	594
Accumulated other comprehensive income	(4,073)	(4,073)
Total shareholders' equity	26,557	43,927
	$ 220,219	$ 229,097

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

VISTA EYECARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended January 1, 2000, January 2, 1999, and January 3, 1998
(In thousands except per share information)

	For the years ended		
	January 1, 2000	January 2, 1999	January 3, 1998
NET SALES	$ 329,055	$ 245,331	$ 186,354
COST OF GOODS SOLD	147,768	112,929	86,363
GROSS PROFIT	181,287	132,402	99,991
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	177,162	121,413	89,156
IMPAIRMENT LOSS ON LONG-LIVED ASSETS	1,952	--	--
OPERATING INCOME	2,173	10,989	10,835
INTEREST EXPENSE, NET	19,329	5,538	1,554
INCOME/(LOSS) BEFORE INCOME TAXES	(17,156)	5,451	9,281
INCOME TAX EXPENSE	--	2,037	3,708
NET INCOME/(LOSS) BEFORE EXTRAORDINARY ITEM	$ (17,156)	$ 3,414	$ 5,573
EXTRAORDINARY LOSS, NET OF TAXES	(406)	--	--
NET INCOME/(LOSS)	$ (17,562)	$ 3,414	$ 5,573
BASIC EARNINGS/(LOSS) PER SHARE:			
EARNINGS/(LOSS) BEFORE EXTRAORDINARY ITEM	$ (0.81)	$ 0.16	$ 0.27
EXTRAORDINARY LOSS	(0.02)	--	--
NET EARNINGS/(LOSS)PER BASIC SHARE	$ (0.83)	$ 0.16	$ 0.27
DILUTED EARNINGS/(LOSS) PER SHARE:			
EARNINGS/(LOSS) BEFORE EXTRAORDINARY ITEM	$ (0.81)	$ 0.16	$ 0.27
EXTRAORDINARY LOSS	(0.02)	--	--
NET EARNINGS/(LOSS)PER DILUTED SHARE	$ (0.83)	$ 0.16	$ 0.27

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

VISTA EYECARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended January 1, 2000, January 2, 1999, and January 3, 1998
(In thousands except share information)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
BALANCE, December 28, 1996	20,644,752	$ 206	$ 42,166	$ (8,393)	$ (4,073)	$ 29,906
Issuance of common stock	110,795		66			66
Awards of restricted stock	54,000	1	35			36
Exercise of stock options	10,408		17			17
Net income				5,573		5,573
BALANCE, January 3, 1998	20,819,955	207	42,284	(2,820)	(4,073)	35,598
Awards of restricted stock	52,000	1	121			122
Exercise of stock options	294,657	3	1,482			1,485
Tax settlement (see Note 11)			3,308			3,308
Net income				3,414		3,414
BALANCE, January 2, 1999	21,166,612	211	47,195	594	(4,073)	43,927
Restricted stock			136			136
Exercise of stock options	12,491		56			56
Net loss				(17,562)		(17,562)
BALANCE, January 1, 2000	21,179,103	$ 211	$ 47,387	$ (16,968)	$ (4,073)	$ 26,557

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

VISTA EYECARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended January 1, 2000, January 2, 1999, and January 3, 1998
(In thousands)

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income/(loss)	$(17,562)	$ 3,414	$ 5,573
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	18,602	14,177	11,035
Provision for deferred income tax expense	--	1,173	1,441
Impairment of long-lived assets	1,952	--	--
Extraordinary loss	406	--	--
Other	(459)	936	319
Changes in operating assets and liabilities, net of effects of acquisitions:			
Receivables	(281)	(1,504)	(875)
Inventories	(2,703)	1,304	2,031
Store preopening costs	--	--	(643)
Other current assets	138	(1,630)	612
Accounts payable	(1,733)	(410)	(1,872)
Accrued expenses	(2,069)	(7,691)	3,117
Total adjustments	13,853	6,355	15,165
Net cash (used in) provided by operating activities	(3,709)	9,769	20,738
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(12,704)	(9,183)	(8,049)
Acquisitions, net of cash acquired	--	(97,357)	(1,772)
Proceeds from sale of property and equipment	955	--	--
Payment for non-competition agreement	--	--	(484)
Purchase of assignment agreement	--	--	(500)
Net cash used in investing activities	(11,749)	(106,540)	(10,805)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from sale of senior notes, net of discount	--	123,580	--
Advances on revolving credit facility	79,238	52,500	5,500
Repayments on revolving credit facility	(65,946)	(66,000)	(12,500)
Principal payment on notes payable and capital leases	(1,265)	(436)	(1,450)
Proceeds from exercise of stock options	56	1,485	17
Deferred financing costs	(811)	(9,845)	(51)
Net cash provided by (used in) financing activities	11,272	101,284	(8,484)
NET INCREASE (DECREASE) IN CASH	(4,186)	4,513	1,449
CASH, beginning of year	7,072	2,559	1,110
CASH, end of year	$ 2,886	$ 7,072	$ 2,559

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

1. ORGANIZATION AND OPERATIONS

Vista Eyecare, Inc., formerly National Vision Associates, Ltd., (the "Company") is engaged in the retail sale of optical goods and services. The Company is largely dependent on Wal-Mart Stores, Inc. ("Wal-Mart") for continued operation of vision centers which generate a significant portion of the Company's revenues (See Note 5). In October 1997, the Company acquired the capital stock of Midwest Vision, Inc., a retail optical company with 51 locations in Minnesota and three adjoining states. In July 1998, the Company acquired the capital stock of Frame-n-Lens Optical, Inc., which operated approximately 280 vision centers, mainly in the western United States. In October 1998, the Company acquired the capital stock of New West Eyeworks, Inc. which operated approximately 175 vision centers in 13 states (See Note 6).

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company operates on a 52/53 week retail calendar with the fiscal year ending on the Saturday closest to December 31. Pursuant to such calendar, financial information for each of 1998 and 1996 is presented for the 52-week period ended January 2 and December 28, respectively. Fiscal 1997 consisted of 53 weeks ended January 3, 1998. Due to various statutory and other considerations, international operations were not changed to this 52/53 week calendar. To allow for more timely consolidation and reporting, international operations are reported using a fiscal year ending November 30.

Certain amounts in the January 2, 1999 and January 3, 1998 consolidated financial statements have been reclassified to conform to the January 1, 2000 presentation.

Revenue Recognition

The Company recognizes revenues and the related costs from retail sales when at least 50% of the payment has been received.

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 is required to apply the guidance in SAB 101 to the financial statements no later than the second quarter of 2000. The Company is currently reviewing the requirements of SAB 101 and assessing its impact on the consolidated financial statements. The Company anticipates reporting the impact in the second quarter of 2000 as a cumulative effect adjustment to the consolidated financial statements resulting from a change in accounting principles.

Cash and Cash Equivalents

The Company considers cash on hand, short-term cash investments, and checks that have not been processed by financial institutions to be cash and cash equivalents. The aggregate amount of outstanding checks not processed at January 1, 2000 was $556,000 (at January 2, 1999 - $816,000). The Company's policy is to maintain uninvested cash at minimal levels. Cash includes cash equivalents which represent highly liquid investments with a maturity of one month or less. The carrying amount approximates fair value. The Company restricts investment of temporary cash investments to financial institutions with high credit standings.

Inventories

Inventories are valued at the lower of weighted average cost or market. Market represents the net realizable value.

Store Preopening Costs

Prior to 1998, preopening costs which were directly associated with the opening of new vision centers have been capitalized and amortized using the straight-line method over 12 months beginning with the commencement of each vision center's operations. The average cost capitalized per vision center approximated $20,000. Effective in 1998, preopening costs are expensed as incurred in accordance with AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities."

Property and Equipment

Property and equipment are stated at cost. For financial reporting purposes, depreciation is computed using the straight-line method over the assets' estimated useful lives or terms of the related leases, whichever is shorter. Accelerated depreciation methods are used for income tax reporting purposes. For financial reporting purposes, the useful lives used for computation of depreciation range from five to ten years for equipment, from three to nine years for furniture and fixtures, from three to six years for hardware and software related to information systems processing, and from five to nine years which approximate the remaining lease term for leasehold improvements. At the time property and equipment are retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income. Periodically, the Company evaluates the net book value of property and equipment for impairment. This evaluation is performed for retail locations and compares management's best estimate of future cash flows with the net book value of the property and equipment. See Note 4 for a discussion of impaired property and equipment in 1999. Maintenance and repairs are charged to expense as incurred. Replacements and improvements are capitalized.

Balance Sheet Financial Instruments: Fair Values

The carrying amount reported in the consolidated balance sheets for cash, accounts receivable, accounts payable and short-term debt approximates fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for "Revolving Credit Facility-Long-Term" approximates fair value because the underlying instrument is a variable rate note that reprices frequently. The fair value of the Company's previous fixed interest rate swap agreements and fixed rate debt was based on estimates using standard pricing models that take into consideration current interest rate market conditions supplied by independent financial institutions.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable. The risk is limited due to the large number of individuals and entities comprising the Company's customer base.

Goodwill and other Intangible Assets

Goodwill and other intangible assets represent the excess of the cost of net assets acquired in certain contract transactions and business acquisitions over their fair value. Such amounts are amortized over periods ranging from 11 years to 30 years. The Company periodically evaluates the carrying value of goodwill and other intangible assets based on the expected future undiscounted operating cash flows of the related business unit.

Income Taxes

Deferred income taxes are recorded using current enacted tax laws and rates. Deferred income taxes are provided for depreciation, inventory basis differences, and accrued expenses where there is a temporary difference in recording such items for financial reporting and income tax reporting purposes.

Other Deferred Costs

Other deferred costs include capitalized financing costs which are being amortized on a straight line basis over periods from three to seven years to correspond with the terms of the underlying debt. In addition, certain capitalized assets resulting from contractual obligations are included and are being amortized on a straight line basis over periods of up to five years.

Advertising and Promotion Expense

Production costs of future media advertising and related promotion campaigns are deferred until the advertising events occur. All other advertising and promotion costs are expensed over the course of the year in which they are incurred.

Interest Expense, Net

Interest expense includes interest on debt and capital lease obligations, purchase discounts on invoice payments, the amortization of finance fees, as well as hedge and swap agreements, and the amortization of the discount on the senior notes.

Foreign Currency Translation

The financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52 ("SFAS No. 52"). Translation adjustments, which result from the process of translating foreign financial statements into U.S. dollars, are accumulated as a separate component of other comprehensive income.

Other Comprehensive Income

In July 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income." The statement addresses the reporting and display of changes in equity that result from transactions and other economic events, excluding transactions with owners. The adoption of SFAS No. 130 did not have a material impact on the Company's financial statements, as comprehensive income was equal to net income in 1999, 1998 and 1997.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

3. SUBSEQUENT EVENTS AND GOING CONCERN MATTERS

Proceedings Under Chapter 11 of the Bankruptcy Code

On April 5, 2000, the Company and ten of its subsidiaries (collectively, the "Debtors") filed voluntary petitions with the United States Bankruptcy Court for the Northern District of Georiga for reorganization under Chapter 11 (the "Chapter 11 Cases"). The Chapter 11 Cases have been consolidated for the purpose of joint administration under Case No. 00-65214. The Debtors are currently operating their businesses as debtors-in-possession pursuant to the Bankruptcy Code. All affiliated entities of the Company are included in the Chapter 11 Cases, except only (a) three subsidiaries which are licensed managed care organizations and (b) foreign subsidiaries of the Company.

The Debtors expect to file a reorganization plan or plans that provide for emergence from bankruptcy in 2000 or 2001. Management anticipates that its reorganization plan will include closing additional under-performing stores and restructuring the Company's debt and equity. There can be no assurance that a reorganization plan or plans will be proposed by the Debtors or confirmed by the Bankruptcy Court, or that any such plan(s) will be consummated. A plan of reorganization could result in holders of the Common Stock receiving no value for their interests. Because of such possibilities, the value of the Common Stock is highly speculative.

Debtor-in Possession Financing

On April 5, 2000, the Bankruptcy Court entered an interim order permitting the Company to enter into debtor-in possession financing with Foothill Capital Corporation (the "DIP Facility"). The DIP Facility remains subject to final Bankruptcy Court approval. A hearing for this purpose has been set for May 3, 2000. See Item 1 - "Business - Chapter 11 Cases." If and when approved by the Bankruptcy Court in a final order, the DIP Facility will refinance all amounts previously outstanding under the Foothill Credit Facility and provide additional working capital. As of April 5, 2000, the Company had borrowed a total of $15.4 million (inclusive of the $12.5 million term loan portion) under the Foothill Credit Facility.

Under the facility, the Company may borrow up to $25 million (inclusive of amounts outstanding under the Foothill Credit Facility), subject to certain limitations, to fund ongoing working capital needs while it prepares a reorganization plan. The DIP Facility includes a maximum of $12.5 million in revolving loans. The DIP Facility also contains a $12.5 million term loan bearing interest at 15% per annum. The DIP Facility requires that the Company have a rolling twelve month EBITDA of no less than $15 million during its term, which expires on May 31, 2001. Events occuring in the Chapter 11 Cases could result in earlier termination. The DIP Facility includes a $4 million sub-facility for letters of credit. Interest rates on the revolver portion of the DIP Facility are based on either the Wells Fargo Bank, N.A. Base Rate plus 2% or the Adjusted Eurodollar Rate plus 3.25%. The DIP Facility is secured by substantially all of the assets of the Company and its subsidiaries, subject only to valid, enforceable, subsisting and non-voidable liens of record as of the date of commencement of the Chapter 11 Cases and other liens permitted under the DIP Facility.

The DIP Facility contains customary covenants including, among others, covenants restricting the incurrence of indebtedness, the creation or existence of liens, the guarantee of other indebtedness, the declaration or payment of dividends, the repurchase or redemption of debt and equity securities of the Company, change in business activities, affiliate transactions, change in key management and certain corporate transactions, such as sales and purchases of assets, mergers, or consolidations. The DIP Facility also limits capital expenditures, investments, prepayments of other indebtedness, and requires the delivery of financial and other information to Foothill. The DIP Facility also contains certain customary default provisions and also specifies certain possible occurrences in the Chapter 11 Cases which could result in events of default.

Availability under the DIP Facility is limited to certain percentages of accounts receivable and inventory, subject to other limitations based on rolling twelve-month historical EBIDTA and rolling 60-day cash collections.

The Company believes the DIP Facility (if approved by the Bankruptcy Court in a final order) should provide it with adequate liquidity to conduct its operations while it prepares a reorganization plan. However, the Company's liquidity, capital resources, results of operations and ability to continue as a going concern are subject to known and unknown risks and uncertainties. See Item 7 - "Management's Discussion and Analysis and Results of Operations - Risk Factors."

Going Concern Matters

The accompanying consolidated financial statements have been prepared on a going concern basis of accounting and do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's recent losses and negative cash flows from operations, and the Chapter 11 Cases, raise substantial doubt about the Company's ability to continue as a going concern. As discussed above, management intends to submit a plan for reorganization to the Bankruptcy Court. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, (i) the Company's ability to obtain and comply with debtor-in-possession financing agreements, (ii) confirmation of a plan of reorganization under the Bankruptcy Code, (iii) the Company's ability to achieve profitable operations after such confirmation, and (iv) the Company's ability to generate sufficient cash from operations to meet its obligations.

Management believes that, subject to the approval of the Bankruptcy Court, the DIP Facility, along with cash provided by operations, will provide sufficient liquidity to allow the Company to continue as a going concern; however, there can be no assurance that the sources of liquidity will be available or sufficient to meet the Company's needs. The consolidated financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

A plan of reorganization could materially change the amounts currently recorded in the consolidated financial statements. The consolidated financial statements do not give effect to any adjustment to the carrying value of assets or amounts and classifications of liabilities that might be necessary as a result of the Chapter 11 Cases.

4. SIGNIFICANT PROVISIONS

Provision for Managed Care Receivables

During 1999, the Company continued its efforts with its third party processor to timely collect managed care receivable accounts. In the fourth quarter, management concluded these efforts were not achieving anticipated results and, consequently, determined an additional provision for doubtful accounts was warranted.

Impairment loss of long-lived assets

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), the Company periodically reviews the recorded value of its long-lived assets to determine if the future cash flows derived from these properties will be sufficient to recover the remaining recorded asset values. As a result of this review in the fourth quarter of 1999, the Company recorded a noncash pre-tax charge of $1.9 million. The write-down primarily represents leasehold improvements and furniture and fixtures for 36 under-performing stores. The 36 stores are concentrated in Florida and California. Factors leading to the impairment of these assets included a combination of historical losses, anticipated future losses and inadequate cash flows.

Extraordinary Item

The Company recorded an extraordinary loss of $406,000 as a result of refinancing the Company's revolving credit facility. (See Note 8). This necessitated the write-off of capitalized costs associated with the previous credit facility. Due to the Company's decision to fully reserve for the 1999 tax benefit, the net tax effect on the extraordinary item is zero.

5. WAL-MART MASTER LICENSE AGREEMENT AND OTHER AGREEMENTS

Wal-Mart Agreement

In 1994, the Company and Wal-Mart replaced their original agreement with a new master license agreement (the "Wal-Mart Agreement"), which increased minimum and percentage license fees payable by the Company and also granted the Company the opportunity to operate up to 400 vision centers in existing and future Wal-Mart stores (379 vision centers were in operation under the Wal-Mart Agreement at fiscal year end 1999). In January 1995, the Company made a lump sum payment in exchange for such opportunity. The payment is being amortized over the initial term of the vision centers opened subsequent to January 1, 1995. In 1997, the Wal-Mart Agreement was amended to provide that Wal-Mart must, by April 1, 2000, grant the Company the opportunity to operate 400 vision centers under the Wal-Mart Agreement, and that, with one exception, all new vision centers opened after 1997 will be located in California and North Carolina. Each vision center covered by the Wal-Mart Agreement has a separate license. Pursuant to the Wal-Mart Agreement, the term of each such license is nine years with a renewable option for one additional three-year term. Percentage license fees remain the same over the nine-year base term and three- year option term, whereas minimum license fees increase during the three-year option term.

Consulting and Management Agreement

Among other things, the Wal-Mart Agreement requires an independent, licensed optometrist to practice adjacent to or near each of the Company's vision centers for at least 48 hours per week. In 1990, the Company entered into a long-term consulting and management service agreement, as amended, with two companies (Eyecare Leasing, Inc. ("ELI") and Stewart-Phillips, Inc. ("SPI")) jointly owned by two shareholders to recruit such optometrists for certain of its vision centers. Subject to applicable state regulations, this agreement, among other things, required the Company to provide space and certain equipment to the optometrists for which the optometrists pay the Company an occupancy fee. In exchange for their services, ELI and SPI received certain fees under the agreement. The net payments offset occupancy expense incurred by the Company. Occupancy expense is a component of cost of goods sold.

In January 1997, the Company completed various transactions related to its relationship with each of ELI and SPI. The transactions involved the termination of such consulting agreement and transfer of the responsibilities of ELI and SPI to a subsidiary of the Company. As a result of these transactions, the Company acquired the right to the payments which otherwise would have been made to ELI and SPI under the consulting agreement. The aggregate cost of the transactions was $4.6 million, which was capitalized as an intangible asset and is being amortized over the remaining life of the original term of vision center leases. The Company made a lump sum payment of $500,000 at closing and entered into promissory obligations for the balance, payable over a 12-year period at 6.4% interest.

Mexico Agreement

In 1994, the Company opened 8 vision centers in stores owned and operated by Wal-Mart de Mexico, S.A. de C.V. ("Wal-Mart de Mexico"). In 1995, the Company completed the negotiation of a master license agreement governing these vision centers. Pursuant to this agreement, each vision center has an individual base term of five years from the date of opening, followed by two options (each for two years), and one option for one year. Each party has the right to terminate a location which fails to meet specified sales levels. The agreement provides for annual fees based on a minimum and percentage of sales. The agreement also gives the Company a right of first refusal to open vision centers in all stores in Mexico owned by Wal-Mart de Mexico. As of January 1, 2000, the Company operated 27 vision centers in Wal- Mart de Mexico stores.

Sam's Club

The Company also operates 111 vision centers in Sam's Club stores in 21 states. Each such vision center is subject to a separate lease, which provides for payment of percentage and minimum rent and other customary terms and conditions. The leases for these vision centers began expiring in 1998 and the term for the remaining leases will expire at various times through 2003. The Company has no option or right to extend the term of these leases.

Fred Meyer

The Company operates 54 leased vision centers in stores owned by Fred Meyer pursuant to a master license agreement. The agreement provides for minimum and percentage rent and other customary terms and conditions. The term of the agreement is for five years (expiring December 31, 2003), with a five-year option.

6. ACQUISITIONS

On July 28, 1998, the Company acquired all the outstanding capital stock of Frame-n-Lens Optical, Inc. ("Frame-n-Lens") in a transaction accounted for as a purchase business combination. Prior to the acquisition, Frame-n-Lens operated approximately 280 retail optical centers in 23 states. The aggregate purchase price was $50 million of which $23 million was paid in cash and additional borrowings from the Company's credit facilities, $24 million was assumed in debt and liabilities, and $3 million was established as a deferred purchase obligation to be paid in quarterly installments over six years.

The Company has deposited installment payments of the deferred purchase obligation into a separate Company bank account. As of January 1, 2000, the Company had deposited a total of $833,000 which is included in the Company's cash balance. The Company has the right to withhold payment of the deferred purchase obligation based upon the identification of any undisclosed liabilities. The Company is currently defending a class-action lawsuit which was filed against Frame-n-Lens and which was not disclosed to the Company at the time of acquisition. Although management cannot predict the outcome of this litigation, we believe that the amount accrued for the deferred purchase obligation will be sufficient to cover any costs incurred related to this lawsuit.

The excess of cost over fair value of assets acquired was $41 million, and is being amortized over 30 years using the straight-line method. At the date of acquisition the assets of Frame-n-Lens included approximately $9 million of goodwill. Frame-n-Lens' financial position and results of operations are included with those of the Company for the periods subsequent to the date of the acquisition.

On October 23, 1998, the Company acquired all the outstanding capital stock of New West Eyeworks, Inc. ("New West") in a transaction accounted for as a purchase business combination. Prior to the acquisition, New West operated approximately 175 retail optical centers in 13 states. The aggregate purchase price was $79 million, including the assumption of certain indebtedness and acquisition-related expenses which were paid with a portion of the proceeds of the Company's 12 3/4% Senior Notes due 2005 (the "Notes") (See Note 8 to consolidated financial statements). In September 1999, the Company sold the Tempe manufacturing facility acquired from New West Eyeworks for approximately $1 million.

The excess of cost over fair value of the assets acquired was $64 million and is being amortized over 30 years using the straight-line method. New West's financial position and results of operations are included with those of the Company in the period subsequent to the date of the acquisition.

The following summary prepared on an unaudited basis presents the results of operations of the Company combined with Frame-n-Lens and New West as if the acquisitions had occurred at the beginning of the periods presented, after the impact of certain adjustments. These adjustments include 1) the cost savings related to the consolidation of duplicative manufacturing and administrative support facilities, 2) the amortization of goodwill, 3) increased interest expense on the acquisition debt, 4) elimination of interest on debt repaid with proceeds from the Notes and 5) the related income tax effects for the following year ended (amounts in thousands, except per share amounts):

	January 2, 1999 (unaudited)	January 3, 1998 (unaudited)
Net sales	$ 325,670	$ 313,937
Operating income	$ 15,831	$ 18,518
Net (loss)	$ (2,811)	$ (475)
(Loss) per share	$ (0.13)	$ (0.02)

The pro forma results are not necessarily indicative of what actually would have occurred if the acquisitions had occurred as of the beginning of the periods presented.

In October 1997, the Company acquired all the outstanding common stock of Midwest Vision, Inc. ("Midwest") in a transaction accounted for as a purchase business combination. Prior to the acquisition, Midwest operated 51 retail optical centers in Minnesota, Wisconsin, Iowa and North Dakota. The aggregate purchase price was approximately $5 million, including assumed long-term debt of approximately $1 million. The excess of cost over fair value of the assets acquired was $2 million and is being amortized on a straight-line basis over 15 years. The purchase price was paid in cash of $2 million, a note payable of $0.6 million and 110,975 shares of the Company's common stock. In addition, the Company issued a put option to the seller, entitling the seller to put 100,000 of such shares to the Company at $9.00 per share in January 2000. Subsequent to January 1, 2000, the seller exercised the put option. The Company has not paid this obligation. Any claims asserted by the seller will be addressed during the Company's Chapter 11 proceedings. (See Note 3 to Consolidated Financial Statements.) The additional obligation has been reflected as redeemable common stock.

7. INVENTORY

The Company classifies inventory as finished goods if such inventory is readily available for sale to customers without assembly or value added processing. Finished goods include contact lenses, over the counter sunglasses and accessories. The Company classifies inventory as raw material if such inventory requires assembly or value added processing. This would include grinding a lens blank, "cutting" the lens in accordance with a prescription from an optometrist, and fitting the lens in a frame. Frames and uncut lens are considered raw material. A majority of the Company's sales represent custom orders; consequently, the majority of the Company's inventory is classified as raw material.

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

	1999	1998
Raw material	$ 24,408	$ 22,814
Finished goods	8,804	7,634
Supplies	1,161	1,222
	$ 34,373	$ 31,670

8. LONG-TERM DEBT

Senior Notes

On October 8, 1998, the Company issued its $125 million 12 3/4% Senior Notes due 2005 (the "Notes") pursuant to Rule 144A of the Securities Act. The Notes, which were sold at a discount for an aggregate price of $123.6 million, require semiannual interest payments commencing on April 15, 1999. The Notes were issued pursuant to an indenture containing customary provisions including: limitations on incurrence of additional indebtedness; limitations on restricted payments; limitations on asset sales; payment restrictions affecting subsidiaries; limitations on liens; limitations on transactions with affiliates; and other customary terms. In the event of a Change of Control (as defined), the Company will be required to offer to repurchase the Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest. The Notes are guaranteed by a majority of the Company's subsidiaries and are redeemable at the option of the Company, in whole or in part, at 105% of their principal amount beginning October 15, 2003 and at 100% on or after October 15, 2004. In addition, the Company may, at its option, redeem up to 35% of the Notes, plus accrued interest, with the net cash proceeds of one or more equity offerings at a redemption price equal to 112.75% of the principal amount (see Note 9 for financial information of guarantors).

A portion of the proceeds from the Notes was utilized to extinguish outstanding indebtedness on the Company's existing credit facility (such credit facility was terminated simultaneously with the repayment), with the remainder to be utilized to complete the acquisition of New West and pay for miscellaneous expenses related to the acquisitions of Frame-n-Lens and New West.

In anticipation of the Notes offering, the Company entered into three anticipatory hedging transactions with a notional amount of $100 million. The interest rates on these instruments were tied to U.S. Treasury securities and ranged from 5.43% to 5.62%. The Company settled these transactions for approximately $4.6 million. The settlement costs are being treated as deferred financing costs amortized over the life of the Notes.

Foothill Credit Facility

On November 12, 1999, the Company replaced its prior secured credit facility with a new $25.0 million secured credit facility with Foothill Capital Corporation (the "Foothill Credit Facility"). The Foothill Credit Facility consists of a $12.5 million term loan and a $12.5 million revolver. Availability under the revolver portion is limited to certain percentages of accounts receivable and inventory, subject to other limitations based on a rolling six-month historical EBITDA covenant and a rolling 60-day cash collections covenant. The Foothill Credit Facility expires on May 31, 2002.

The proceeds of the Foothill Credit Facility were available for making the October 15, 1999 payment under the Senior Notes, refinancing existing debt, working capital, and general corporate purposes. All obligations of the Company under the Foothill Credit Facility are unconditionally and irrevocably guaranteed jointly and severally by certain of the Company's subsidiaries.

The revolver under the Foothill Credit Facility bears interest at rates per annum equal to, at the option of the Company, either (i) Foothill's Reference Rate plus 2.00% or (ii) the LIBOR rate plus 3.25%. The term loan portion bears interest at the rate of 15% per annum and may be prepaid at any time, but only if at the time of the payment the Company meets certain minimum availability requirements. Payment of the principal of the term loan is due on May 31, 2002.

The Company paid origination fees of 0.50% and 2.00% on the revolver and the term loan portions, respectively. The Company will pay a fee of 0.50% per annum on the unused portion of the revolver and an annual fee of .25% on the full amount of the revolver. In December 2000, the Company, to the extent the term loan has not been repaid, must elect to pay a fee, or interest on the term loan increases monthly. (The term loan is divided into Term Loan A (in the amount of $2.5 million) and Term Loan B (in the amount of $10 million); the fee is 1% and 2%, respectively (payable on the outstanding balance of Term Loan A and Term Loan B), and the monthly interest increase is .125% and .375%, respectively.) In addition, the Company will pay fees of 1.5% on any letters of credit issued under the Foothill Credit Facility, which are calculated based on the amount of outstanding letters of credit. There is a prepayment fee of 1% under the revolver portion of the Foothill Credit Facility.

The Foothill Credit Facility contains customary covenants including, among others, covenants restricting the incurrence of indebtedness, the creation or existence of liens, the guarantee of other indebtedness, the declaration or payment of dividends, the repurchase or redemption of debt and equity securities of the Company, change in business activities, affiliate transactions, change in key management and certain corporate transactions, such as sales and purchases of assets, mergers, or consolidations. The Foothill Credit Facility also contains certain financial covenants relating to minimum rolling six-month EBITDA and rolling three-month net worth requirements, and limitations on capital expenditures, investments, prepayments of other indebtedness, and delivery of financial and other information to Foothill and other matters.

The Foothill Credit Facility contains certain customary default provisions, including, among others, payment events of default, breach of representations or warranties, covenant defaults, an event of default based on a change in control of the Company, a material adverse change clause, cross-defaults to other indebtedness of, and bankruptcy and judgment defaults against, the Company, and uninsured losses.

As of January 1, 2000, the Company is in violation of certain financial covenants under its Foothill Credit Facility. The Company filed for protection under Chapter 11 of the Bankruptcy Code on April 5, 2000. (See Note 3 to Consolidated Financial Statements).

Prior Credit Facility

On October 8, 1998, the Company entered into a $25.0 million revolving credit facility. The availability under the credit facility was limited to certain percentages of accounts receivable, inventory and twelve-month trailing EBITDA. All obligations of the Company under the credit facility were guaranteed by a majority of the Company's subsidiaries. Borrowings under the credit facility were secured by substantially all assets of the Company and its subsidiaries.

The credit facility charged interest at rates per annum equal to, at the option of the Company, either (i) the applicable Reference Rate plus the applicable margin or (ii) the LIBOR rate plus the applicable margin. The applicable margin was a maximum of 2.00% for the Reference Rate and 3.25% for the LIBOR rate. The Company paid a fee of 0.50% per annum on the unused portion of the credit facility.

1997 Facility

In July 1997, the Company entered into a syndicated $45 million two-year unsecured revolving credit facility. Commitment fees payable on the average daily balance of the unused portion of the credit facility were 0.25% per annum in 1998 and 1997.

The Company paid approximately $710,110 and $811,288 in various fees related to its various credit facilities in 1998 and 1999, respectively.

Unsecured Notes

The Company entered into unsecured promissory notes relative to various transactions completed with the Frame-n-Lens and New West acquisitions in 1998 and the ELI and Midwest Vision acquisitions in 1997 (See Note 6). The notes are fixed rate instruments, with rates ranging from 6.4% to 8.5%. At January 1, 2000, future minimum principal payments on total indebtedness, excluding capital leases, were as follows (amounts in thousands):

2000	$ 20,154
2001	974
2002	545
2003	373
2004	373
Thereafter	129,459
	$ 151,878

Long-Term Debt Balances

Long-term debt obligations at January 1, 2000 and January 2, 1999 consisted of the following (amounts in thousands):

	1999	1998
12 3/4% Senior Notes Due 2005	$125,000	$ 125,000
Discount on 12 3/4 % Senior Notes	(1,253)	(1,391)
Borrowings under New Credit Facility	19,292	--
Borrowings under Prior Credit Facility	--	6,000
Other promissory notes	7,586	8,344
	$150,625	$ 137,953
Less current portion	20,154	1,518
	$130,471	$ 136,435

As of January 1, 2000, the Company had borrowed $19.3 million under the New Facility at a weighted average interest rate of 13%. The aggregate fair value of the Company's long-term debt obligation under the Foothill Credit Facility is estimated to approximate its carrying value.

This note contains information regarding the Company's short-term borrowings and long-term debt as of January 1, 2000. On April 5, 2000, the Company filed the Chapter 11 Cases. See Note 3 to Consolidated Financial Statements. As a result of the filing of the Chapter 11 Cases, no principal or interest payments will be made on any pre-petition debt until a plan of reorganization defining the repayment terms has been approved by the Bankruptcy Court.

9. FINANCIAL INFORMATION OF GUARANTORS

The Company's wholly owned domestic subsidiaries, Midwest Vision, Inc.; NVAL Healthcare Systems, Inc.; International Vision Associates, Ltd.; Frame-n-Lens Optical, Inc.; Vision Administrators, Inc.; Family Vision Centers, Inc.; New West Eyeworks, Inc.; Alexis Holdings Company, Inc.; and Vista Eyecare Network, LLC (collectively, the "Guarantors"), have guaranteed on a senior unsecured basis, jointly and severally, the payment of the principal of, premium, if any, and interest on the Notes. Combined summarized financial information of the Guarantors is presented below (amounts in thousands):

For the years ending:	January 1, 2000	January 2, 1999	January 3, 1998
Net sales	$ 123,090	$ 49,904	$ 3,540
Gross profit	$ 63,747	$ 21,545	$ 1,816
Net (loss)	$ (10,151)	$ (2,861)	$ (39)

	January 1, 2000	January 2, 1999	January 3, 1998
Current assets	$ 14,287	$ 22,080	$ 2,239
Noncurrent assets	$ 16,574	$ 15,832	$ 3,970
Current liabilities	$ 25,742	$ 18,979	$ 836
Noncurrent liabilities	$ 3,265	$ 3,748	$ --

10. COMMITMENTS AND CONTINGENCIES

Noncancelable Operating Lease and License Agreements

As of January 1, 2000, the Company is a lessee under noncancelable operating lease agreements for certain equipment which expire at various dates through 2003. Additionally, the Company is required to pay minimum and percentage license fees pursuant to certain commercial leases and pursuant to its agreements with its host store companies.

Effective December 20, 1991, the Company entered into a lease agreement with Wal-Mart for approximately 66,000 square feet of corporate office space. The term of the lease is ten years with a renewal option of seven years. The Company paid Wal-Mart approximately $215,000 annually in rental fees in 1999, 1998, and 1997.

In connection with its acquisition of Midwest Vision, Inc. (See Note 6), the Company entered into a ten-year lease for administrative headquarters and an optical laboratory located in St. Cloud, Minnesota. The facility is leased from the former owner of Midwest Vision. Lease expense on the headquarters and laboratory is approximately $6,667 monthly which, in the opinion of management, represents a fair market lease rate. Additionally, the Company assumed operating lease agreements in connection with 51 freestanding locations obtained from the acquisition. Lease expense on these leases is approximately $64,000 monthly.

In connection with its acquisitions of Frame-n-Lens and New West (See Note 6), the Company assumed operating lease agreements in connection with approximately 280 and 175 vision centers, respectively, obtained from the acquisitions. Through the Frame-n-Lens acquisition, the Company assumed a lease for a manufacturing and distribution facility located in Fullerton, California. This facility is subject to a lease with a term expiring on August 31, 2006. Lease expense is $408,000 annually for this facility.

Aggregate future minimum payments under the license and lease arrangements are as follows (amounts in thousands):

Fiscal Year	Capital Leases	Operating Leases
2000	$ 259	$ 33,102
2001	136	30,251
2002	13	24,965
2003	---	18,102
2004	---	11,166
Thereafter	---	17,185
Total minimum lease payments	$ 408	$ 134,771
Less amounts representing interest	31	
Present value of minimum capital lease payments	377	
Less current installments of obligations under capital leases	236	
Obligations under capital leases excluding current installments	$ 141	

Total rental expenses related to cancelable and non-cancelable operating leases were approximately, $43.1 million, $30.1 million, and $22.8 million, for the years ended January 1, 2000, January 2, 1999, and January 3, 1998, respectively.

Guy Laroche and Gitano Trademark Licenses

The Company has a license agreement with Guy Laroche of North America, Inc., giving the Company the right to use the trademark "Guy Laroche" in its vision centers in North America. The agreement requires the Company to pay minimum and percentage royalties on retail and wholesale sales. The Guy Laroche agreement, as amended, expires on December 31, 2001. Under the Guy Laroche agreement, the Company paid $310,000, $389,000, and $397,000, in fees during 1999, 1998, and 1997, respectively.

In 1999, 1998, and 1997, the Company paid $53,000, $96,000, and $121,000 respectively, in fees to Gitano, Inc. and its successors in connection with a license agreement (which expired in 1998) which gave the Company the right to use the "Gitano" trademark in its vision centers.

Change in Control and Other Arrangements

There are agreements between the Company and twelve of its executive officers which provide severance benefits in the event of termination of employment under certain circumstances following a change in control of the Company (as defined). The circumstances are termination by the Company other than because of death or disability commencing prior to a threatened change in control (as defined), or for cause (as defined), or by the officer as the result of a voluntary termination (as defined). Following any such termination, in addition to compensation and benefits already earned, the officer will be entitled to receive a lump sum severance payment equal to up to three times the officer's annual rate of base salary. The term of each agreement is for a rolling three-years unless the Company gives notice that it does not wish to extend such term, in which case the term of the agreement would expire three years from the date of the notice.

11. INCOME TAXES

The Company accounts for income taxes under Statement of Financial Accounting Standards (SFAS No. 109) "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes. The components of the net deferred tax assets/(liabilities) are as follows (amounts in thousands):

	As of January 1, 2000	As of January 2, 1999
Total deferred tax liabilities	$ (8,980)	$ (9,001)
Total deferred tax assets	17,918	12,757
Valuation allowance	(8,553)	(3,371)
Net deferred tax asset	$ 385	$ 385

The sources of the difference between the financial accounting and tax basis of the Company's liabilities and assets which give rise to the deferred tax liabilities and deferred tax assets and the tax effects of each are as follows (amounts in thousands):

	As of January 1, 2000	As of January 2, 1999
Deferred tax liabilities:		
Depreciation	$ 4,935	$ 4,691
Reserve for foreign losses	2.218	2,218
Other	1,827	2,092
	$ 8,980	$ 9,001
Deferred tax assets:		
Accrued expenses and reserves	$ 3,206	$ 3,292
Inventory basis differences	171	456
Net operating loss carryforwards	10,698	5,507
Alternative minimum tax	2,062	2,483
Other	1,781	1,019
	$ 17,918	$ 12,757

The consolidated provision for income taxes consists of the following (amounts in thousands):

	Year Ended		
	January 1, 2000	January 2, 1999	January 3, 1998
Current:			
Federal	$ 0	$ 1,426	$ 1,937
State	0	191	330
	0	1,617	2,267
Deferred:			
Federal	0	338	1,296
State	0	82	145
	0	420	1,441
Total Provision for Income Taxes	$ 0	$ 2,037	$ 3,708

The tax expense differs from the amounts resulting from multiplying income before income taxes by the statutory federal income tax rate for the following reasons (amounts in thousands):

	Year Ended		
	January 1, 2000	January 2, 1999	January 3, 1998
Federal income tax(benefit) provision at statutory rate	$(5,971)	$1,853	$3,156
State income taxes, net of federal income tax benefit	(439)	180	314
Foreign losses not deductible for U.S. federal tax purposes	3	37	65
Change in valuation allowance for U.S. federal and state taxes	5,182	(548)	
Nondeductible goodwill	1,425	292	
Other, net	(200)	223	173
	$ 0	$2,037	$3,708

At January 1, 2000, the Company had U.S. regular tax net operating loss carryforwards of $28.5 million that can reduce future federal income taxes. If not utilized, these carryforwards will expire beginning in 2007. The Company also has non-expiring alternative minimum tax credit carryforwards of $2.1 million available to offset future regular taxes.

On July 28, 1998, the Company acquired all of the outstanding capital stock of Frame-n-Lens. The Company accounted for the acquisition as a purchase, with the excess of the purchase price over the fair value of the net assets acquired to be allocated to goodwill. Frame-n-Lens had net operating loss carryforwards of $1.4 million.

On October 25, 1998, the Company acquired all of the outstanding common stock and common stock equivalents of New West. The Company accounted for the acquisition as a purchase, with the excess of the purchase price over the fair value of the net assets acquired to be allocated to goodwill. New West had net operating loss carryforwards of $5.5 million and $4.9 million for regular tax and alternative minimum tax purposes, respectively, which begin to expire in 2006. These net operating losses are subject to limitations from a prior ownership change.

At January 3, 1998, the Company recorded a valuation allowance of $2.4 million due to the uncertainty regarding the realizability of its net operating loss carryforwards. A portion of the net operating loss carryforward (approximately $3.3 million) related to tax benefits (subject to the outcome of the audit discussed below) from the exercise of stock options granted by the former Chairman of the Company to two shareholders who own companies which recruited optometrists for the Company.

As a result of an examination by the Internal Revenue Service ("IRS") of the Company's 1992 tax return, the Company adjusted its net operating carryforward loss by $314,000. the agreement between the Company and the IRS was reached in February 1998 for which no income tax was due or receivable. The Company reduced its valuation allowance by approximately $3.3 million and increased additional paid-in-capital for this benefit.

At January 1, 2000, the Company recorded an additional valuation allowance of $5.2 due to the uncertainty of the realizability of the current year net operating losses.

The Company's net operating loss carryforward of $28.5 million at January 1, 2000 could be limited in the event of a greater than 50% change in stock ownership of the Company. The limitation would be based on the stock value and the Federal Exempt Tax Rate on the date of ownership change. These limitations could create a cap on the amount of the NOLs that would be deductible each year going forward until the amount is depleted or the time limitation on the NOLs expires.

In Mexico, the location of the Company's foreign operations, the Company pays the greater of its income tax or an asset tax. Because the Company has operating losses in Mexico, the Company pays no income tax, but it is subject to the asset tax. Therefore, no provision for income taxes has been made on the Company's books for its operations in Mexico.

12. EARNINGS PER COMMON SHARE

In 1997, the Company adopted SFAS No. 128, "Earnings per Share". Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per common share are computed as basic earnings per common share, adjusted for outstanding stock options that are dilutive. The computation for basic and diluted earnings per share may be summarized as follows (amounts in thousands except per share information):

	1999	1998	1997
Income/(loss) before extraordinary item	$(17,156)	$ 3,414	$ 5,573
Extraordinary loss, net of tax	(406)	--	--
Net Income/(loss)	$(17,562)	$ 3,414	$ 5,573
Weighted shares outstanding	21,068	20,949	20,676
Basic earnings/(loss) per share:			
Earnings before Extraordinary item	$ (0.81)	$ 0.16	$ 0.27
Extraordinary loss, net of tax	(0.02)	--	--
Net Income/(loss)	$ (0.83)	$ 0.16	$ 0.27
Weighted shares outstanding	21,068	20,949	20,676
Net options issued to employees	110	285	163
Aggregate shares outstanding	21,178	21,234	20,839
Diluted earnings/(loss) per share:			
Earnings before Extraordinary item	$ (0.81)	$ 0.16	$ 0.27
Extraordinary loss, net of tax	(0.02)	--	--
Net Income/(loss)	$ (0.83)	$ 0.16	$ 0.27

Outstanding options with an exercise price below the average price of the Company's common stock have been included in the computation of diluted earnings per common share, using the treasury stock method, as of the date of the grant. In 1999, these options have been excluded from the calculation due to their anti-dilutive effect.

13. SUPPLEMENTAL DISCLOSURE INFORMATION

Supplemental disclosure information is as follows (amounts in thousands):

(i) Supplemental Cash Flow Information

	1999	1998	1997
Cash paid for			
Interest	$17,826	$2,257	$1,582
Income taxes	495	1,918	2,383

(ii) Supplemental Noncash Investing and Financial Activities

The acquisition information relates to the Frame-n-Lens and New West acquisitions in 1998 (See Note 6 to Consolidated Financial Statements).

	1998	1997
Business acquisitions, net of cash acquired		
Fair value of assets acquired	$ 30,240	$ 4,459
Purchase price in excess of net assets acquired	104,813	6,671
Liabilities assumed	(37,696)	(8,022)
Stock issued	--	(836)
Net cash paid for acquisitions	$ 97,357	$ 2,272

(iii) Supplemental Balance Sheet Information

Significant components of accrued expenses and other current liabilities may be summarized as follows:

	1999	1998
Accrued employee compensation and benefits	$ 6,343	$ 6,966
Accrued rent expense	4,047	3,677
Accrued license fees	1,996	2,184
Accrued acquisition expenses	1,678	5,215
Accrued capital expenditures	1,345	498

(iv) Supplemental Income Statement Information

The components of interest expense, net, may be summarized as follows:

	1999	1998	1997
Interest expense on debt and capital leases	$ 18,306	$ 5,721	$ 1,853
Purchase discounts on invoice payments	(37)	(509)	(483)
Finance fees and amortization of hedge and swap agreements	1,158	407	236
Interest income	(73)	(86)	(38)
Other	(25)	5	(14)
	$ 19,329	$ 5,538	$ 1,554

14. EQUITY TRANSACTIONS

Employee Stock Option and Incentive Award Plan

In 1996, the Company adopted the Restated Stock Option and Incentive Award Plan (the "Plan") pursuant to which incentive stock options qualifying under Section 422A of the Internal Revenue Code and nonqualified stock options may be granted to key employees. The Plan also provides for the issuance of other equity awards, such as awards of restricted stock. The Plan replaced and restated all the Company's prior employee stock option plans. The Plan was amended in 1999 to increase the number of shares under the Plan from 3,350,000 to 4,350,000. The Plan is administered by the Compensation Committee of the Company's Board of Directors. The Compensation Committee has the authority to determine the persons receiving options, option prices, dates of grants, and vesting periods, although no option may have a term exceeding ten years. Options granted prior to 1996 have a term of five years.

Directors' Stock Option Plan

In April 1997, the Company adopted the Restated Non-Employee Director Stock Option Plan (the "Directors' Plan"), pursuant to which stock options for up to 500,000 shares of Common Stock may be granted to non-employee directors. The Directors' Plan replaced and restated the Company's prior non-employee director stock option plan. The Directors' Plan provides for automatic grants of options to purchase 7,500 shares of the Company's common stock to each non-employee director serving on the date of each annual meeting of shareholders, beginning with the 1997 annual meeting. Of the options granted, 50% of the shares under each option are exercisable on the second anniversary of the grant date, 75% in three years, and 100% in four years. All option grants are at exercise prices no less than the market value of a share of Common Stock on the date of grant and are exercisable for a ten-year period. Options granted under the predecessor stock option plan are exercisable for a five-year period. Options covering 90,000 shares under the Directors' Plan were exercisable at January 1, 2000.

All Stock Option Plans

All exercise prices represent the estimated fair value of the Common Stock on the date of grant as determined by the Board of Directors. Of the options granted, 50% of the shares under each option are exercisable after two years from the grant date, 75% in three years, and 100% in four years.

The Committee granted a stock option for 100,000 shares of the Company's common stock to one executive officer which vests at the rate of one-sixth of the number of shares covered by the option for each month of service the executive renders to the Company.

Stock option transactions during the three years ended January 1, 2000 were as follows:

	1999	1998	1997
Options outstanding beginning of year	2,582,380	2,294,203	1,950,166
Options granted	928,060	1,171,750	631,864
Options exercised	(12,491)	(294,657)	(7,840)
Options cancelled	(882,528)	(588,916)	(279,987)
Options outstanding end of year	2,615,421	2,582,380	2,294,203
Options exercisable end of year	760,162	748,803	1,020,674
Weighted average option prices per share:			
Granted	$ 4.893	$ 5.030	$ 4.878
Exercised	$ 4.500	$ 4.989	$ 2.168
Cancelled	$ 5.044	$ 9.461	$ 9.640
Outstanding at year end	$ 4.832	$ 4.881	$ 6.028
Options exercisable end of year	$ 4.369	$ 4.973	$ 7.891

The Company has adopted the disclosure provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." The Company will continue to account for stock option awards in accordance with APB Opinion No. 25. Had compensation cost for the Plan been determined based on the fair value at the grant date for awards in 1999, 1998, and 1997 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below (amounts in thousands except per share information):

	1999	1998	1997
As reported:			
Net earnings (loss)	$(17,562)	$ 3,414	$ 5,573
Earnings (loss) per share	$ (0.83)	$ 0.16	$ 0.27
Pro forma:			
Net earnings (loss)	$(19,266)	$ 2,655	$ 5,142
Earnings (loss) per share	$ (0.91)	$ 0.13	$ 0.25

Basic and diluted earnings per share are the same for each year.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used in the model:

	1999	1998	1997
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	88%	76%	74%
Risk free interest rates	5.1%	4.9%	6.1%
Expected lives (years)	4.68	4.91	4.51

The following table shows the options outstanding and the options exercisable with pertinent data related to each:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding as of 1/1/00	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable As of 1/1/00	Weighted Average Exercise Price
$1.62 - $4.82	937,510	6.72	$3.765	483,562	$3.896
$4.83 - $5.32	1,111,550	7.38	$5.260	256,100	$5.181
$5.33 - $7.88	566,361	5.97	$5.758	20,500	$5.375
$1.62 - $7.88	2,615,421	6.84	$4.832	760,162	$4.369

Restricted Stock Awards

Restricted stock grants, with an outstanding balance of 106,000 shares at January 1, 2000, were awarded to certain officers and key employees which require five years of continuous employment from the date of grant before vesting and receiving the shares without restriction. The number of shares to be received without restriction is based on the Company's performance relative to a peer group of companies. For awards made in 1998, restricted shares, to the extent not awarded after five years, vest after ten years of employment. Unamortized deferred compensation expense with respect to the restricted stock was $302,000, and $430,000 at January 1, 2000 and January 2, 1999, respectively, and is being amortized over the five-year vesting period. Deferred compensation expense aggregated $131,000 and $120,000 in 1999 and 1998, respectively. There were no new grants or forfeitures of restricted stock in 1999. A summary of restricted stock granted during 1998 is as follows:

	1998
Shares granted	67,000
Shares forfeited	15,000
Weighted-average fair value of stock granted during year	$ 5.34

Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of preferred stock, par value $1 per share, with such terms, characteristics and designations as may be determined by the Board of Directors. No such shares are issued and outstanding.

Shareholder Rights Plan

In January of 1997, the Company's Board of Directors approved a Shareholders Rights Plan (the "Rights Plan"). The Rights Plan provides for the distribution of one Right for each outstanding share of the Company's Common Stock held of record as of the close of business on January 27, 1997 or that thereafter becomes outstanding prior to the earlier of the final expiration date of the Rights or the first date upon which the Rights become exercisable. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Participating Cumulative Preferred Stock, par value $0.01 per share, at a price of $40.00 (the "Purchase Price"), subject to adjustment. The Rights are not exercisable until ten calendar days after a person or group (an "Acquiring Person") buys or announces a tender offer for 15% or more of the Company's Common Stock, or if any person or group has acquired such an interest, the acquisition by that person or group of an additional 2% of the Company's Common Stock. In the event the Rights become exercisable, then each Right will entitle the holder to receive that number of shares of Common

Stock (or, under certain circumstances, an economically equivalent security or securities of the Company) having a market value equal to the Purchase Price. If, after any person has become an Acquiring Person (other than through a tender offer approved by qualifying members of the Board of Directors), the Company is involved in a merger or other business combination where the Company is not the surviving corporation, or the Company sells 50% or more of its assets, operating income, or cash flow, then each Right will entitle the holder to purchase, for the Purchase Price, that number of shares of common or other capital stock of the acquiring entity which at the time of such transaction have a market value of twice the Purchase Price. The Rights will expire on January 26, 2007, unless extended, unless the Rights are earlier exchanged, or unless the Rights are earlier redeemed by the Company in whole, but not in part, at a price of $0.001 per Right. In February 1998, the Company's Board of Directors amended the Rights Plan effective March 1, 1998 to provide that Rights under this plan can be redeemed and certain amendments to this plan can be effected only with the approval of the Continuing Directors, which are defined in the Rights Plan as the current directors and any future directors that are approved or recommended by Continuing Directors.

On April 22, 1999, the Company permitted a group, of which a director, Campbell B.Lanier, III, is a member, to acquire beneficial ownership of up to 25% of the Company's common stock without triggering the provisions of the Rights Plan. By an agreement dated as of September 9, 1999, the Company further permitted the same group to acquire up to 28% of the Company's common stock (inclusive of amounts previously purchased by the group) without triggering the provisions of the Rights Plan. The group agreed that, if it acquired more than 25% of the outstanding common stock of the Company, the group would vote such additional shares in the same ratio as all other shares voted by shareholders other than the members of the group and their affiliates.

15. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Selected quarterly data for the Company for the fiscal years ended January 1, 2000 and January 2, 1999 is as follows (amounts in thousands except per share information).

FISCAL 1999

	Quarter Ended			
	April 3	July 3	October 2	January 1
Net sales	$ 86,634	$ 82,531	$ 83,262	$ 76,628
Cost of goods sold	37,088	36,745	37,474	36,461
Gross profit	49,546	45,786	45,788	40,167
Selling, general, and administrative expense	42,446	42,937	45,355	46,424
Impairment loss on long-lived assets	--	--	--	1,952
Operating income (loss)	7,100	2,849	433	(8,209)
Interest expense, net	4,665	4,743	4,809	5,112
Income (loss) before income taxes	2,435	(1,894)	(4,376)	(13,321)
Provision (benefit) for income taxes	970	(584)	(1,396)	1,010
Income/(loss) before extraordinary item	1,465	(1,310)	(2,980)	(14,331)
Extraordinary item, net of tax	--	--	--	(406)
Net income/(loss)	$ 1,465	$ (1,310)	$(2,980)	$(14,737)
Basic earnings (loss) per common share:				
Earnings/(loss) before extraordinary item	$ 0.07	$ (0.06)	$ (0.14)	$ (0.68)
Extraordinary loss	--	--	--	(0.02)
Net income/(loss)	0.07	(0.06)	(0.14)	(0.70)
Diluted earnings (loss) per common share				
Earnings/(loss) before extraordinary item	$ 0.07	$ (0.06)	$ (0.14)	$ (0.68)
Extraordinary loss	--	--	--	(0.02)
Net income/(loss)	0.07	(0.06)	(0.14)	(0.70)

FISCAL 1998

	Quarter Ended			
	April 4	July 4	October 3	January 2
Net sales	$ 54,408	$ 51,037	$ 67,654	$ 72,232
Cost of goods sold	24,465	23,890	30,757	33,817
Gross profit	29,943	27,147	36,897	38,415
Selling, general, and administrative expense	25,557	23,286	32,995	39,575
Operating income (loss)	4,386	3,861	3,902	(1,160)
Interest expense, net	277	235	736	4,290
Income (loss) before income taxes	4,109	3,626	3,166	(5,450)
Provision (benefit) for income taxes	1,657	1,483	1,314	(2,417)
Net income (loss)	2,452	2,143	1,852	(3,033)
Basic earnings (loss) per common share	$ 0.12	$ 0.10	$ 0.09	($ 0.14)
Diluted earnings (loss) per common share	$ 0.12	$ 0.10	$ 0.09	($ 0.14)

16. REPORTABLE BUSINESS SEGMENTS

The Company's operating business segments provide quality retail optical services and products that represent high value and satisfaction to the customer. The separate businesses within the Company use the same production processes for eyeglass lens manufacturing, offer products and services to a broad range of customers and utilize the Company's central administrative offices to coordinate product purchases and distribution to retail locations. A field organization provides management support to individual store locations. The Mexico operation has a separate laboratory and distribution center in Mexico and buys a majority of its products from local vendors. However, market demands, customer requirements, laboratory manufacturing and distribution processes, as well as product offerings, are substantially the same for the domestic and Mexico business. Consequently, the Company considers its domestic and Mexico businesses as one reportable segment under the definitions required by SFAS No. 131 - "Disclosures about Segments of an Enterprise and Related Information."

Information relative to sales and identifiable assets for the United States and Mexico for the fiscal years ended January 1, 2000, January 2, 1999, and January 3, 1998 are summarized in the following tables (amounts in thousands). Identifiable assets include all assets associated with operations in the indicated reportable segment excluding inter-company receivables and investments.

	United States	Mexico	Other	Consolidated
1999				
Sales	$ 325,101	$ 3,954	$ --	$ 329,055
Identifiable Assets	$ 217,690	$ 2,328	$ 201	$ 220,219
1998				
Sales	$ 241,705	$ 3,429	$ 197	$ 245,331
Identifiable Assets	$ 226,323	$ 2,147	$ 627	$ 229,097
1997				
Sales	$ 182,333	$ 2,988	$ 1,033	$ 186,354
Identifiable Assets	$ 80,284	$ 2,279	$ 687	$ 83,250

SCHEDULE II

VISTA EYECARE, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
January 1, 2000, January 2, 1999, and January 3, 1998
(In thousands)

Description	Balance at Beginning of Period	Additions: Charged to Cash and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Year ended January 3, 1998 Allowance for Uncollectible Accounts Receivable	$ 353	$ 928	--	$ 519	$ 762
Year ended January 2, 1999 Allowance for Uncollectible Accounts Receivable	$ 762	$ 900	$ 726	$ 872	$ 1,516
Year ended January 1, 2000 Allowance for Uncollectible Accounts Receivable	$1,516	$3,384	$ 885	$1,382	$ 4,403

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

VISTA EYECARE, INC.

By: /s/James W. Krause

James W. Krause
Chairman of the Board & Chief Executive Officer and Director

Date: April ____, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on March __, 2000, in the capacities indicated.

Signature	Title
/s/James W. Krause - ---------------------------- James W. Krause	Chairman of the Board and Chief Executive Officer and Director
/s/Angus C. Morrison - ---------------------------- Angus C. Morrison	Senior Vice President, Chief Financial Officer (Principal Financial Officer)
/s/Timothy W. Ranney - ---------------------------- Timothy W. Ranney	Vice President, Corporate Controller (Principal Accounting Officer)
/s/Peter T. Socha - ---------------------------- Peter T. Socha	Senior Vice President, Strategic Planning and Managed Care, Director
/s/David I. Fuente - ---------------------------- David I. Fuente	Director
/s/Ronald J. Green - ---------------------------- Ronald J. Green	Director
/s/James E. Kanaley - ---------------------------- James E. Kanaley	Director
/s/Campbell B. Lanier, III - ---------------------------- Campbell B. Lanier, III	Director
/s/J. Smith Lanier, II - ---------------------------- J. Smith Lanier, II	Director

EXHIBIT INDEX

10.15	Amended and Restated Credit Agreement dated as of November 12, 1999 by and between the Company and Foothill Capital Corporation.
10.16	Agreement dated as of September 9, 1999, by and among the Company, ITC Service Company, and Campbell B. Lanier, III.
21	Subsidiaries of the Registrant.
23	Arthur Andersen LLP Consent.
27	Financial Data Schedule.

AMENDED AND RESTATED CREDIT AGREEMENT

by and between

VISTA EYECARE, INC.
(f/k/a National Vision Associates, Ltd.)

and

FOOTHILL CAPITAL CORPORATION

Dated as of November 12, 1999

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SCHEDULES AND EXHIBITS

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement"), is entered into as of November 12, 1999, between FOOTHILL CAPITAL CORPORATION, a California corporation, as lender and as agent for itself and each Person that purchases any portion of Foothill Capital Corporation's rights and obligations under this Agreement pursuant to Section 15.2 (collectively, "Lender"), with a place of business located at Northpark Town Center, Building 400, 1000 Abernathy Road, N.E., Suite 1450, Atlanta, Georgia 30328, and VISTA EYECARE, INC. (f/k/a National Vision Associates, Ltd.), a Georgia corporation ("Borrower"), with its chief executive office located at 296 Grayson Highway, Lawrenceville, Georgia 30045-5737.

RECITALS

WHEREAS, Borrower, Bank of America, N.A. (f/k/a Bank of America, FSB) ("Bank of America"), and First Union National Bank ("First Union") are parties to that certain Credit Agreement dated as of October 8, 1998, as modified and amended by that certain Waiver and Amendment dated as of December 4, 1998, as further modified and amended by that certain Waiver and Amendment dated as of December 21, 1998, as further modified and amended by that certain Waiver and Amendment dated as of February 2, 1999, as further modified and amended by that certain Amendment dated as of March 31, 1999, as further modified and amended by that certain Waiver and Consent dated as of September 21, 1999, as further modified and amended by that certain Forbearance Agreement dated as of October 26, 1999, and as further modified and amended by the Assignment Agreement (as defined below) (as heretofore further modified and amended, the "Prior Credit Agreement"); and

WHEREAS, Lender, Borrower, Bank of America and First Union entered into that certain Assignment and Acceptance of even date herewith (the "Assignment Agreement") pursuant to which Lender (a) purchased all of the Loans (as defined in the Prior Credit Agreement) and assumed all of the Commitments (as defined in the Prior Credit Agreement) of Bank of America and First Union, (b) replaced Bank of America as Documentation Agent (as defined in the Prior Credit Agreement), and (c) replaced First Union as Issuing Bank (as defined in the Prior Credit Agreement) and the Administrative Agent (as defined in the Prior Credit Agreement); and

WHEREAS, Borrower and Lender, in its capacity as the Documentation Agent, the Issuing Bank, the Administrative Agent and the sole Bank (as defined in the Prior Credit Agreement) under the Prior Credit Agreement, desire to amend and restate the Prior Credit Agreement in its entirety as set forth herein; and

WHEREAS, each of Borrower and Lender acknowledges and agrees that Lender shall, for all purposes under this Agreement and the other Loan Documents (as defined herein), act on its own behalf and as agent for itself and each Person that purchases any portion of Foothill Capital Corporation's rights and obligations under this Agreement pursuant to Section 15.2, and as such, continued reference to the roles of the Bank, the Documentation Agent, the Issuing Bank and the Administrative Agent is no longer necessary or desirable; and

WHEREAS, Borrower acknowledges and agrees that the security interest granted to Lender in its capacity as the Administrative Agent, on behalf of the Issuing Bank, the Documentation Agent and the Banks, pursuant to the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement), shall remain outstanding and in full force and effect in accordance with the Prior Credit Agreement and shall continue to secure the Obligations (as defined herein); and

WHEREAS, each of Borrower and Lender acknowledges and agrees that, in view of the consolidation of the roles of the Bank, the Issuing Bank, the Documentation Agent and the Administrative Agent, the security interest granted to Lender in its capacity as the Administrative Agent shall hereinafter be considered a security interest granted to Lender acting on its own behalf and as agent for itself and each Person that purchases any portion of Foothill Capital Corporation's rights and obligations under this Agreement pursuant to Section 15.2; and

WHEREAS, each of Borrower and Lender acknowledges and confirms that (i) the Obligations (as defined herein) represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Prior Credit Agreement) arising in connection with the Prior Credit Agreement and other Loan Documents (as defined in the Prior Credit Agreement) executed in connection therewith; (ii) the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement) executed in connection therewith and the collateral pledged thereunder shall secure, without interruption or impairment of any kind, all existing Indebtedness (as defined in the Prior Credit Agreement) under the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement) executed in connection therewith as amended, restated, renewed, extended, consolidated and modified hereunder, together with all other obligations hereunder; (iii) all Liens (as defined in the Prior Credit Agreement) evidenced by the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement) executed in connection therewith are hereby ratified, confirmed and continued; and (iv) the Loan Documents (as defined herein) are intended to restate, renew, extend, consolidate, amend and modify the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement) executed in connection therewith; and

WHEREAS, each of Borrower and Lender intends that (i) the provisions of the Prior Credit Agreement and the other Loan Documents (as defined in the Prior Credit Agreement) executed in connection therewith, to the extent restated, renewed, extended, consolidated, amended and modified hereby, be hereby superseded and replaced by the provisions hereof and of the other Loan Documents (as defined herein); and (ii) by entering into and performing their respective obligations hereunder, this transaction shall not constitute a novation;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereby amend and restate the Prior Credit Agreement in its entirety and hereby further agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. As used in this Agreement, the following terms shall have the following definitions:

"Account Debtor" means any Person who is or who may become obligated under, with respect to, or on account of, an Account.

"Accounts" means all currently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to Borrower or any Restricted Subsidiary arising out of the sale or lease of goods or the rendition of services by Borrower or such Restricted Subsidiary, irrespective of whether earned by performance, and any and all credit insurance, guaranties, or security therefor.

"Acquisition" means, with respect to any Person, any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of any other Person, or of any business or division of any other Person, (b) the acquisition of more than fifty percent (50%) of the capital stock, partnership interests, membership interests or equity of any other Person, or otherwise causing any other Person to become a Subsidiary of such Person, or (c) a merger or consolidation or any other combination with any other Person (other than a Person that is an existing Subsidiary of such Person) provided that such Person or a Subsidiary of such Person is the surviving entity. The term "Acquisition" shall not include the formation by Borrower of a new Subsidiary provided that its Investment therein does not violate Section 7.4 hereof.

"Adjusted Eurodollar Rate" means, with respect to each Interest Period for any Eurodollar Rate Advance, the rate per annum (rounded upwards, if necessary, to the next 1/16%) determined by dividing (a) Eurodollar Rate for such Interest Period by (b) a percentage equal to (i) one hundred percent (100%) minus (ii) the Reserve Percentage. The Adjusted Eurodollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

"Adjusted Net Worth" means, as of any date of determination, the sum of (a) net worth of Borrower and i ts Subsidiaries on a consolidated basis determined in accordance with GAAP, plus (b) non-cash charges reasonably acceptable to Lender taken after the Amendment Closing Date.

"Adjustment Date" has the meaning set forth in Section 2.3(a).

"Administrative Agent" has the meaning set forth in the Prior Credit Agreement.

"Advances" has the meaning set forth in Section 2.1(a).

"Affiliate" means, as applied to any Person, any other Person who directly or indirectly controls, is controlled by, is under common control with or is a director or officer of such Person. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to vote five percent (5%) or more of the securities having ordinary voting power for the election of directors or the direct or indirect power to direct the management and policies of a Person.

"Agreement" has the meaning set forth in the preamble hereto.

"Amendment Closing Date" means the date of the first to occur of the making of the initial Advance, the issuance of the initial Letter of Credit or the funding of the Term Loans under this Agreement.

"Assignment Agreement" has the meaning set forth in the recitals to this Agreement.

"Assignment of LLC Interests" means that certain Amended and Restated Assignment of Limited Liability Company Interests of even date herewith among New West Eyeworks, Inc., as pledger, the Administrative Agent and Lender, in form and substance satisfactory to Lender.

"Assignment of Notes" means that certain Amended and Restated Assignment of Notes of even date herewith among Borrower, the Administrative Agent and Lender, and acknowledged by Mexican Vision Associate Operadora S. de R.L. de C.V., in form and substance satisfactory to Lender.

"Authorized Person" means any officer or other employee of Borrower.

"Availability" means, as of the date of determination, the result (so long as such result is a positive number) of (a) the lesser of the Borrowing Base or the Maximum Revolving Amount, less (b) the Revolving Facility Usage.

"Average Unused Portion of Maximum Revolving Amount" means, as of any date of determination, (a) the lesser of the Borrowing Base or the Maximum Revolving Amount, less (b) the sum of (i) the average Daily Balance of Advances that were outstanding during the immediately preceding month, plus (ii) the average Daily Balance of the undrawn Letters of Credit that were outstanding during the immediately preceding month.

"Bank of America" has the meaning set forth in the recitals to this Agreement.

"Bankruptcy Code" means the United States Bankruptcy Code (11 U.S.C.ss. 101 et seq.), as amended, and any successor statute.

"Blocked Account Agreements" means those certain Blocked Account Agreements, in form and substance reasonably satisfactory to Lender, each of which is among Borrower, Lender and a bank at which a Retail Store Account is located.

"Borrower" has the meaning set forth in the preamble to this Agreement.

"Books and Records" means all books and records of Borrower and each of its Restricted Subsidiaries including: ledgers; records indicating, summarizing, or evidencing Borrower's or such Restricted Subsidiary's properties or assets (including the Collateral) or liabilities; all information relating to Borrower's or such Restricted Subsidiary's business operations or financial condition; and all computer programs, disk or tape files, printouts, runs, or other computer prepared information.

"Borrowing Base" has the meaning set forth in Section 2.1(a).

"Business Day" means any day that is not a Saturday, Sunday, or other day on which national banks located in Atlanta, Georgia, New York, New York or Los Angeles, California are authorized or required to close.

"Capitalized Lease Obligations" shall mean, with respect to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP, and for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date as determined in accordance with GAAP.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

"Change of Control" means (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than thirty-five percent (35%) of the total voting power of all classes of stock then outstanding of Borrower entitled to vote in the election of directors or (b) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board of Directors of Borrower (together with any new directors whose election by such Board or whose nomination for election by the stockholders of Borrower was approved by a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of such Board of Directors then in office.

"Code" means the Uniform Commercial Code, as in effect in the State of Georgia from time to time.

"Collateral" means all property and interests in property and proceeds thereof now owned or hereafter acquired by Borrower or any Restricted Subsidiary in or upon which a Lien to secure any or all of the Obligations now or hereafter exists in favor of Lender, pursuant to the Collateral Documents.

"Collateral Documents" means, collectively, (i) the Security Agreement, the Pledge Agreement, the Assignment of Notes, the Subsidiary Guaranty, the Subsidiary Security Agreement, the Assignment of LLC Interests, the Collateral Assignment of Deed of Trust, the Blocked Account Agreements, the Concentration Account Agreements, the Lockbox Agreements, the Credit Card Agreements, and all other security agreements, mortgages, deeds of trust, patent and trademark assignments, lease assignments, guarantees, assignments and other similar agreements between Borrower or any Restricted Subsidiary and Lender now or hereafter delivered to Lender pursuant to or in connection with the transactions contemplated hereby, and all financing statements (or comparable documents now or hereafter filed in accordance with the Uniform Commercial Code or comparable law) against Borrower or any Restricted Subsidiary as debtor in favor of Lender as secured party, and (ii) any amendments, supplements, modifications, renewals, replacements, consolidations, substitutions and extensions of any of the foregoing.

"Collateral Access Agreement" means a landlord waiver, mortgagee waiver, bailee letter, or acknowledgment agreement of any warehouseman, processor, lessor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in the Equipment or Inventory, in each case, in form and substance satisfactory to Lender, including, without limitation, the landlord waiver agreements set forth on Schedule C-1 attached hereto.

"Collateral Assignment of Deed of Trust" means that certain Collateral Assignment of Beneficial Interest under Deed of Trust dated September 3, 1999, between Alexis Holdings, Inc. and the Administrative Agent, with respect to certain real property in Tempe, Arizona.

"Collections" means all cash, checks, notes, instruments, and other items of payment (including, insurance proceeds, proceeds of cash sales, rental proceeds, and tax refunds).

"Compliance Certificate" means a certificate substantially in the form of Exhibit A and delivered by the chief accounting officer of Borrower to Lender.

"Concentration Accounts" means, collectively, the Sub-Concentration Accounts and the Master Concentration Account, and each such Concentration Account shall be referred to herein as a "Concentration Account".

"Concentration Account Agreement" means a Blocked Account Agreement among Borrower, the Concentration Account Bank and Lender, in form and substance satisfactory to Lender, applicable to one or more of the Concentration Accounts.

"Concentration Account Bank" means First Union, or such other Person or Persons as Lender and Borrower may designate from time to time.

"Contingent Obligation" means, with respect to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse, (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument (other than any Letter of Credit) issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; or (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered.

"Contractual Obligation" means, with respect to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Cost" means, with respect to any Eligible Inventory of Borrower or any of its Restricted Subsidiaries, the lower of cost or market value of such Eligible Inventory as determined on a basis consistent with Borrower's or such Restricted Subsidiary's current and historical accounting practices.

"Credit Card Agreement" means each letter agreement between Borrower and a credit card processor, substantially in the form of Exhibit B.

"Daily Balance" means the amount of an Obligation owed at the end of a given day.

"Default" means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

"Deficiency" has the meaning set forth in Section 7.16.

"Designated Account" means account number 2090003164485 of Borrower maintained with Borrower's Designated Account Bank, or such other deposit account of Borrower (located within the United States) which has been designated, in writing and from time to time, by Borrower to Lender.

"Designated Account Bank" means First Union, whose office is located at Charlotte, North Carolina, and whose ABA number is 061000227 or such other bank as may be determined by Lender and Borrower from time to time.

"Dilution" means, in each case based upon the experience of the immediately prior three (3) month, the result of dividing the Dollar amount of (a) bad debt write-downs, discounts, advertising, returns, promotions, credits, or other dilution with respect to the Accounts during such period, by (b) Collections (excluding extraordinary items) of Borrower and its Restricted Subsidiaries plus the Dollar amount of clause (a).

"Dilution Reserve" means, as of any date of determination, an amount sufficient to reduce Lender's advance rate against Eligible Accounts by one percentage point for each percentage point by which Dilution is in excess of five percent (5%).

"Disbursement Letter" means an instructional letter executed and delivered by Borrower to Lender regarding the extensions of credit to be made on the Amendment Closing Date, the form and substance of which shall be satisfactory to Lender.

"Disposition" means (i) the sale, lease, conveyance or other disposition of property (other than sales or other dispositions expressly permitted under Section 7.2(a) or Section 7.2(b), operating leases or subleases entered into in the ordinary course of business or Investments permitted under Section 7.4 or Liens permitted under Section 7.1), and (ii) the sale or transfer to any Person (other than Borrower or any Restricted Subsidiary) by Borrower or any Subsidiary of Borrower of any equity securities issued by any Subsidiary of Borrower and held by such transferor Person.

"Dollars or $" means United States dollars.

"Early Termination Premium" has the meaning set forth in Section 3.6.

"EBITDA" means, with respect to Borrower on a consolidated basis with its Subsidiaries for any period, the Net Income of Borrower for such period, (a) plus, without duplication and to the extent deducted in computing Net Income for such period, the sum of (i) income taxes, (ii) Interest Expense, (iii) depreciation and amortization expense, and (iv) other non-cash charges reasonably acceptable to Lender, (b) minus, to the extent included in Net Income for such period, extraordinary gains; provided, however, that the EBITDA with respect to any Person or substantially all of the assets of a Person that became a Subsidiary of, or was merged with or consolidated into, Borrower or any Subsidiary of Borrower during such period shall include the EBITDA of such Person or the EBITDA attributable to such assets for such period.

"Eligible Accounts" means those Accounts created by Borrower or any Restricted Subsidiary in the ordinary course of business, that arise out of Borrower's or such Restricted Subsidiary's sale of goods or rendition of services, that strictly comply with each and all of the representations and warranties respecting Accounts made by Borrower or such Restricted Subsidiary to Lender in the Loan Documents, and that are and at all times continue to be acceptable to Lender in its reasonable credit judgment in all respects; provided, however, that standards of eligibility may be fixed and revised from time to time by Lender in Lender's reasonable credit judgment. Eligible Accounts shall not include the following:

(a) Accounts that the Account Debtor has failed to pay within ninety (90) days of invoice date or one hundred twenty (120) days of date of service;

(b) Retail customer Accounts;

(c) Accounts owed by an Account Debtor or its Affiliates where fifty percent (50%) or more of all Accounts owed by that Account Debtor (or its Affiliates) are deemed ineligible under clause (a) above;

(d) Accounts with respect to which the Account Debtor is an employee, Affiliate, or agent of Borrower or any Subsidiary of Borrower;

(e) Accounts with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, or other terms by reason of which the payment by the Account Debtor may be conditional;

(f) Accounts that are not payable in Dollars or with respect to which the Account Debtor: (i) does not maintain its chief executive office in the United States, or (ii) is not organized under the laws of the United States or any State thereof, or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, unless (y) the Account is supported by an irrevocable letter of credit satisfactory to Lender (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Lender and is directly drawable by Lender, or (z) the Account is covered by credit insurance in form and amount, and by an insurer, satisfactory to Lender;

(g) Accounts with respect to which the Account Debtor is either (i) the United States or any department, agency, or instrumentality of the United States (exclusive, however, of Accounts with respect to which Borrower or the applicable Restricted Subsidiary has complied, to the satisfaction of Lender, with the Assignment of Claims Act, 31 U.S.C. ss. 3727), or (ii) any State of the United States (exclusive, however, of Accounts owed by any State that does not have a statutory counterpart to the Assignment of Claims Act);

(h) Accounts with respect to which the Account Debtor is a creditor of Borrower or any Subsidiary of Borrower, has or has asserted a right of setoff, has disputed its liability, or has made any claim with respect to the Account (but only to the extent of such setoff, dispute or claim);

(i) Accounts with respect to an Account Debtor whose total obligations owing to Borrower and its Restricted Subsidiaries, taken as a whole, exceed ten percent (10%) of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor in excess of such percentage;

(j) Accounts with respect to which the Account Debtor is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business;

(k) Accounts the collection of which Lender, in its reasonable credit judgment, believes to be doubtful by reason of the Account Debtor's financial condition;

(l) Accounts with respect to which the goods giving rise to such Account have not been shipped and billed to the Account Debtor, the services giving rise to such Account have not been performed and accepted by the Account Debtor, or the Account otherwise does not represent a final sale;

(m) Accounts with respect to which the Account Debtor is located in the states of New Jersey, Minnesota or West Virginia (or any other state that requires a creditor to file a Business Activity Report or similar document in order to bring suit or otherwise enforce its remedies against such Account Debtor in the courts or through any judicial process of such state), unless Borrower or the applicable Restricted Subsidiary has qualified to do business in New Jersey, Minnesota, West Virginia, or such other states, or has filed a Notice of Business Activities Report with the applicable division of taxation, the department of revenue, or with such other state offices, as appropriate, for the then-current year, or is exempt from such filing requirement;

(n) Accounts that represent progress payments or other advance billings that are due prior to the completion of performance by Borrower or the applicable Restricted Subsidiary of the subject contract for goods or services;

(o) Accounts arising other than from the sale of goods or rendition of services in the ordinary course of Borrower's or the applicable Restricted Subsidiary's business;

(p) Accounts representing lease payments due from doctors or optometrists;

(q) Accounts with respect to which Lender does not have a valid and perfected first priority security interest; and

(r) To the extent determined appropriate by Lender in its reasonable credit judgment, Accounts subject to collection by an outside claims processor where such Account has not yet been billed by such processor, and credit card Accounts.

"Eligible Inventory" means Inventory owned by Borrower or any Restricted Subsidiary consisting of first quality finished goods (including eyeglass frames, eyeglass lenses, contact lenses, sunglasses and related accessories) held for sale in the ordinary course of Borrower's or such Restricted Subsidiary's business and raw materials for such finished goods, that are located at or in-transit between Borrower's or such Restricted Subsidiary's premises identified on Schedule E-1 (as supplemented from time to time upon at least ten (10) days' prior written notice to Lender), that strictly comply with each and all of the representations and warranties respecting Inventory made by Borrower or such Restricted Subsidiary to Lender in the Loan Documents, and that are and at all times continue to be acceptable to Lender in its reasonable credit judgment in all respects; provided, however, that standards of eligibility may be fixed and revised from time to time by Lender in Lender's reasonable credit judgment. An item of Inventory shall not be included in Eligible Inventory if:

(a) it is not owned solely by Borrower or a Restricted Subsidiary, or Borrower or a Restricted Subsidiary does not have good, valid, and marketable title thereto;

(b) it is not located in the United States at one of the locations set forth on Schedule E-1 (as supplemented from time to time upon at least ten (10) days' prior written notice to Lender);

(c) it is Inventory located within a Sam's Club, a Meijers store or another leased department within a retail store (i.e., not a "free-standing" store) which is not subject to a Collateral Access Agreement in form and substance satisfactory to Lender;

(d) it is not subject to a valid and perfected first priority security interest in favor of Lender;

(e) it consists of goods returned or rejected by customers of Borrower or the applicable Restricted Subsidiary, or goods in transit;

(f) it is used, obsolete or slow moving, a restrictive or custom item, work-in-process, packaging and shipping materials, supplies used or consumed in Borrower's or a Restricted Subsidiary's business, Inventory subject to a Lien in favor of any third Person, bill and hold goods, defective goods, "seconds," or Inventory acquired on consignment;

(g) it is located on property within a United States military base or on property leased by Borrower or any Restricted Subsidiary from the United States government;

(h) to the extent determined appropriate by Lender in its reasonable credit judgment, (i) it is Inventory classified by Borrower or a Restricted Subsidiary, as applicable, on its general ledger, prepared in a manner consistent with Borrower's and the Restricted Subsidiaries' general ledgers disclosed to Lender prior to the Amendment Closing Date, as either "close out" or "discontinued" Inventory and which "close out" or "discontinued" Inventory has been owned by Borrower or a Restricted Subsidiary for an aggregate of more than six (6) months after being so classified, (ii) it is Inventory constituting non-retail supplies, or (iii) it is not located on property owned or leased by Borrower or a Restricted Subsidiary or in a contract warehouse, in each case, subject to a Collateral Access Agreement executed by the mortgagee, lessor, the warehouseman, or other third party, as the case may be, and segregated or otherwise separately identifiable from goods of others, if any, stored on the premises; or

(i) it is Inventory bearing a servicemark, trademark or name of any Person other than Borrower or a Restricted Subsidiary, unless it is Inventory which is sold to Borrower or a Restricted Subsidiary in the ordinary course of Borrower's or a Restricted Subsidiary's, as the case may be, business for distribution and is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreement between Borrower or a Restricted Subsidiary, as the case may be, and any other Person which prohibits or restricts Lender's sale or other disposition of such Inventory pursuant to Loan Documents.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment or threat to public health, personal injury (including sickness, disease or death), property damage, natural resources damage, or otherwise alleging liability or responsibility for damages (punitive or otherwise), cleanup, removal, remedial or response costs, restitution, civil or criminal penalties, injunctive relief, or other type of relief, resulting from or based upon the presence, placement, discharge, emission or release (including intentional and unintentional, negligent and non-negligent, sudden or non-sudden, accidental or non-accidental, placement, spills, leaks, discharges, emissions or releases) of any Hazardous Material at, in, or from Property, whether or not owned by Borrower or any Subsidiary.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters; including CERCLA, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act, the California Hazardous Waste Control Law, the California Solid Waste Management, Resource, Recovery and Recycling Act, the California Water Code and the California Health and Safety Code.

"Environmental Permits" has the meaning set forth in Section 5.12(b).

"Equipment" means all present and hereafter acquired machinery, machine tools, motors, equipment, furniture, furnishings, fixtures, vehicles (including motor vehicles and trailers), tools, parts and goods (other than consumer goods, farm products, or Inventory), of Borrower or any of its Restricted Subsidiaries, wherever located, including, (a) any interest of Borrower or any of its Restricted Subsidiaries in any of the foregoing and (b) all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with Borrower within the meaning of Section 414(b) or (c) of the IRC (and Sections 414(m) and (o) of the IRC for purposes of provisions relating to Section 412 of the IRC).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any ERISA Affiliate.

"Eurodollar Rate" means, with respect to the Interest Period for a Eurodollar Rate Advance, the interest rate per annum at which United States dollar deposits are offered to Wells Fargo Bank, National Association, by major banks in the London interbank market (or other Eurodollar Rate market selected by Lender) on or about 11:00 a.m. (Eastern time) two (2) Business Days prior to the commencement of such Interest Period in amounts comparable to the amount of the Eurodollar Rate Advances requested by and available to Borrower in accordance with this Agreement, with a maturity of comparable duration to the Interest Period selected by Borrower.

"Eurodollar Rate Advances" means any Advance (or any portion thereof) made or outstanding hereunder during any period when interest on such Advance (or portion thereof) is payable based on the Adjusted Eurodollar Rate.

"Event of Default" has the meaning set forth in Article 8.

"Excess Availability" means, as of any date of determination, the result (so long as such result is a positive number) of (a) Availability, less (b) the accounts payable of Borrower and its Restricted Subsidiaries over sixty (60) days past due.

"Exchange Act" means the Securities Exchange Act of 1934, and regulations promulgated thereunder.

"Existing Defaults" means, collectively, (i) all defaults or events of default (other than any payment defaults) existing as of the Amendment Closing Date under the Lease Agreement dated April 6, 1997, between Frame-N-Lens Optical, Inc. and Banc One Leasing Corporation, and (ii) the interest payment default existing as of the Amendment Closing Date with respect to the Senior Notes.

"Fee Letter" means that certain agreement dated as of the Amendment Closing Date setting forth the applicable fees for Lender relating to this Agreement and the Loans.

"FEIN" means Federal Employer Identification Number.

"First Union" has the meaning set forth in the recitals to this Agreement.

"Foreign Subsidiary" means any Subsidiary of Borrower which is organized or incorporated under the laws of a jurisdiction other than the United States or any state or territory thereof.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

"General Intangibles" means all of Borrower's and each Restricted Subsidiary's present and future general intangibles and other personal property (including contract rights, rights arising under common law, statutes, or regulations, choses or things in action, goodwill, patents, trade names, trademarks, servicemarks, trade secrets, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, infringement claims, computer programs, information contained on computer disks or tapes, literature, reports, catalogs, deposit accounts, insurance premium rebates, tax refunds, and tax refund claims), other than goods, Accounts, and Negotiable Collateral.

"GOB Rate" means the percentages determined, from time to time, by an appraiser acceptable to Foothill and using a methodology acceptable to Foothill in its reasonable credit judgment as the percentage of Cost of Inventory recoverable on a going-out of business basis, multiplied by eighty-five percent (85%).

"Governing Documents" means the certificate or articles of incorporation, by-laws, or other organizational or governing documents of any Person.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guaranty Obligation" has the meaning set forth in the definition of "Contingent Obligation."

"Hazardous Materials" means all those substances that are regulated by, or which may form the basis of liability under, any Environmental Law, including any substance identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, or toxic substance, or petroleum or petroleum derived substance or waste.

"Indebtedness" means, with respect to any Person, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations of such Person in respect of letters of credit, bankers acceptances, interest rate swaps, or other financial products, (c) all obligations of such Person under capital leases, (d) all obligations or liabilities of others secured by a Lien on any property or asset of such Person, irrespective of whether such obligation or liability is assumed, and (e) any obligation of such Person guaranteeing or intended to guarantee (whether guaranteed, endorsed, co-made, discounted, or sold with recourse to such Person) any indebtedness, lease, dividend, letter of credit, or other obligation of any other Person.

"Indemnified Liabilities" has the meaning set forth in Section 11.3.

"Indemnified Person" has the meaning set forth in Section 11.3.

"Indenture" means that certain Indenture dated as of October 8, 1998 among Borrower, as issuer, the guarantors named therein and State Street Bank and Trust company, as trustee.

"Independent Auditor" has the meaning set forth in Section 6.1(a).

"Insolvency proceeding" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"Intangible Assets" means, with respect to any Person, that portion of the book value of all of such Person's assets that would be treated as intangibles under GAAP.

"Interest Expense" means, with respect to any Person on a consolidated basis for any period, interest expense and loan fees determined in accordance with GAAP, and including capitalized and non-capitalized interest and the interest component of Capitalized Lease Obligations. Unless the context clearly provides otherwise, any reference to Interest Expense in this Agreement shall be to the Interest Expense of Borrower and its Subsidiaries on a consolidated basis.

"Interest Payment Date" means any date for the scheduled payment of interest on the Senior Notes under the Indenture as in effect on the date hereof.

"Interest Period" means, for any Eurodollar Rate Advance, the period commencing on the Business Day such Eurodollar Rate Advance is disbursed or continued, or on the Business Day on which a Reference Rate Advance is converted to such Eurodollar Rate Advance, and ending on the date ninety (90) days thereafter.

"Inventory" means all present and future inventory in which Borrower or a Restricted Subsidiary has any interest, including goods held for sale or lease or to be furnished under a contract of service and all of Borrower's and each Restricted Subsidiary's present and future raw materials, work in process, finished goods, and packing and shipping materials, wherever located.

"Inventory Reserves" means reserves (determined from time to time by Lender in its discretion) for the estimated reclamation claims of unpaid sellers of Inventory sold to Borrower or any Restricted Subsidiary.

"Investments" has the meaning specified in Section 7.4.

"IRC" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the IRC.

"Joint Venture" means a single-purpose corporation, partnership, limited liability company, joint venture or other similar legal arrangement (whether created by contract or conducted through a separate legal entity) now or hereafter formed by Borrower or any of its Subsidiaries with another Person (other than Borrower or one of its Restricted Subsidiaries) in order to conduct a common venture or enterprise with such Person.

"L/C" has the meaning set forth in Section 2.2(a).

"L/C Guaranty" has the meaning set forth in Section 2.2(a).

"Lender" has the meaning set forth in the preamble to this Agreement.

"Lender Account" has the meaning set forth in Section 2.7.

"Lender Expenses" means all: costs or expenses (including taxes, and insurance premiums) required to be paid by Borrower or any Subsidiary of Borrower under any of the Loan Documents that are paid or incurred by Lender; fees or charges paid or incurred by Lender in connection with Lender's transactions with Borrower and its Subsidiaries, including, fees or charges for photocopying, notarization, couriers and messengers, telecommunication, public record searches (including tax lien, litigation, and UCC searches and including searches with the patent and trademark office, the copyright office, or the department of motor vehicles), filing, recording, publication, and appraisal (including periodic Collateral appraisals); costs and expenses incurred by Lender in the disbursement of funds to Borrower (by wire transfer or otherwise); charges paid or incurred by Lender resulting from the dishonor of checks; costs and expenses paid or incurred by Lender to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated; costs and expenses paid or incurred by Lender in examining the Books and Records; costs and expenses of third party claims or any other suit paid or incurred by Lender in enforcing or defending the Loan Documents or in connection with the transactions contemplated by the Loan Documents or Lender's relationship with Borrower or any guarantor; and Lender's reasonable attorneys' fees and expenses, actually incurred in advising, structuring, drafting, reviewing, administering, amending, terminating, enforcing (including, without limitation, reasonable attorneys' fees and expenses actually incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning Borrower or any guarantor of the Obligations), defending, or concerning the Loan Documents, irrespective of whether suit is brought.

"Letter of Credit" means an L/C or an L/C Guaranty, as the context requires.

"Lien" means any interest in property securing an obligation owed to, or a claim by, any Person other than the owner of the property, whether such interest shall be based on the common law, statute, or contract, whether such interest shall be recorded or perfected, and whether such interest shall be contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances, including the lien or security interest arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, security agreement, adverse claim or charge, conditional sale or trust receipt, or from a lease, consignment, or bailment for security purposes and also including reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances affecting Real Property.

"Loan Account" has the meaning set forth in Section 2.10.

"Loan Documents" means this Agreement, the Disbursement Letter, the Letters of Credit, the Collateral Documents, any note or notes executed by Borrower and payable to Lender, and any other agreement entered into, now or in the future, in connection with this Agreement.

"Loans" means, collectively, the Advances and the Term Loans.

"Lockbox Account" shall mean a depositary account established pursuant to one of the Lockbox Agreements.

"Lockbox Agreements" means those certain Lockbox Operating Procedural Agreements and those certain Depository Account Agreements, in form and substance satisfactory to Lender, each of which is among Borrower, Lender and one of the Lockbox Banks.

"Lockbox Banks" means First Union, or such other Person or Persons as Lender and Borrower may designate from time to time.

"Lockboxes" has the meaning set forth in Section 2.7.

"Managed Care Subsidiary" shall mean (a NVAL VisionCare Systems of California, Inc., ProCare Eye Exam, Inc. and NVAL VisionCare Systems of North Carolina, Inc. and (b) any other Subsidiary of Borrower formed or acquired after the Amendment Closing Date whose financial condition or activities are regulated under the laws of any state in connection with its provision of health or vision care products or services (or related administrative services) and shall include, and without limitation, a health maintenance organization (whether single or multi service), third party administrator or any entity similar to any of the foregoing.

"Margin Stock" means "margin stock" as such term is defined in Regulation U or X of the Board of Governors of the Federal Reserve System.

"Master Concentration Account" means account number 2080000695022 of Borrower maintained at the Concentration Account Bank, or such other deposit account of Borrower (located in the United States), into which cash received in the Lockbox, the other Concentration Accounts and certain Retail Store Accounts is wire transferred as provided in Section 2.7.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of Borrower or of Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of Borrower or any Restricted Subsidiary to perform under any Loan Document; or (c) a material adverse effect upon (i) the legality, validity, binding effect or enforceability against Borrower or any Restricted Subsidiary of any Loan Document, or (ii) the perfection or priority of any Lien granted under any of the Collateral Documents.

"Material Contracts" has the meaning set forth in Section 5.25.

"Maturity Date" has the meaning set forth in Section 3.4.

"Maximum Amount" means $25,000,000.

"Maximum Revolving Amount" means, as of any date of determination, the result of (a) the Maximum Amount, minus (b) the then outstanding aggregate principal balance of the Term Loans.

"Meijer" means Meijer, Inc.

"Multiemployer Plan" means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, to which Borrower or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

"Negotiable Collateral" means all of Borrower's and each Restricted Subsidiary's present and future letters of credit, notes, drafts, instruments, investment property, security entitlements, securities (including the shares of stock of Subsidiaries of Borrower or any Restricted Subsidiary), documents, personal property leases (wherein Borrower or any Restricted Subsidiary is the lessor), chattel paper, and Books and Records relating to any of the foregoing.

"Net Income" means, with respect to any Person on a consolidated basis for any period, its net income (or deficit) determined in accordance with GAAP. Unless the context clearly provides otherwise, any reference to Net Income in this Agreement shall be to the Net Income of Borrower and its Subsidiaries on a consolidated basis.

"Net Proceeds" means, as to any Disposition by a Person, proceeds in cash, checks or other cash equivalent financial instruments as and when received by such Person, net of: (a) the direct costs relating to such Disposition excluding amounts payable to such Person or any Affiliate of such Person, (b) income, sale, use or other transaction taxes paid or payable by such Person as a direct result thereof, and (c) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on Indebtedness secured by a Lien on the asset which is the subject of such Disposition and (d) appropriate amounts to be set aside by such Person as a reserve, in accordance with GAAP, against any liabilities associated with such Disposition and retained by such Person after such Disposition, including without limitation pension and other post-employment benefit liabilities, liabilities related to environment matters and liabilities under any indemnification obligations associated with such Disposition.

"Obligations" means all Loans, debts, principal, interest (including any interest that, but for the provisions of the Bankruptcy Code, would have accrued), contingent reimbursement obligations under any outstanding Letters of Credit, premiums (including Early Termination Premiums), liabilities (including all amounts charged to Borrower's Loan Account pursuant hereto), obligations, fees, charges, costs, or Lender Expenses (including any fees or expenses that, but for the provisions of the Bankruptcy Code, would have accrued), lease payments, guaranties, covenants, and duties owing by Borrower to Lender of any kind and description (whether pursuant to or evidenced by the Loan Documents or pursuant to any other agreement between Lender and Borrower, and irrespective of whether for the payment of money), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including any debt, liability, or obligation owing from Borrower to others that Lender may have obtained by assignment or otherwise, and further including all interest not paid when due and all Lender Expenses that Borrower is required to pay or reimburse by the Loan Documents, by law, or otherwise.

"Overadvance" has the meaning set forth in Section 2.5.

"Participant" means any Person to which Lender has sold a participation interest in its rights under the Loan Documents.

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

"Permitted Liens" has the meaning set forth in Section 7.1.

"Permitted Protest" means the right of Borrower or any Restricted Subsidiary to protest any Lien other than any such Lien that secures the Obligations, provided that (a) a reserve with respect to such obligation is established on the books of Borrower or such Restricted Subsidiary in an amount that is reasonably satisfactory to Lender in its reasonable credit judgment, (b) any such protest is instituted and diligently prosecuted by Borrower or such Restricted Subsidiary in good faith, and (c) Lender is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of the Liens of Lender in and to the Collateral.

"Person means and includes natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which Borrower sponsors or maintains or to which Borrower makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Pledge Agreement" means that certain Amended and Restated Pledge Agreement of even date herewith among Borrower, the Administrative Agent and Lender, in form and substance satisfactory to Lender, together with any supplement thereto executed and delivered after the date hereof between Borrower and Lender.

"Pledged Collateral" has the meaning specified in the Pledge Agreement.

"Prior Credit Agreement" has the meaning set forth in the recitals to this Agreement.

"Purchase Money Indebtedness " means any Indebtedness of Borrower or its Restricted Subsidiaries incurred for the purpose of financing all or any part of the purchase price or the cost of installation, construction or improvement of any property.

"Qualified Proceeds " means any of the following or any combination of the following: (i) cash, (ii) cash equivalents, (iii) assets that are used or usable in the business of Borrower and its Restricted Subsidiaries as existing on the Amendment Closing Date or a business reasonably related or complimentary thereto and (iv) capital stock of any Person engaged primarily in the business of Borrower and its Restricted Subsidiaries as existing on the Amendment Closing Date or a business reasonably related or complimentary thereto so long as, in connection with the receipt by Borrower or any Restricted Subsidiary of Borrower of such capital stock, (A) such Person becomes a Restricted Subsidiary or (B) such Person is merged with or into or transfers or conveys substantially all or all of its assets to, or is liquidated into, Borrower or any Restricted Subsidiary.

"Reference Rate" means the variable rate of interest, per annum, most recently announced by Wells Fargo Bank, National Association, or any successor thereto, as its "base rate," irrespective of whether such announced rate is the best rate available from such financial institution.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Reserve Percentage" means and refers to, as of the date of determination thereof; the maximum percentage (rounded upward, if necessary to the nearest 1/100th of one percent (1%)), as determined by Lender (or its Affiliates) in accordance with its (or their) usual procedures (which determination shall be conclusive in the absence of manifest error), that is in effect on such date as prescribed by the Federal Reserve Board for determining the reserve requirements (including supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities") by Lender or its Affiliates.

"Responsible Officer" means the chief executive officer, the chief financial officer or the president of Borrower, or any other officer having substantially the same authority and responsibility; or, with respect to compliance with financial covenants, the chief financial officer, the controller or the treasurer of Borrower, or any other officer having substantially the same authority and responsibility.

"Restricted Payments" has the meaning set forth in Section 7.10.

"Restricted Subsidiary" means any direct or indirect Subsidiary of Borrower other than an Unrestricted Subsidiary.

"Retail Store Accounts" means those bank accounts set forth on Schedule 6.14 other than the Lockbox Account or the Concentration Accounts.

"Revolving Facility Usage" means, as of any date of determination, the aggregate amount of Advances and undrawn or unreimbursed Letters of Credit outstanding.

"Sam's Club" means Sam's Club a division of Wal-Mart.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Security Agreement" means that certain Amended and Restated Security Agreement of even date herewith among Borrower, the Administrative Agent and Lender, in form and substance satisfactory to Lender.

"Senior Notes" means those certain senior unsecured notes due 2005 issued by Borrower pursuant to the Indenture.

"Solvent" means, as to any Person at any time, that (a) the fair value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(31) of the Bankruptcy Code; (b) the present fair saleable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Sub-Concentration Accounts" means those bank accounts of Borrower at the Concentration Account Bank set forth on Schedule S-1.

"Subsidiary" of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than fifty percent (50%) of the voting stock, membership interests or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of Borrower.

"Subsidiary Guaranty" eans that certain Amended and Restated Subsidiary Guaranty of even date herewith among the Restricted Subsidiaries, the Administrative Agent and Lender, in form and substance satisfactory to Lender, together with any supplement thereto.

"Subsidiary Pledge Agreement" means that certain Amended and Restated Subsidiary Pledge Agreement of even date herewith among the Restricted Subsidiaries, the Administrative Agent and Lender, in form and substance satisfactory to Lender, together with any supplement thereto.

"Subsidiary Security Agreement" means that certain Amended and Restated Subsidiary Security Agreement of even date herewith among the Restricted Subsidiaries, the Administrative Agent and Lender, in form and substance satisfactory to Lender, together with any supplement thereto.

"Surety Instruments" means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Term A Monthly Interest Rate Adjustment" has the meaning set forth in Section 2.6(a)(iii).

"Term A Option Fee" has the meaning set forth in Section 2.3(a).

"Term A Rate" has the meaning set forth in Section 2.6(a)(iii).

"Term B Monthly Interest Rate Adjustment" has the meaning set forth in Section 2.6(a)(iv).

"Term B Option Fee" has the meaning set forth in Section 2.3(b).

"Term B Rate" has the meaning set forth in Section 2.6(a)(iv).

"Term Loan A" has the meaning set forth in Section 2.3(a).

"Term Loan B" has the meaning set forth in Section 2.3(b).

"Term Loans" means, collectively, Term Loan A and Term Loan B.

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the IRC for the applicable plan year.

"Unrestricted Subsidiaries" means the Foreign Subsidiaries, the Managed Care Subsidiaries and each other direct or indirect Subsidiary of Borrower designated as an "Unrestricted Subsidiary" by Borrower and such designation is consented to by Lender; provided, however, that each Managed Care Subsidiary existing on the Amendment Closing Date shall use its reasonable efforts to obtain the approval of the requisite regulatory entity for it to become a Restricted Subsidiary as promptly as practicable after the Amendment Closing Date and each Person which becomes a Managed Care Subsidiary after the Amendment Closing Date shall use its reasonable efforts to obtain the requisite regulatory approval for it to become a Restricted Subsidiary as promptly as practicable after it becomes a Managed Care Subsidiary; provided further that with regard to any domestic Subsidiary of Borrower formed after the Amendment Closing Date which is or seeks to become a Managed Care Subsidiary such Subsidiary's obligations as a Restricted Subsidiary under a Subsidiary Guaranty, Subsidiary Security Agreement and Subsidiary Pledge Agreement (if applicable) to be issued pursuant to Section 6.16 of this Agreement shall only become effective if (a) the approval of the requisite regulatory entity is obtained (if such approval is required) and (b) the granting of the Subsidiary Guaranty, Subsidiary Security Agreement and Subsidiary Pledge Agreement (if applicable) by such Subsidiary shall not have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of such Subsidiary (a "material adverse effect"); provided that if a Subsidiary Guaranty, Subsidiary Security Agreement and Subsidiary Pledge Agreement (if applicable) is not issued by such Subsidiary in reliance on the provisions of this clause (b), Borrower shall deliver an officers' certificate to Lender stating that the granting of such Subsidiary Guaranty, Subsidiary Security Agreement and Subsidiary Pledge Agreement (if applicable) would have a material adverse effect, and provided, further that such obligation under the Subsidiary Guaranty shall be limited to the maximum amount which such Subsidiary would be permitted to declare or pay as a dividend in compliance with the applicable rules or regulations of, or undertakings made to, any regulatory entity having jurisdiction and authority over such Subsidiary. No Subsidiary of Borrower may be designated as an Unrestricted Subsidiary hereunder if it is a "Guarantor" as defined in the Indenture as in effect on the Amendment Closing Date.

"Voidable Transfer" has the meaning set forth in Section 15.8.

"Wachovia Swap Obligations" has the meaning set forth in Section 7.5(e).

"Wal-Mart means Wal-Mart Stores, Inc., a Delaware corporation.

"Wal-Mart Master Lease Agreement" means that certain Vision Center Master License Agreement dated as of June 16, 1994, by and between Wal-Mart and Borrower, and all Addenda and Attachments thereto.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term "financial statements" shall include the notes and schedules thereto. Whenever the term "Borrower" is used in respect of a financial covenant or a related definition, it shall be understood to mean Borrower on a consolidated basis with its Subsidiaries unless the context clearly requires otherwise.

1.3 Code. Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

1.4 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. An Event of Default shall "exist", "continue" or be "continuing" until such Event of Default has been waived in writing by Lender. Section, subsection, clause, schedule, and exhibit references are to this Agreement unless otherwise specified. Any reference in this Agreement or in the Loan Documents to this Agreement or any of the Loan Documents shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, and supplements, thereto and thereof, as applicable.

1.5 Schedules and Exhibits. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

20 LOAN AND TERMS OF PAYMENT.

2.1 Revolving Advances.

(a) Subject to the terms and conditions of this Agreement, Lender agrees to make advances ("Advances") to Borrower in an aggregate amount outstanding not to exceed at any one time the lesser of (i) the Maximum Revolving Amount less the aggregate outstanding balance of all undrawn or unreimbursed Letters of Credit, or (ii) the Borrowing Base less the aggregate outstanding balance of all undrawn or unreimbursed Letters of Credit. For purposes of this Agreement, "Borrowing Base", as of any date of determination, shall mean the result of:

(I) the lowest of:

(v) seventy-five percent (75%) of EBITDA for the most recent twelve (12) month period for which financial statements have been provided to Lender pursuant to Section 6.1(c);

(w) one hundred fifty percent (150%) of EBITDA for the most recent twelve (12) month period for which financial statements have been provided to Lender pursuant to Section 6.1(c), less the aggregate principal amount of the Term Loans then outstanding; and

(x) the sum of:

(A) the lowest of (i) $7,500,000, (ii) eighty-five percent (85%) of Eligible accounts, less the amount, if any, of the Dilution Reserve, and (iii) an amount equal to one-sixth (1/6) of Collections of Borrower and its Restricted Subsidiaries with respect to Accounts for the immediately preceding sixty (60) day period, plus

(B) the lowest of (i) $12,000,000, (ii) thirty percent (30%) of the Cost of Eligible Inventory, less the aggregate amount of the Inventory Reserves, and (iii) the GOB Rate of the Cost of Eligible Inventory as determined based on the most recent appraisals thereof less the aggregate amount of the Inventory Reserves; and

(y) an amount equal to one-third (1/3) of Collections of Borrower and its Restricted Subsidiaries with respect to Accounts for the immediately preceding sixty (60) day period; and

(z) an amount equal to two-thirds (2/3) of Collections of Borrower and its Restricted Subsidiaries with respect to Accounts for the immediately preceding sixty (60) day period, less the aggregate principal amount of the Term Loans then outstanding,

minus,

(II) (without duplication) the aggregate amount of reserves, if any, established by Lender under Section 2.1(b), Section 2.1(c) and Article 10 hereof.

(b) Anything to the contrary in this Section notwithstanding, Lender shall have the right to establish reserves against the Borrowing Base or adjust the standards of eligibility in such amounts as Lender, in its reasonable judgment (from the perspective of an asset-based lender) shall deem necessary or appropriate, including (x) reserves on account of (i) sums that Borrower is required to pay (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay under any Section of this Agreement or any other Loan Document, (ii) without duplication of the foregoing, amounts owing by Borrower to any Person to the extent secured by a Lien on, or trust over, any of the Collateral, which Lien or trust, in the reasonable determination of Lender (from the perspective of an asset-based lender), would be likely to have a priority superior to the Liens of Lender (such as landlord liens, ad valorem taxes, or sales taxes where given priority under applicable law) in and to such item of Collateral, and (y) reserves to the extent that the final audit and appraisal referenced in Section 3.3(c) received by Foothill after the Amendment Closing Date reveal any material negative variances from the preliminary results of such reports delivered to Lender prior to the Amendment Closing Date.

(c) Lender shall have the right to establish a reserve against the Borrowing Base, commencing on December 1, 1999, in the amount of $1,000,000, which reserve shall increase by an additional $1,000,000 as of the first day of each month thereafter, provided that such reserve shall reduce to zero on that date which is two (2) Business Days prior to any Interest Payment Date and increased by an additional $1,000,000 as of the first day of the immediately succeeding month and each month thereafter.

(d) Lender shall have no obligation to make Advances hereunder to the extent they would cause the outstanding Obligations to exceed the Maximum Revolving Amount.

(e) Amounts borrowed pursuant to this Section 2.1 may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any time during the term of this Agreement.

2.2 Letters of Credit.

(a) Subject to the terms and conditions of this Agreement, Lender agrees to issue letters of credit for the account of Borrower (each, an "L/C") or to issue guarantees of payment (each such guaranty, an "L/C Guaranty") with respect to letters of credit issued by an issuing bank for the account of Borrower. Lender shall have no obligation to issue a Letter of Credit if any of the following would result:

(i) The aggregate amount of all types of undrawn and unreimbursed Letters of Credit would exceed the Borrowing Base less the amount of outstanding Advances less the aggregate amount of Inventory Reserves and reserves established under Section 2.1(b) and Section 2.1(c); or

(ii) the aggregate amount of all undrawn or unreimbursed Letters of Credit would exceed the lower of: (x) the Maximum Revolving Amount less the amount of outstanding Advances less the aggregate amount of Inventory Reserves and reserves established under Section 2.1(b), Section 2.1(c) and Article 10 hereof; or (y) $3,000,000; or

(iii) the outstanding Obligations would exceed the Maximum Amount.

Borrower expressly understands and agrees that Lender shall have no obligation to arrange for the issuance by issuing banks of the letters of credit that are to be the subject of L/C Guaranties. Borrower and Lender acknowledge and agree that certain of the letters of credit that are to be the subject of L/C Guaranties may be outstanding on the Amendment Closing Date. Each Letter of Credit shall have an expiry date no later than sixty (60) days prior to the date on which this Agreement is scheduled to terminate under Section 3.4 (without regard to any potential renewal term) and all such Letters of Credit shall be in form and substance acceptable to Lender in its sole discretion. If Lender is obligated to advance funds under a Letter of Credit, Borrower immediately shall reimburse such amount to Lender and, in the absence of such reimbursement, the amount so advanced immediately and automatically shall be deemed to be an Advance hereunder and, thereafter, shall bear interest at the rate then applicable to Advances under Section 2.6.

(b) Borrower hereby agrees to indemnify, save, defend, and hold Lender harmless from any loss, cost, expense, or liability, including payments made by Lender, expenses, and actual and reasonable attorneys' fees incurred by Lender arising out of or in connection with any Letter of Credit, except to the extent arising from Lender's own gross negligence or wilful misconduct. Borrower agrees to be bound by the issuing bank's regulations and interpretations of any Letters of Credit guaranteed by Lender and opened to or for Borrower's account or by Lender's interpretations of any L/C issued by Lender to or for Borrower's account, even though this interpretation may be different from Borrower's own, and Borrower understands and agrees that Lender shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following Borrower's instructions or those contained in the Letter of Credit or any modifications, amendments, or supplements thereto. Borrower understands that the L/C Guaranties may require Lender to indemnify the issuing bank for certain costs or liabilities arising out of claims by Borrower against such issuing bank. Borrower hereby agrees to indemnify, save, defend, and hold Lender harmless with respect to any loss, cost, expense (including, without limitation, actual and reasonable attorneys' fees), or liability incurred by Lender under any L/C Guaranty as a result of Lender's indemnification of any such issuing bank, except to the extent arising from Lender's own gross negligence or wilful misconduct.

(c) Borrower hereby authorizes and directs any bank that issues a letter of credit guaranteed by Lender to deliver to Lender all instruments, documents, and other writings and property received by the issuing bank pursuant to such letter of credit, and to accept and rely upon Lender's instructions and agreements with respect to all matters arising in connection with such letter of credit and the related application. Borrower may or may not be the "applicant" or "account party" with respect to such letter of credit.

(d) Any and all charges, commissions, fees, and costs incurred by Lender relating to the letters of credit guaranteed by Lender shall be considered Lender Expenses for purposes of this Agreement and shall be reimbursable by Borrower to Lender on demand.

(e) Immediately upon the termination of this Agreement, Borrower agrees to either (i) provide cash collateral to be held by Lender in an amount equal to one hundred five percent (105%) of the maximum amount of Lender's obligations under outstanding Letters of Credit, or (ii) cause to be delivered to Lender releases of all of Lender's obligations under outstanding Letters of Credit. Such cash collateral shall be returned to Borrower when there are no longer any Letters of Credit outstanding, all Obligations have been paid in full in cash and this Agreement has been terminated. At Lender's discretion, any proceeds of Collateral received by Lender after the occurrence and during the continuation of an Event of Default may be held as the cash collateral required by this Section 2.2(e).

(f) If by reason of (i) any change in any applicable law, treaty, rule, or regulation or any change in the interpretation or application by any governmental authority of any such applicable law, treaty, rule, or regulation, or (ii) compliance by the issuing bank or Lender with any direction, request, or requirement (irrespective of whether having the force of law) of any governmental authority or monetary authority including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect (and any successor thereto):

(A) any reserve, deposit, or similar requirement is or shall be imposed or modified in respect of any Letters of Credit issued hereunder, or

(B) there shall be imposed on the issuing bank or Lender any other condition regarding any letter of credit, or Letter of Credit, as applicable, issued pursuant hereto;

and the result of the foregoing is to increase, directly or indirectly, the cost to the issuing bank or Lender of issuing, making, guaranteeing, or maintaining any letter of credit, or Letter of Credit, as applicable, or to reduce the amount receivable in respect thereof by such issuing bank or Lender, then, and in any such case, Lender may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify Borrower, and Borrower shall pay on demand such amounts as the issuing bank or Lender may specify to be necessary to compensate the issuing bank or Lender for such additional cost or reduced receipt, together with interest on such amount from the date of such demand until payment in full thereof at the rate set forth in Section 2.6(a)(i) or (c)(i), as applicable. The determination by the issuing bank or Lender, as the case may be, of any amount due pursuant to this Section 2.2(f), as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on all of the parties hereto.

2.3 Term Loan. (a) Term Loan A. Subject to the terms and conditions of this Agreement, Lender has agreed to make a term loan on the Amendment Closing Date (the "Term Loan A") to Borrower in the original principal amount of $2,500,000. The outstanding unpaid principal balance and all accrued and unpaid interest under the Term Loan A shall be due and payable on the earlier of (x) the Maturity Date and (y) the termination of this Agreement, whether by its terms, by prepayment, by acceleration, or otherwise. In the event that Borrower shall not have prepaid the Term Loan A in full by December 15, 2000 (the "Adjustment Date"), Borrower shall, at its option, pay to Lender on the Adjustment Date in immediately available funds a fee (the "Term A Option Fee") in an amount equal to one percent (1.00%) of the principal balance of the Term Loan A then outstanding. If Borrower fails to pay the Term A Option Fee on the Adjustment Date, the interest rate payable on the Term Loan A shall be increased by the Term A Monthly Interest Rate Adjustment set forth in Section 2.6(a)(iii) from the Adjustment Date through the Maturity Date. All amounts outstanding under the Term Loan A shall constitute Obligations.

(b) Term Loan B. Subject to the terms and conditions of this Agreement, Lender has agreed to make a term loan on the Amendment Closing Date (the "Term Loan B") to Borrower in the original principal amount of $10,000,000. The outstanding unpaid principal balance and all accrued and unpaid interest under the Term Loan B shall be due and payable on the earlier of (x) the Maturity Date and (y) the termination of this Agreement, whether by its terms, by prepayment, by acceleration, or otherwise. In the event that Borrower shall not have prepaid the Term Loan B in full by the Adjustment Date, Borrower shall, at its option, pay to Lender on each of the Adjustment Date and on January 15, 2001 in immediately available funds a fee (the "Term B Option Fee") in an amount equal to two percent (2.00%) of the principal balance of the Term Loan B then outstanding. If Borrower fails to pay the Term B Option Fee on the Adjustment Date, the interest rate payable on the Term Loan B shall be increased by the Term B Monthly Interest Rate Adjustment set forth in Section 2.6(a)(iv) from the Adjustment Date through the Maturity Date. All amounts outstanding under the Term Loan B shall constitute Obligations.

(c) Prepayments. The unpaid principal balance of the Term Loans may be voluntarily prepaid by Borrower in whole or in part without penalty or premium at any time during the term of this Agreement so long as (i) at the time of such prepayment no Default or Event of Default then exists or would be caused thereby, and (ii) immediately before and after giving effect to such prepayment, Availability (less a reasonable reserve for past due accounts payable) shall be not less than $3,000,000. All prepayments of the Term Loans shall be in an amount not less than $1,000,000. Notwithstanding anything to the contrary contained herein, so long as no Default or Event of Default then exists, all prepayments of the Term Loans shall be applied pro rata between the Term Loan A and the Term Loan B.

2.4 [Intentionally Omitted].

2.5 Overadvances. If, at any time or for any reason, the amount of Obligations owed by Borrower to Lender pursuant to Sections 2.1 and 2.2 is greater than the applicable Dollar or percentage limitations set forth in Sections 2.1 or 2.2 (an "Overadvance"), Borrower immediately shall pay to Lender, in cash, the amount of such excess to be used by Lender first, to repay Advances outstanding under Section 2.1 and, thereafter, to be held by Lender as cash collateral to secure Borrower's obligation to repay Lender for all amounts paid pursuant to Letters of Credit.

2.6 Interest and Letter of Credit Fees: Rates, Payments, and Calculations; Promise to Pay.

(a) Interest Rate. Except as provided in clause (b) below, (i) all Advances which are Eurodollar Rate Advances shall bear interest on the Daily Balance thereof at a per annum rate of three and one-quarter percentage points (3.25%) above the Adjusted Eurodollar Rate, (ii) all Advances which are Reference Rate Advances shall bear interest on the Daily

Balance thereof at a per annum rate of two percent (2.00%) above the Reference Rate, (iii) the Term Loan A shall bear interest on the Daily Balance thereof at a per annum rate of fifteen percent (15.00%); provided, however, that, in the event Borrower fails to pay the Term A Option Fee on the Adjustment Date, the interest rate on the Term Loan A shall increase each month commencing on the Adjustment Date through the Maturity Date (such monthly increase in the interest rate is referred to herein as the "Term A Monthly Interest Rate Adjustment" and the interest rate on the Term Loan A as so increased is referred to herein as the "Term A Rate") by an additional one-eighth of one percent (0.125%) , and (iv) the Term Loan B shall bear interest on the Daily Balance thereof at a per annum rate of fifteen percent (15.00%); provided, however, that, in the event Borrower fails to pay the Term B Option Fee on the Adjustment Date, the interest rate on the Term Loan B shall increase each month commencing on the Adjustment Date through the Maturity Date (such monthly increase in the interest rate is referred to herein as the "Term B Monthly Interest Rate Adjustment" and the interest rate on the Term Loan B as so increased is referred to herein as the "Term B Rate") by an additional three-eighths of one percent (0.375%).

(b) Letter of Credit Fee. Borrower shall pay Lender a fee (in addition to the charges, commissions, fees, and costs set forth in Section 2.2(d)) equal to one and one-half percent (1.50%) per annum times the aggregate undrawn amount of all Letters of Credit that were outstanding during the immediately preceding month.

(c) Default Rate. Upon the occurrence and during the continuation of an Event of Default, (i) all Obligations (except for undrawn Letters of Credit and the Term Loan) shall bear interest on the Daily Balance thereof at a per annum rate equal to four percentage points (4.00%) percentage points above the Reference Rate, (ii) the Term Loan A shall bear interest on the Daily Balance thereof at a per annum rate equal to two percentage points (2.00%) above the Term A Rate, (iii) the Term Loan B shall bear interest on the Daily Balance thereof at a per annum rate equal to two percentage points (2.00%) above the Term B Rate, and (iv) the Letter of Credit fee provided in Section 2.6(b) shall be increased to three and one-half percent (3.50%) per annum times the amount of the undrawn Letters of Credit that were outstanding during the immediately preceding month.

(d) [Intentionally Omitted].

(e) Payments. Interest and Letter of Credit fees payable hereunder shall be due and payable, in arrears, on the first day of each month during the term hereof. Borrower hereby authorizes Lender, at its option, without prior notice to Borrower, to charge such interest and Letter of Credit fees, all Lender Expenses (as and when incurred), the charges, commissions, fees, and costs provided for in Section 2.2(d) (as and when accrued or incurred), the fees and charges provided for in Section 2.11 (as and when accrued or incurred), and all installments or other payments due under the Term Loans or any Loan Document to Borrower's Loan Account, which amounts thereafter shall accrue interest at the rate then applicable to Advances hereunder.

(f) Computation. The Reference Rate as of the date of this Agreement is eight and one-quarter percent (8.25%) per annum. In the event the Reference Rate is changed from time to time hereafter, the applicable rate of interest hereunder automatically and immediately shall be increased or decreased by an amount equal to such change in the Reference Rate. All interest and fees chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

(g) Intent to Limit Charges to Maximum Lawful Rate. Borrower and Lender hereby agree and stipulate that the only charges imposed upon Borrower for the use of money in connection with this Agreement are and shall be the specific interest and fees described in this Article 2 and in any other Loan Document. Notwithstanding the foregoing, Borrower and Lender further agree and stipulate that all agency fees, syndication fees, facility fees, underwriting fees, default charges, late charges, funding or "breakage" charges, increased cost charges, the Early Termination Premium, "float" or "clearance" charges, attorneys' fees and reimbursement for costs and expenses paid by Lender to third parties or for damages incurred by Lender are charges to compensate Lender for underwriting and administrative services and costs or losses performed or incurred, and to be performed and incurred, by Lender in connection with this Agreement and the other Loan Documents and shall under no circumstances be deemed to be charges for the use of money pursuant to Official Code of Georgia Annotated Sections 7-4-2 and 7-4-18. In no event shall the amount of interest and other charges for the use of money payable under this Agreement exceed the maximum amounts permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Borrower and Lender, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and other charges for the use of money and manner of payment stated within it; provided, however, that, anything contained herein to the contrary notwithstanding, if the amount of such interest and other charges for the use of money or manner of payment exceeds the maximum amount allowable under applicable law, then, ipso facto as of the date of this Agreement, Borrower is and shall be liable only for the payment of such maximum as allowed by law, and payment received from Borrower in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

(h) Promise to Pay. Borrower hereby promises to pay in full to Lender the amount of all Obligations, including the principal amount of all Advances, together with accrued interest, fees and other amounts due thereon, all in accordance with the terms of this Agreement.

2.7 Collection of Accounts.

(a) Collections. Borrower shall, promptly (but in no event later than December 15, 1999) after the Amendment Closing Date, instruct all Account Debtors (other than retail customers and optometrists) with respect to the Accounts, General Intangibles and Negotiable Collateral of Borrower and the Restricted Subsidiaries to remit, on each Business Day, all Collections in respect thereof directly to the Lockbox or to a Concentration Account via electronic funds transfer (including, but not limited to ACH transfers). From and after the Amendment Closing Date, Borrower shall cause all Collections and other amounts received by Borrower or any Restricted Subsidiary at any retail store location to be deposited on a daily basis into a Retail Store Account or a Concentration Account. In addition, Borrower agrees that all other Collections and other amounts received directly by Borrower or any Restricted Subsidiary from any Account Debtor or any other source immediately upon receipt shall be deposited into a Concentration Account. Borrower shall cause all funds in excess of $500 on deposit in each Retail Store Account to be sent by electronic funds transfer (including, but not limited to, ACH transfers) on each Business Day to a Concentration Account.

(b) Lockbox and Concentration Accounts. With respect to each Lockbox, Borrower, Lender and the applicable Lockbox Bank shall have entered into a Lockbox Agreement, which among other things shall provide (i) for the opening or maintenance of a Lockbox Account at such Lockbox Bank into which all Collections received in such Lockbox shall be deposited on a daily basis and (ii) that all cash deposited into such Lockbox Account shall be sent by electronic funds transfer (including, but not limited to ACH transfers) on each Business Day to the Master Concentration Account. With respect to the Sub-Concentration Accounts, Borrower, Lender and First Union shall have entered into a Concentration Account Agreement, which among other things shall provide that all cash deposited into each Sub-Concentration Account shall be sent by electronic funds transfer (including, but not limited to ACH transfers) on each Business Day to the Master Concentration Account. Upon the terms and subject to the conditions set forth in the Concentration Account Agreement with respect to the Master Concentration Account, all amounts received in the Master Concentration Account shall be wired each Business Day into an account (the "Lender Account") maintained by Lender at a depository selected by Lender.

(c) Retail Store Accounts. Promptly (but in no event later than thirty (30) days) after the Amendment Closing Date, Borrower shall, with respect to each Retail Store Account, deliver to Lender either (i) a Blocked Account Agreement with respect to such Retail Store Account or (ii) evidence that Borrower has provided to the bank at which such Retail Store Account is located notice in writing of Lender's security interest in such Retail Store Account and irrevocable directions in writing, in form and substance satisfactory to Lender, to send by electronic funds transfer (including, but not limited to, ACH transfers) on each Business Day to a Concentration Account all funds in excess of $500 on deposit in such Retail

Store Account and that each bank has agreed to do so. Notwithstanding the foregoing, promptly upon the request of Lender, Borrower shall deliver a Blocked Account Agreement to Lender with respect to any Retail Store Account identified by Lender (which shall include, without limitation, each Retail Store Account with Wells Fargo Bank, National Association). Each Blocked Account Agreement shall provide, among other things, that all cash in excess of $500 deposited into the Retail Store Accounts covered thereby shall be sent by electronic funds transfer (including, but not limited to ACH transfers) on each Business Day to a Concentration Account.

(d) Miscellaneous. No Lockbox Agreement, Concentration Account Agreement, Blocked Account Agreement or other arrangement contemplated in this Section 2.7 shall be modified by Borrower without the prior written consent of Lender.

2.8 Crediting Payments; Application of Collections. The receipt of any Collections by Lender (whether from transfers to Lender by the Concentration Account Bank pursuant to the Concentration Account Agreement or otherwise) immediately shall be applied provisionally to reduce the Obligations in the order as determined by Lender, in its sole discretion, but shall not be considered a payment on account unless such Collection item is a wire transfer of immediately available federal funds and is made to the Lender Account or unless and until such Collection item is honored when presented for payment. From and after the Amendment Closing Date, Lender shall be entitled to charge Borrower for two (2) Business Days of `clearance' or `float' at the rate set forth in Section 2.6(a)(i), Section 2.6(a)(ii) or Section 2.6(c)(i), as applicable, on all Collections that are received by Lender (regardless of whether forwarded by the Concentration Account Bank to Lender, whether provisionally applied to reduce the Obligations under Section 2.1, or otherwise). This across-the-board two (2) Business Day clearance or float charge on all Collections is acknowledged by the parties to constitute an integral aspect of the pricing of Lender's financing of Borrower, and shall apply irrespective of the characterization of whether receipts are owned by Borrower or Lender, and whether or not there are any outstanding Advances, the effect of such clearance or float charge being the equivalent of charging two (2) Business Days of interest on such Collections. Should any Collection item not be honored when presented for payment, then Borrower shall be deemed not to have made such payment, and interest shall be recalculated accordingly. Anything to the contrary contained herein notwithstanding, any Collection item shall be deemed received by Lender only if it is received into the Lender Account on a Business Day on or before 2:00 p.m. (Eastern time). If any Collection item is received into the Lender Account on a non-Business Day or after 2:00 p.m. (Eastern time) on a Business Day, it shall be deemed to have been received by Lender as of the opening of business on the immediately following Business Day. Notwithstanding the foregoing, (i) any Collections or other amounts received by Lender prior to the occurrence of an Event of Default that are not directed to be applied to the Loans in any particular order by Borrower or elsewhere in this Agreement shall be applied to the Obligations as Lender, in its sole discretion, shall determine, and (ii) any Collections or other amounts received by Lender after the occurrence of an Event of Default shall be applied to the Obligations as Lender, in its sole discretion, shall determine.

2.9 Designated Account. Lender is authorized to make the Advances, the Letters of Credit and the Term Loans under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person, or without instructions if pursuant to Section 2.6(e). Borrower agrees to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Advances requested by Borrower and made by Lender hereunder. Unless otherwise agreed by Lender and Borrower, any Advance requested by Borrower and made by Lender hereunder shall be made to the Designated Account.

2.10 Maintenance of Loan Account; Statements of Obligations. Lender shall maintain an account on its books in the name of Borrower (the "Loan Account") on which Borrower will be charged with all Advances and the Term Loans made by Lender to Borrower or for Borrower's account, including, accrued interest, Lender Expenses, and any other payment Obligations of Borrower. In accordance with Section 2.8, the Loan Account will be credited with all payments received by Lender from Borrower or for Borrower's account, including all amounts received in the Lender Account from the Concentration Account Bank. Lender shall render statements regarding the Loan Account to Borrower, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Expenses owing, and such statements shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrower and Lender unless, within forty-five (45) days after receipt thereof by Borrower, Borrower shall deliver to Lender written objection thereto describing the error or errors contained in any such statements.

2.11 Fees.

(a) Fee Letter. Borrower shall pay to Lender the fees set forth in the Fee Letter.

(b) Unused Line Fee. On the first day of each month during the term of this Agreement, Borrower shall pay to Lender, in arrears, an unused line fee in an amount equal to one-half of one percent (0.50%) per annum times the Average Unused Portion of the Maximum Revolving Amount.

(f) Miscellaneous. The fees set forth above shall be fully earned when due and non-refundable when paid and, if applicable, computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

2.12 Eurodollar Rate Advances. Any other provisions herein to the contrary notwithstanding, the following provisions shall govern with respect to Eurodollar Rate Advances as to the matters covered:

(a) Borrowing; Conversion; Continuation. Borrower may from time to time, on or after the Amendment Closing Date, request in written or telephonic communication with Lender: (i) Advances to constitute Eurodollar Rate Advances; (ii) that Reference Rate Advances be converted into Eurodollar Rate Advances; or (iii) that existing Eurodollar Rate Advances continue for an additional Interest Period. Any such request shall specify the aggregate amount of the requested Eurodollar Rate Advances, the proposed funding date therefor (which shall be a Business Day, and with respect to continued Eurodollar Rate Advances shall be the last day of the Interest Period of the existing Eurodollar Rate Advances being continued), and the proposed Interest Period, in each case subject to the limitations set forth below. Eurodollar Rate Advances may only be made, continued, or extended if, as of the proposed funding date therefor each of the following conditions is satisfied:

(v) no Event of Default exists;

(w) no more than five (5) Eurodollar Rate Advances may be in effect at any one time;

(x) the amount of each Eurodollar Rate Advance borrowed, converted, or continued must be in an amount not less than $1,000,000 and integral multiples of $500,000 in excess thereof;

(y) Lender shall have determined that the Adjusted Eurodollar Rate is available to Lender and can be readily determined as of the date of the request for such Eurodollar Rate Advance by Borrower; and

(z) Lender shall have received such request at least three (3) Business Days prior to the proposed funding date therefor.

Any request by Borrower to borrow Eurodollar Rate Advances, to convert Reference Rate Advances to Eurodollar Rate Advances, or to continue any existing Eurodollar Rate Advances shall be irrevocable, except to the extent that Lender shall determine under Sections 2.12(a), 2.13 or 2.14 that such Eurodollar Rate Advances cannot be made or continued.

(b) Determination of Interest Period. Eurodollar Rate Advances shall only be available for Interest Periods of ninety (90) days. The determination of Interest Periods shall be subject to the following provisions:

(i) in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period would otherwise expire on a day which is not a Business Day, the Interest Period shall be extended to expire on the next succeeding Business Day; provided, however, that if the next succeeding Business Day occurs in the following calendar month, then such

Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period;

(iii) if any Interest Period begins on the last Business Day of a month or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, then the Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iv) Borrower may not request a Eurodollar Rate Advance with an Interest Period which expires later than the applicable Renewal Date.

(c) Automatic Conversion; Optional Conversion by Lender. Any Eurodollar Rate Advance shall automatically convert to a Reference Rate Advance upon (x) the occurrence of any Event of Default, or (y) the last day of the applicable Interest Period, unless Lender has received a request to continue such Eurodollar Rate Advance at least three (3) Business Days prior to the end of such Interest Period in accordance with the terms of Section 2.12 (a) . Any Eurodollar Rate Advance shall, at Lender's option, upon notice to Borrower, convert to a Reference Rate Advance in the event that (i) an Event of Default shall have occurred and be continuing as of the last day of the Interest Period for such Eurodollar Rate Advance, or (ii) this Agreement shall terminate, and Borrower shall pay to Lender any amounts required by Section 2.15 as a result thereof.

2.13 Illegality. Any other provision herein to the contrary notwithstanding, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for Lender to make or maintain Eurodollar Rate Advances as contemplated by this Agreement, (a) the obligation of Lender hereunder to make Eurodollar Rate Advances, continue Eurodollar Rate Advances as such, and convert Reference Rate Advances to Eurodollar Rate Advances shall forthwith be suspended and (b) Lender's then outstanding Eurodollar Rate Advances, if any, shall be converted automatically to Reference Rate Advances on the respective last days of the then current Interest Periods with respect thereto or within such earlier period as required by law; provided, however, that before making any such demand, Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, in its reasonable discretion, in any legal, economic, or regulatory manner) to designate a different lending office if the making of such a designation would allow Lender or its lending office to continue to perform its obligations to make Eurodollar Rate Advances. If any such conversion of a Eurodollar Rate Advance occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrower shall pay to Lender such amounts, if any, as may be required pursuant to Section 2.15. If circumstances subsequently change so that Lender shall determine that it is no longer so affected, Lender will promptly notify Borrower, and upon receipt of such notice, the obligations of Lender to make or continue Eurodollar Rate Advances or to convert Reference Rate Advances into Eurodollar Rate Advances shall be reinstated.

2.14 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject Lender to any tax, levy, charge, fee, reduction, or withholding of any kind whatsoever with respect to this Agreement or any Advance, or change the basis of taxation of payments to Lender in respect thereof (except for the establishment of a tax based on the net income of Lender or changes in the rate of tax on the net income of Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan, or similar requirement against assets held by, deposits or other liabilities in or for the account of, Eurodollar Rate Advances or other extensions of credit by, or any other acquisition of funds by, any office of Lender; or

(iii) shall impose on Lender any other condition with respect to this Agreement or any Eurodollar Rate Advance;

and the result of any of the foregoing is to increase the cost to Lender of making, converting into, continuing, or maintaining Eurodollar Rate Advances or to reduce any amount receivable hereunder in respect of such Advances, or to forego any other sum payable thereunder or make any payment on account thereof, then, in any such case, Borrower shall promptly pay Lender, upon its demand, any additional amounts necessary to compensate Lender for such increased cost or reduced amount receivable; provided, however, that before making any such demand, Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, in its reasonable discretion, in any legal, economic, or regulatory manner) to designate a different Eurodollar lending office if the making of such designation would allow Lender or its Eurodollar lending office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and avoid the need for, or materially reduce the amount of, such increased cost. If Lender becomes entitled to claim any additional amounts pursuant to this Section 2.14, Lender shall notify Borrower of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this Section 2.14 submitted by Lender to Borrower shall be conclusive in the absence of manifest error. If Borrower so notifies Lender within five (5) Business Days after Lender notifies Borrower of any increased cost pursuant to the foregoing provisions of this Section 2.14 and reimburses Lender for any cost in accordance with Section 2.15., Borrower may convert all Eurodollar Rate Advances then outstanding into Reference Rate Advances in accordance with Section 2.12. This covenant shall survive the termination of this Agreement and the payment of the Obligations.

(b) If Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by Lender or any Person controlling Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof does or shall have the effect of increasing the amount of capital required to be maintained or reducing the rate of return on Lender's or such Person's capital as a consequence of its obligations hereunder to a level below that which such Lender or such Person could have achieved but for such change or compliance (taking into consideration Lender's or such Person's policies with respect to capital adequacy) by an amount deemed by Lender to be material, then from time to time, after submission by Lender to Borrower of a prompt written request therefor, Borrower shall pay to Lender such additional amount or amounts as will compensate Lender or such Person for such reduction. This covenant shall survive the termination of this Agreement and the payment of the Obligations.

2.15 Indemnity. Borrower agrees to indemnify Lender and to hold Lender harmless from any loss or expense which Lender may sustain or incur as a consequence of (a) a default by Borrower in payment when due of the principal amount of or interest on any Eurodollar Rate Advance, (b) a default by Borrower in making a borrowing of, conversion into, or continuation of Eurodollar Rate Advances after Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (c) a default by Borrower in making any prepayment of any Eurodollar Rate Advance after Borrower has given a notice thereof in accordance with the provisions of this Agreement, or (d) the making of a prepayment of Eurodollar Rate Advances on a day which is not the last day of an Interest Period with respect thereto (whether due to the termination of this Agreement upon an Event of Default or otherwise), including, in each case, any such loss or expenses arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained. Calculation of all amounts payable to Lender under this Section 2.15 shall be made as though Lender had actually funded the relevant Eurodollar Rate Advance through the purchase of a deposit bearing interest at the Eurodollar Rate in an amount equal to the amount of such Eurodollar Rate Advance and having a maturity comparable to the relevant Interest Period; provided, however, that Lender may fund each of the Eurodollar Rate Advances in a manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section 2.15. This covenant shall survive the termination of this Agreement and the payment of the Obligations.

3. CONDITIONS; TERM OF AGREEMENT.

3.1 Conditions Precedent to the Initial Advance, Letter of Credit and the Term Loans. The obligation of Lender to make the initial Advance, to issue the initial Letter of Credit or to make the Term Loans is subject to the fulfillment, to the satisfaction of Lender and its counsel, of each of the following conditions on or before the Amendment Closing Date:

(a) the Amendment Closing Date shall occur on or before November 30, 1999;

(b) Lender shall have received searches reflecting the filing of Uniform Commercial Code assignments with respect to the financing statements and fixture filings set forth on Schedule 3.1;

(c) Lender shall have received each of the following documents, duly executed, and each such document shall be in full force and effect:

a. the Lockbox Agreements;

b. the Concentration Account Agreements;

c. the Disbursement Letter;

d. the Security Agreement;

e. the Pledge Agreement;

f. the Assignment of Notes;

g. the Subsidiary Guaranty;

h. the Subsidiary Security Agreement;

i. the Subsidiary Pledge Agreement; and

j. the Assignment of LLC Interests;

(d) Lender shall have received a certificate from the Secretary of Borrower and each Restricted Subsidiary attesting to the resolutions of the Board of Directors of Borrower or such Restricted Subsidiary, as the case may be, authorizing its execution, delivery, and performance of this Agreement and the other Loan Documents to which Borrower or such Restricted Subsidiary, as applicable, is a party and authorizing specific officers of Borrower to execute the same;

(e) Lender shal have received copies of the Governing Documents of Borrower and each Restricted Subsidiary, as amended, modified, or supplemented to the Amendment Closing Date, certified by the Secretary of Borrower or such Restricted Subsidiary, as applicable;

(f) Lender shall have received a certificate of status with respect to Borrower and each Restricted Subsidiary, dated within twenty (20) days of the Amendment Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of Borrower or such Restricted Subsidiary, as applicable, which certificate shall indicate that Borrower or such Restricted Subsidiary, as applicable, is in good standing in such jurisdiction;

(g) Lender shall have received certificates of status with respect to Borrower and each Restricted Subsidiary, each dated within twenty (20) days of the Amendment Closing Date, such certificates to be issued by the appropriate officer of the jurisdictions in which Borrower or such Restricted Subsidiary, as applicable, is required to be qualified to do business as a foreign corporation (except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect), which certificates shall indicate that Borrower or such Restricted Subsidiary, as applicable, is in good standing in such jurisdictions;

(h) Lender shall have received a certificate of insurance, together with the endorsements thereto, as are required by Section 6.6, the form and substance of which shall be satisfactory to Lender and its counsel;

(i) Lender shall have received duly executed certificates of title with respect to that portion of the Collateral that is subject to certificates of title;

(j) Lender shall have received evidence satisfactory to it that, immediately after the funding of the initial loans under this Agreement, the interest payment default with respect to the Senior Notes shall be cured;

(k) Lender shall have received an opinion of Kilpatrick Stockton LLP, counsel to Borrower and its Restricted Subsidiary, in form and substance satisfactory to Lender in its sole discretion;

(l) Lender shall have received satisfactory reference, credit and background checks on key management of Borrower;

(m) Lender shall have received the results of lien searches against Borrower and its Subsidiaries from all applicable jurisdictions, which shall evidence that there are no Liens of record against Borrower or any of its Subsidiaries, other than Permitted Liens;

(n) Lender shall have received satisfactory evidence that all tax returns required to be filed by Borrower have been timely filed and all taxes upon Borrower and its Subsidiaries or their respective properties, assets, income, and franchises (including real property taxes and payroll taxes) have been paid prior to delinquency, except such taxes that are the subject of a Permitted Protest;

(o) Lender shall have received evidence satisfactory to it that, after making the initial Advance hereunder on the Amendment Closing Date, Borrower shall have on the Amendment Closing Date cash on hand or Excess Availability in an amount equal to or greater than $3,000,000; and

(p) all other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed, or recorded and shall be in form and substance satisfactory to Lender and its counsel.

3.2 Conditions Precedent to all Advances, all Letters of Credit and the Term Loans. The following shall be conditions precedent to all Advances, all Letters of Credit and the Term Loans hereunder:

(a) the representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all respects on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(b) no Default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof; and

(c) no injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the extending of such credit shall have been issued and remain in force by any Governmental Authority against Borrower, Lender, or any of their Affiliates.

3.3 Condition Subsequent. As a condition subsequent to initial closing hereunder, Borrower shall perform or cause to be performed the following (the failure by Borrower to so perform or cause to be performed constituting an Event of Default):

(a) Within ninety (90) days of the Amendment Closing Date, Borrower shall deliver to Lender the certified copies of the policies of insurance, as are required by Section 6.6, the form and substance of which shall be satisfactory to Lender and its counsel; provided, however, that copies of all endorsements to such insurance policies shall be delivered within thirty (30) days after the Amendment Closing Date.

(b) Within thirty (30) days after the Amendment Closing Date, Borrower shall deliver to Lender evidence satisfactory to Lender that all defaults and events of default under the Lease Agreement dated April 6, 1997, between Frame-N-Lens Optical, Inc. and Banc One Leasing Corporation have been cured.

(c) Within thirty (30) days after the Amendment Closing Date, Lender shall have (i) received appraisals of the Inventory satisfactory to Lender and (ii) completed a field examination or audit of the assets of Borrower and its Subsidiaries and an inspection of each warehouse or distribution center storing any Inventory, and the results thereof shall be acceptable to Lender in its sole discretion.

(d) On or before May 31, 2000, Borrower shall deliver to Lender evidence satisfactory to Lender that Borrower and its Subsidiaries have completed the implementation of a new automated point of sale system.

(e) Within sixty (60) days of the Amendment Closing Date, Lender shall have received a complete business valuation appraisal from Ernst & Young of Borrower and its Subsidiaries, in form and substance satisfactory to Lender.

(f) Within thirty (30) days of the Amendment Closing Date, Borrower shall deliver to Lender Blocked Account Agreements with respect to the Retail Store Accounts at Wells Fargo Bank, National Association.

(g) On or before December 31, 1999, Borrower shall deliver to Lender evidence that (i) Borrower and each of its Subsidiaries is duly qualified as a foreign corporation or limited liability and in good standing under the laws of each jurisdiction where their ownership, lease or operation of property or conduct of their business requires such qualification, and (ii) Borrower has filed in each jurisdiction in which it is qualified to do business an amendment to its qualification to the effect that Borrower's name has changed from "National Vision Associates, Ltd." to "Vista Eyecare, Inc." to the extent that Borrower is permitted to use such name in such jurisdiction.

(h) Within five (5) days of the Amendment Closing Date, Lender shall have received an assignment, in recordable form, assigning the Administrative Agent's rights and obligations under the Collateral Assignment of Deed of Trust to Lender.

(i) On or before December 31, 1999, Borrower will provide a reconciliation between the October month end perpetual inventory and the October month end general ledger.

3.4 Term. This Agreement shall become effective upon the execution and delivery hereof by Borrower and Lender and shall continue in full force and effect for a term ending May 31, 2002 (the "Maturity Date"). The foregoing notwithstanding, Lender shall have the right to terminate its obligations under this Agreement immediately and without notice upon the occurrence and during the continuation of an Event of Default.

3.5 Effect of Termination. On the date of termination of this Agreement, all Obligations (including contingent reimbursement obligations of Borrower with respect to any outstanding Letters of Credit) immediately shall become due and payable without notice or demand. No termination of this Agreement, however, shall relieve or discharge Borrower of Borrower's duties, Obligations, or covenants hereunder, and Lender's continuing security interests in the Collateral shall remain in effect until all Obligations have been fully and finally discharged and Lender's obligation to provide additional credit hereunder is terminated.

3.6 Early Termination by Borrower. The provisions of Section 3.4 that allow termination of this Agreement by Borrower only on the Maturity Date (but not any extension thereof), Borrower has the option, at any time upon ninety (90) days' prior written notice to Lender, to terminate this Agreement by paying to Lender, in cash, the Obligations (including an amount equal to one hundred five percent (105%) of the undrawn amount of the Letters of Credit), in full, together with a premium (the "Early Termination Premium") equal to one percent (1.00%) of the Maximum Revolving Amount as determined immediately prior to termination.

3.7 Termination Upon Event of Default. If Lender terminates this Agreement prior to the Maturity Date (but not any extension thereof) upon the occurrence of an Event of Default, in view of the impracticability and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits as a result thereof, Borrower shall pay to Lender upon the effective date of such termination, a premium in an amount equal to the Early Termination Premium; provided, however, that if this Agreement is terminated upon the occurrence of an Event of Default which has not been wilfully caused by Borrower, the Early Termination Premium shall be reduced by fifty percent (50%). The Early Termination Premium shall be presumed to be the amount of damages sustained by Lender as the result of the early termination and Borrower agrees that it is reasonable under the circumstances currently existing. The Early Termination Premium provided for in this Section 3.7 shall be deemed included in the Obligations.

4. [Intentionally Omitted]

5. REPRESENTATIONS AND WARRANTIES.

In order to induce Lender to enter into this Agreement, Borrower makes the following representations and warranties which shall be true, correct, and complete in all respects as of the date hereof, and shall be true, correct, and complete in all respects as of the Amendment Closing Date, and at and as of the date of the making of each Advance, Letter of Credit or Term Loan made thereafter, as though made on and as of the date of such Advance, Letter of Credit or Term Loan (except to the extent that such representations and warranties relate solely to an earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

5.1 Corporate Existence and Power. Borrower and each of its Subsidiaries:

(a) is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and, as applicable, to execute, deliver, and perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation or limited liability company and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license and where the failure to be so qualified or licensed could reasonably be expected to have a Material Adverse Effect; and

(d) is in compliance in all material respects with all Requirements of Law;

5.2 Corporate Authorization; No Contravention. The execution, delivery and performance by Borrower and its Restricted Subsidiaries of this Agreement and each other Loan Document to which such Person is party, have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of that Person's Governing Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or

(c) violate any Requirement of Law.

5.3 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority (except for recordings or filings in connection with the Liens granted to Lender under the Collateral Documents) is necessary or required in connection with the execution, delivery or performance by, or enforcement against, Borrower or any of its Restricted Subsidiaries of the Agreement or any other Loan Document.

5.4 Binding Effect. This Agreement and each other Loan Document to which Borrower or any of its Restricted Subsidiaries is a party constitute the legal, valid and binding obligations of Borrower and any of its Restricted Subsidiaries to the extent it is a party thereto, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

5.5 Litigation. Except as specifically disclosed in Schedule 5.5, there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of Borrower, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against Borrower or its Subsidiaries or any of their respective properties. None of the items disclosed on Schedule 5.5:

(a) purport to affect this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or

(b) if determined adversely to Borrower or any of its Subsidiaries, could reasonably be expected to have a Material Adverse Effect.

No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

5.6 No Default. No Default or Event of Default exists or would result from the incurring of any Obligations by Borrower or from the grant or perfection of the Liens of Lender on the Collateral. Except for the Existing Defaults, as of the Amendment Closing Date, neither Borrower nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation (other than any agreement relating to the lease of real property) in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Amendment Closing Date, create an Event of Default under Section 8.5. Except for the Existing Defaults, neither Borrower nor any of its Subsidiaries is in default under or with respect to any agreement relating to the lease of real property, which default, with respect to any such lease, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Amendment Closing Date, create an Event of Default under Section 8.5. As of the Amendment Closing Date, Borrower and its Restricted Subsidiaries have made all lease payments required to be made under all agreements relating to the lease of real property. As of the Amendment Closing Date, no material default exists with respect to any of the leases described in Section 5.22.

5.7 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the IRC and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the IRC has received a favorable determination letter from the IRS and, to the best knowledge of Borrower, nothing has occurred which would cause the loss of such qualification. Borrower and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the IRC, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the IRC has been made with respect to any Plan;

(b) There are no pending or, to the best knowledge of Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect; and

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA, which in the case of any occurrence described in any of clauses (i) through (v) above has resulted in or could reasonably be expected to result in a liability of Borrower and its Subsidiaries in excess of $250,000.

5.8 Use of Proceeds; Margin Regulations. The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 6.12 and Section 7.7. Neither Borrower nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

5.9 Title to Properties. Each of Borrower and its Subsidiaries has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its businesses, except for such defects in title as could not reasonably be expected to have a Material Adverse Effect. As of the Amendment Closing Date, the property of Borrower and its Restricted Subsidiaries is subject to no Liens, other than Permitted Liens.

5.10 Taxes. Each of Borrower and its Subsidiaries has filed all Federal and other material tax returns and reports required to be filed, and has paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable, except those which are subject to a Permitted Protest. There is no material proposed tax assessment against Borrower or any of its Subsidiaries. The amounts and types of all estimated accrued and unpaid taxes (including, without limitation, any sales or ad valorem taxes) owing by Borrower or any of its Subsidiaries is set forth, as of October 31, 1999, on Schedule 5.10.

5.11 Financial Condition.

(a) The audited consolidated financial statements of Borrower and its Subsidiaries dated January 2, 1999, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal year ended on that date, and the unaudited consolidated financial statements of Borrower and its Subsidiaries dated July 3, 1999, and the related consolidated statements of income or operations, shareholder's equity and cash flows for the fiscal quarter ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and, in the case of the quarterly statements dated July 3, 1999, subject to ordinary, good faith year end audit adjustments;

(ii) fairly present the financial condition of Borrower and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) except as specifically disclosed in Schedule 5.11, show all material indebtedness and other liabilities, direct or contingent, of Borrower and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(b) Since January 2, 1999, there has occurred no event which has had a Material Adverse Effect.

(c) Borrower's and its Subsidiaries' fiscal year end is a 52/53 week retail calendar year ending on the Saturday closest to December 31st (except that certain of the Managed Care Subsidiaries and the Foreign Subsidiaries may have a calendar year end).

5.12 Environmental Matters.

(a) Except as specifically disclosed in Schedule 5.12, the on-going operations of Borrower and each of its Subsidiaries comply in all respects with all Environmental Laws, except such non-compliance which would not (if enforced in accordance with applicable law) result in liability in excess of $250,000 in the aggregate.

(b) Except as specifically disclosed in Schedule 5.12, Borrower and each of its Subsidiaries have obtained all material licenses, permits, authorizations and registrations required under any Environmental Law ("Environmental Permits") and necessary for their respective ordinary course operations, all such Environmental Permits are in good standing, and Borrower and each of its Subsidiaries are in compliance with all material terms and conditions of such Environmental Permits.

(c) Except as specifically disclosed in Schedule 5.12, none of Borrower, any of its Subsidiaries or any of their respective present property or operations, is subject to any outstanding written order from or agreement with any Governmental Authority, nor subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Material, which would reasonably be expected to give rise to Environmental Claims with potential liability of Borrower and its Subsidiaries in excess of $250,000 in the aggregate.

(d) Except as specifically disclosed in Schedule 5.12, there are no Hazardous Materials or other conditions or circumstances existing with respect to any property of Borrower or any of its Subsidiaries, or arising from operations prior to the Amendment Closing Date, of Borrower or any of its Subsidiaries that would reasonably be expected to give rise to Environmental Claims with a potential liability of Borrower and its Subsidiaries in excess of $250,000 in the aggregate for any such condition, circumstance or property. In addition, (i) neither Borrower nor any of its Subsidiaries has any underground storage tanks (x) that are not properly registered or permitted under applicable Environmental Laws, or (y) that are leaking or disposing of Hazardous Materials off-site, and which in the case of any occurrence described in clause (x) or (y) could reasonably be expected to give rise to Environment Claims with potential liability of Borrower and its Subsidiaries in excess of $250,000 in the aggregate, and (ii) Borrower and its Subsidiaries have notified all of their respective employees of the existence, if any, of any health hazard arising from the conditions of their employment and have met all notification requirements under Title III of CERCLA and all other Environmental Laws.

5.13 Collateral Documents.

(a) The provisions of each of the Collateral Documents are effective to create in favor of Lender, acting on its own behalf and for its own benefit, a legal, valid and enforceable first priority security interest in all right, title and interest of Borrower and its Subsidiaries in the Collateral described therein, subject to Permitted Liens, if any, which are not subordinated to the Liens under the Collateral Documents; and financing statements have been filed in the offices in all of the jurisdictions listed in the schedule to the Security Agreement and the Subsidiary Security Agreement. Each of the applicable patent security agreements, trademark security agreements and copyright security agreements attached to the Security Agreement and the Subsidiary Security Agreement as Exhibits has been filed in the U.S. Patent and Trademark Office and the U.S. Copyright Office.

(b) All representations and warranties of Borrower and each of its Restricted Subsidiaries party thereto contained in the Collateral Documents are true and correct.

5.14 Regulated Entities. None of Borrower, any Person controlling Borrower, or any Subsidiary of Borrower, is an "Investment Company" within the meaning of the Investment Company Act of 1940. Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

5.15 No Burdensome Restrictions. Neither Borrower nor any of its Subsidiaries is a party to or bound by any Contractual Obligation, or subject to any restriction in any Governing Document, or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

5.16 Copyrights, Patents, Trademarks and Licenses, Etc. Each of Borrower and its Subsidiaries own or are licensed or otherwise have the right to use all of the material patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by Borrower or any of its Subsidiaries infringes upon any rights held by any other Person which could reasonably be expected to result in a claim by any other Person in excess of $250,000. Except as specifically disclosed in Schedule 5.5, no claim or litigation regarding any of the foregoing is pending or threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of Borrower, proposed.

5.17 Subsidiaries. Borrower has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 5.17 hereto (which Schedule designates whether each Subsidiary is a Restricted Subsidiary or an Unrestricted Subsidiary as of the Amendment Closing Date) and has no equity investments in any other corporation or entity other than those specifically disclosed in part (b) of Schedule 5.17.

5.18 Insurance. Except as specifically disclosed in Schedule 5.18, the properties of Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies which are not Affiliates of Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where Borrower or such Subsidiary operates.

5.19 Solvency. Borrower and eac of its Subsidiaries are Solvent.

5.20 Full Disclosure. None of the representations or warranties made by Borrower or any Restricted Subsidiary in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of Borrower or any Restricted Subsidiary in connection with the Loan Documents contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

5.21 Accounts and Inventory.

(a) (i) The Eligible Accounts are and will continue to be bona fide existing obligations created by the sale of goods, the rendering of services, or the furnishing of other good and sufficient consideration to the relevant Account Debtors in the regular course of business; (ii) all shipping and delivery receipts and other documents furnished or to be furnished to Lender in connection therewith are and will be genuine; and (iii) none of the Accounts identified or included on any schedule, certificate or report as Eligible Accounts will, to Borrower's knowledge, fail at the time so identified or included to satisfy any of the requirements for eligibility set forth in the definition of Eligible Accounts.

(b) As to each schedule of Inventory delivered to Lender, to Borrower's knowledge:

(i) the descriptions, origins, sizes, qualities, quantities, weights, and markings of all goods stated thereon, or on any attachment thereto, are true and correct in all material respects; and

(ii) none of the goods are defective, of second quality, used, or goods returned after shipment, except where described as such.

5.22 Leases.

(a) Each of the supplements to the master lease between Wal-Mart and Borrower with respect to retail locations of Borrower or any of its Subsidiaries located in a Wal-Mart retail store is substantially in the form of Exhibit C;

(b) Each of the leases between Wal-Mart and Borrower with respect to retail locations of Borrower or any of its Subsidiaries located in a Sam's Club retail store is substantially in the form of Exhibit D; and

(c) Each of the leases between Fred Meyer, Inc. and Borrower is substantially in the form of Exhibit E.

5.23 Compliance With Laws. Each of Borrower and its Subsidiaries has timely filed all material reports, documents and other materials required to be filed by it under all applicable Requirements of Law with any Governmental Authority, has retained all material records and documents required to be retained by it under all applicable Requirements of Law, and is otherwise in material compliance with all applicable Requirements of Law in respect of the conduct of its business and the ownership and operation of its properties.

5.24 Year 2000 Compatibility. Any reprogramming by or on behalf of Borrower or any of its Subsidiaries, required to permit the proper functioning, before, on and after January 1, 2000, of Borrower's and its Subsidiaries' (i) computer-based systems and (ii) equipment containing embedded microchips (including systems and equipment supplied by others or with which Borrower's or any of its Subsidiaries' systems interface), and the testing of all such systems and equipment, as so reprogrammed, will be completed by November 30, 1999. The cost to Borrower and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of the year 2000 to Borrower and its Subsidiaries (including, without limitation, reprogramming errors and the failure of others' systems or equipment) will not result in a Default or Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of Borrower and its Subsidiaries are and, with ordinary course upgrading and maintenance will continue for the term of this Agreement to be, sufficient to permit Borrower and its Subsidiaries to conduct their respective businesses without a Material Adverse Effect.

5.25 Material Contracts. Schedule 5.25 lists, as of the Amendment Closing Date, each "material contract" (within the meaning of Item 601(b)(10) of Regulation S-K under the Exchange Act) to which Borrower or any of its Subsidiaries is a party, by which any of them or their respective properties is bound or to which any of them is subject (collectively, "Material Contracts"). As of the Amendment Closing Date, (i) each Material Contract is in full force and effect and is enforceable in all material respects by Borrower or the Subsidiary of Borrower that is a party thereto in accordance with its terms, and (ii) neither Borrower nor any of its Subsidiaries (nor, to the knowledge of Borrower, any other party thereto) is in breach of or default under any Material Contract in any material respect or has given notice of termination or cancellation of any Material Contract. Schedule 5.25 also lists, as of the Amendment Closing Date, all of the Credit Card Agreements then in effect.

6. AFFIRMATIVE COVENANTS.

Borrower covenants and agrees that, so long as any credit hereunder shall be available and until full and final payment of the Obligations, and unless Lender shall otherwise consent in writing, Borrower shall do all of the following:

6.1 Financial Statements. Borrower shall deliver to Lender:

(a) as soon as available, but not later than ninety (90) days after the end of each fiscal year, a copy of the audited consolidated and unaudited consolidating balance sheet of Borrower and its Subsidiaries as at the end of such year and the related audited consolidated and unaudited consolidating statements of income or operations, shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm ("Independent Auditor") which report shall state that such consolidated and consolidating financial statements present fairly the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior fiscal years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of Borrower's or any Subsidiary's records and shall be delivered to Lender;

(b) as soon as available, but not later than forty-five (45) days after the end of each of the first three (3) fiscal quarters of each fiscal year (commencing with the fiscal quarter ended closest to September 30, 1999), a copy of the unaudited consolidated and consolidating balance sheet of Borrower and its Subsidiaries (and separate balance sheet for each Unrestricted Subsidiary), as of the end of such quarter and the related unaudited consolidated and consolidating statements of income, shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by a Responsible Officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of each of Borrower and its Subsidiaries (and separate statements for each Unrestricted Subsidiary);

(c) as soon as available, but not later than thirty (30) days after the end of each month (commencing with the month ended October 31, 1999), a copy of the unaudited consolidated and consolidating balance sheets of Borrower and its Subsidiaries and the related consolidating statements of income, shareholders' equity and cash flows for such month and a statement of EBITDA for the twelve (12) month period then ended, all certified by a Responsible Officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of each of Borrower and its Subsidiaries.

6.2 Certificates; Other Information. Borrower shall furnish to Lender:

(a) The following documents at the following times in form satisfactory to Lender: (i) on each Business Day, a flash sales report, collection journal, and credit register, (ii) on a monthly basis and, in any event, by no later than the thirtieth (30th) day of each month during the term of this Agreement, (x) a detailed calculation of the Borrowing Base, and (y) a detailed aging, by total, of the Accounts, (iii) on a monthly basis and, in any event, by no later than the thirtieth (30th) day of each month during the term of this Agreement, a summary aging, by vendor, of the accounts payable and any book overdraft of Borrower and its Restricted Subsidiaries, (iv) on a weekly basis, Inventory reports specifying Borrower's or the applicable Restricted Subsidiary's cost of its Inventory by category, with additional detail showing additions to and deletions from the Inventory, (v) to the extent not delivered under clause (i) above, on each Business Day, notice of all returns, disputes, or claims, (vi) upon request, copies of invoices in connection with the Accounts, customer statements, credit memos, remittance advices and reports, deposit slips, shipping and delivery documents in connection with the Accounts and for Inventory and Equipment acquired by Borrower or any Restricted Subsidiary, purchase orders and invoices, (vii) a monthly basis, a calculation of the Dilution for the prior month; (viii) promptly upon the opening of any new location of Borrower or any Restricted Subsidiary, a report detailing the address of such new location and whether Borrower or such Restricted Subsidiary has delivered to Lender (A) a Uniform Commercial Code financing statement with respect to the jurisdiction in which such location is situated and (B) a Collateral Access Agreement with respect to such location; and (ix) such other reports, including, without limitation, electronic data, as to the Collateral as Lender may request from time to time;

(b) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default under Section 7.14, except as specified in such certificate;

(c) concurrently with the delivery of the financial statements referred to in Section 6.1(a) and Section 6.1(b), a Compliance Certificate executed by a Responsible Officer;

(d) concurrently with the delivery of the financial statements referred to in Section 6.1(b), a certificate executed by a Responsible Officer setting forth dividends and other distributions from Unrestricted Subsidiaries to Borrower or any Restricted Subsidiary for the immediately preceding fiscal quarter;

(e) (i) a monthly budget for each fiscal year on or before the date thirty (30) days after the first day of such fiscal year and (ii) a projected monthly budget forecast, in form and substance acceptable to Lender, for each upcoming fiscal year on or before the date thirty (30) days prior to the first day of such upcoming fiscal year;

(f) promptly, copies of all financial statements and reports that Borrower sends to its shareholders, and copies of all financial statements and regular, periodical or special reports (including Forms 10K, 10Q and 8K) that Borrower or any Subsidiary may make to, or file with, the SEC;

(g) promptly upon receipt, a copy of any "management letter" received by it that has been prepared by its internal or outside accountants;

(h) promptly, such additional information regarding the business, financial or corporate affairs of Borrower or any Subsidiary as Lender may from time to time reasonably request; and

(i) at least fifteen (15) days prior to the closing of any retail store location, notice of the closing of such retail store location, together with an estimate of reasonably anticipated cash closing expenses for such closing and a calculation of the total cash closing expenses for all retail store closings from the Amendment Closing Date.

6.3 Notices. Borrower shall promptly notify Lender:

(a) of the occurrence of any Default or Event of Default;

(b) of (i) any breach or non-performance of, or any default under, any Contractual Obligation of Borrower or any of its Subsidiaries which could reasonably be expected to result in a Material Adverse Effect; and (ii) any dispute, litigation, investigation, proceeding or suspension which may exist at any time between Borrower or any of its Subsidiaries and any Governmental Authority which could reasonably be expected to result in a Material Adverse Effect;

(c) of the commencement of, or any material development in, any litigation or proceeding affecting Borrower or any of its Subsidiaries (i) in which the amount of damages claimed is $250,000 (or its equivalent in another currency or currencies) or more, (ii) in which injunctive or similar relief is sought and which, if adversely determined, would reasonably be expected to have a Material Adverse Effect, or (iii) in which the relief sought is an injunction or other stay of the performance of this Agreement or any Loan Document;

(d) upon, but in no event later than ten (10) days after, becoming aware of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or any of its Subsidiaries or any of their respective properties pursuant to any applicable Environmental Laws, (ii) all other Environmental Claims, and (iii) any environmental or similar condition on any real property adjoining or in the vicinity of the property of Borrower or any of its Subsidiaries that could reasonably be anticipated to cause such property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such property under any Environmental Laws, and which in the case of any event described in clause (i), (ii) or (iii) above has resulted or could reasonably be expected to result in liability of Borrower and its Subsidiaries in excess of $250,000 in the aggregate;

(e) of any other litigation or proceeding affecting Borrower or any of its Subsidiaries which Borrower would be required to report to the SEC pursuant to the Exchange Act, within four (4) days after reporting the same to the SEC;

(f) of the occurrence of any of the following events affecting Borrower or any ERISA Affiliate which has resulted or could reasonably be expected to result in liability of Borrower and its Subsidiaries in excess of $250,000 in the aggregate (but in no event more than ten (10) days after such event), and deliver to Lender a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to Borrower or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the IRC by Borrower or any ERISA Affiliate; or

(iv) the adoption of any amendment to a Plan subject to Section 412 of the IRC, if such amendment results in a material increase in contributions or Unfunded Pension Liability.

(g) of any material change in accounting policies or financial reporting practices by Borrower or any of its consolidated Subsidiaries; and

(h) at least thirty (30) days prior thereto, that Borrower or any of its Subsidiaries intends to change its name or address from that disclosed to Lender as of the Amendment Closing Date, together with disclosures of such new name or address.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action Borrower or any affected Subsidiary of Borrower proposes to take with respect thereto and at what time. Each notice under Section 6.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been (or foreseeably will be) breached or violated.

6.4 Preservation of Corporate Existence, Etc. Borrower shall, and shall cause each Subsidiary to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation.

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business except in connection with transactions permitted by Section 7.3 and sales of assets permitted by Section 7.2;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) preserve or renew all of its material registered patents, trademarks, trade names and service marks.

Nothing in this Section 6.4 shall prohibit the liquidation or dissolution of any Subsidiary into Borrower or another Subsidiary of Borrower (but if the liquidating or dissolving Subsidiary is a Restricted Subsidiary, it must liquidate or dissolve into Borrower or another Restricted Subsidiary).

6.5 Maintenance of Property. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted, except as permitted by Section 7.2. Borrower and each Subsidiary shall use the standard of care typical in the industry in the operation and maintenance of its facilities; provided, however, that nothing in this Section 6.5 shall prevent Borrower or any of its Subsidiaries from discontinuing the use, operation or maintenance of any of its properties, or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Board of Directors of Borrower or of the Board of Directors of the Subsidiary concerned, or of an officer (or other agent employed by Borrower or any of its Subsidiaries) of Borrower or such Subsidiary having managerial responsibility for such property, desirable in the conduct of the business of Borrower or such Subsidiary; provided further, however, that any disposal of any property pursuant to the immediately preceding proviso shall be subject to the terms and conditions of Article 7 of this Agreement.

6.6 Insurance.

(a) At Borrower's expense, Borrower and its Subsidiaries shall keep the Collateral insured against loss or damage by fire, theft, explosion, sprinklers, and all other hazards and risks, and in such amounts, as are ordinarily insured against by other owners in similar businesses. Borrower and its Subsidiaries also shall maintain business interruption, public liability, product liability, and property damage insurance relating to their ownership and use of the Collateral, as well as insurance against larceny, embezzlement, and criminal misappropriation. All such insurance shall contain an endorsement showing Lender as an additional insured or loss payee, as applicable.

(b) All such policies of insurance shall be in such form, with such companies, and in such amounts as may be reasonably satisfactory to Lender. All insurance required herein shall be written by companies which are authorized to do insurance business in the State of California. All hazard insurance and such other insurance as Lender shall specify, shall contain a California Form 438BFU (NS) mortgagee endorsement, or an equivalent endorsement satisfactory to Lender, showing Lender as sole loss payee thereof, and shall contain a waiver of warranties. Every policy of insurance referred to in this Section 6.6 shall contain an agreement by the insurer that it will not cancel such policy except after thirty (30) days prior written notice to Lender and that any loss payable thereunder shall be payable notwithstanding any act or negligence of Borrower, any of its Subsidiaries or Lender which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment. Borrower shall deliver to Lender certified copies of such policies of insurance and evidence of the payment of all premiums therefor within ninety (90) days of the Amendment Closing Date.

(c) Original policies or certificates thereof satisfactory to Lender evidencing such insurance shall be delivered to Lender at least thirty (30) days prior to the expiration of the existing or preceding policies. Borrower shall give Lender prompt notice of any loss in excess of $250,000 covered by such insurance, and Lender shall have the right to adjust any loss. Lender shall have the exclusive right to adjust all losses payable under any such insurance policies without any liability to Borrower or any of its Subsidiaries whatsoever in respect of such adjustments. Any monies received as payment for any loss in excess of $250,000 under any insurance policy including the insurance policies mentioned above, shall be paid over to Lender to be applied at the option of Lender either to the prepayment of the Obligations without premium, in such order or manner as Lender may elect, or shall be disbursed to Borrower or any of its Subsidiaries under stage payment terms satisfactory to Lender for application to the cost of repairs, replacements, or restorations; provided, however, that all insurance proceeds received by Borrower after the occurrence and during the continuation of an Event of Default shall be promptly paid over to Lender to be applied to the Obligations as determined by Lender in its sole discretion. All repairs, replacements, or restorations shall be effected with reasonable promptness and shall be of a value at least equal to the value of the items or property destroyed prior to such damage or destruction. Upon the occurrence of an Event of Default, Lender shall have the right to apply all prepaid premiums to the payment of the Obligations in such order or form as Lender shall determine.

(d) Neither Borrower nor any of its Subsidiaries shall take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 6.6, unless Lender is included thereon as named insured with the loss payable to Lender under a standard California 438BFU (NS) Mortgagee endorsement, or its local equivalent. Borrower immediately shall notify Lender whenever such separate insurance is taken out, specifying the insurer thereunder and full particulars as to the policies evidencing the same, and originals of such policies immediately shall be provided to Lender.

6.7 Payment of Obligations. Borrower shall, and shall cause each of its Subsidiaries to, pay and discharge as the same shall become due and payable, all of the following obligations and liabilities:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are the subject of a Permitted Protest; and

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property, unless the same are the subject of a Permitted Protest; and

(c) after the Amendment Closing Date, all interest payments due in respect of the Senior Notes.

6.8 Compliance with Laws. Borrower shall comply, and shall cause each of its Subsidiaries to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist.

6.9 Compliance with ERISA. Borrower shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the IRC and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the IRC to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the IRC, except where Borrower failure to comply with the requirements of (a), (b) and (c) hereof has not resulted or could not reasonably be expected to result in liability of Borrower and its Subsidiaries in excess of $250,000 in the aggregate.

6.10 Inspection of Property and Books and Records. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of Borrower and such Subsidiary (which shall include, without limitation, accurate records of all intercompany transfers among Borrower and its Subsidiaries). Borrower shall permit, and shall cause each of its Subsidiaries to permit, representatives and independent contractors of Lender to visit and inspect any of their respective Books and Records, properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, and to check, test and appraise the Collateral (including, but not limited to, appraisals for the purpose of determining the GOB Rate) in order to verify their respective financial condition or the amount, quality, value, condition of, or any other matter relating to, the Collateral, all at the expense of Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to Borrower; provided, however, when an Event of Default exists Lender may do any of the foregoing at the expense of Borrower at any time during normal business hours and without advance notice

6.11 Environmental Laws.

(a) Borrower shall, and shall cause each of its Subsidiaries to, conduct its operations and keep and maintain its property in compliance in all material respects with all Environmental Laws.

(b) Upon the written request of Lender, Borrower shall submit and cause each of its Subsidiaries to submit, to Lender, at Borrower's sole cost and expense, at reasonable intervals, a report providing an update of the status of any environmental, health or safety compliance, hazard or liability issue identified in any notice or report required pursuant to Section 6.3(d), that could, individually or in the aggregate, result in liability in excess of $250,000.

6.12 Use of Proceeds. Borrower shall use the proceeds of the Loans to refinance Indebtedness outstanding under the Prior Credit Agreement, to finance capital expenditures and for working capital and other general corporate purposes including (i) to make interest payments when due on the Senior Notes, and (ii) to make investments in and loans to Restricted Subsidiaries so long as such investments and loans are accurately accounted for in Borrower's Books and Records.

6.13 Further Assurances.

(a) Borrower shall ensure that all written information, exhibits and reports furnished to Lender do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and will promptly disclose to Lender and correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgment or recordation thereof.

(b) Promptly upon request by Lender, Borrower shall (and shall cause any of its Subsidiaries to) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments Lender may reasonably require from time to time in order (i) to carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) to subject to the Liens created by any of the Collateral Documents any of the properties, rights or interests covered by any of the Collateral Documents, (iii) to perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to Lender the rights granted or now or hereafter intended to be granted to Lender under any Loan Document or under any other document executed in connection therewith.

(c) Original sales invoices evidencing daily sales shall be mailed by Borrower and its Restricted Subsidiaries, as applicable, to each Account Debtor (other than retail customers) and, at Lender's direction after the occurrence and during the continuation of an Event of Default, the invoices shall indicate on their face that the Account has been assigned to Lender and that all payments are to be made directly to Lender.

6.14 Bank Accounts. Borrower shall not, and shall not permit any Restricted Subsidiary to, open or maintain any deposit or investment account with any bank or other financial institution other than the accounts described on Schedule 6.14 as supplemented on a quarterly basis by notice of Lender.

6.15 Year 2000 Compatibility. Borrower will, and will cause each of its Subsidiaries to, take all action necessary to ensure that its computer-based systems are able to operate and effectively process data including dates on and after January 1, 2000, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect. At the request of Lender, Borrower will provide reasonable assurance of its and its Subsidiaries' year 2000 compatibility.

6.16 Covenants Regarding Formation of Subsidiaries. At any time of (a) the formation of any new Subsidiary by Borrower or any of its Subsidiaries whether pursuant to a permitted Acquisition or otherwise or (b) any Unrestricted Subsidiary becoming a Restricted Subsidiary hereunder, Borrower will, and will cause any such Restricted Subsidiaries (a) to provide to Lender supplements to the Subsidiary Guaranty and Subsidiary Security Agreement executed by such new Restricted Subsidiary, together with appropriate UCC-1 financing statements and appropriate attachments, all in form and substance satisfactory to Lender, and (b) to provide to Lender, a duly executed supplement to the Pledge Agreement or the Subsidiary Pledge Agreement, as appropriate, together with such other documentation as is, in the reasonable opinion of Lender, appropriate to give effect to the pledge of the shares of such Restricted Subsidiary, in form and substance satisfactory to Lender. In addition to the foregoing, Borrower shall provide to Lender such opinions and other documentation as shall be reasonably requested by Lender. Each document, agreement or instrument executed or issued pursuant to this Section 6.16 shall be a "Collateral Document" for purposes of this Credit Agreement.

6.17 Tax Returns. Borrower shall deliver to Lender copies of each of Borrower's and its Subsidiaries' future federal income tax returns, and any amendments thereto, within thirty (30) days of the filing thereof with the IRS.

6.18 Returns. Cause returns and allowances, if any, as between Borrower and its Restricted Subsidiaries and their respective Account Debtors to be on the same basis and in accordance with the usual customary practices of Borrower and its Restricted Subsidiaries, as they exist at the time of the execution and delivery of this Agreement. If, at a time when no Event of Default has occurred and is continuing, any Account Debtor returns any Inventory to Borrower or any Restricted Subsidiary, such Person promptly shall determine the reason for such return and, if such Person accepts such return, issue a credit memorandum in the appropriate amount to such Account Debtor. If, at a time when an Event of Default has occurred and is continuing, any Account Debtor (other than a retail customer) returns any Inventory to Borrower or any Restricted Subsidiary, such Person promptly shall determine the reason for such return, issue a credit memorandum (with a copy to be sent to Lender) in the appropriate amount to such Account Debtor.

6.19 Title to Equipment. Upon Lender's request, Borrower immediately shall deliver to Lender, properly endorsed, any and all certificates of title or applications for certificates of title to any items of Equipment of Borrower and its Restricted Subsidiaries.

7. NEGATIVE COVENANTS.

Borrower covenants and agrees that, so long as any credit hereunder shall be available and until full and final payment of the Obligations, Borrower will not do any of the following without Lender's prior written consent:

7.1 Limitation on Liens. Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien (other than a Lien on the Collateral) existing on property of Borrower or any of its Subsidiaries on the Amendment Closing Date and set forth in Schedule 7.1 securing Indebtedness outstanding on such date or any extension, renewal or refinancing thereof so long as the Indebtedness secured by such Lien is not increased and the terms of such extension, renewal or refinancing are not more onerous on Borrower and its Subsidiaries than the Indebtedness so extended, renewed or refinanced;

(b) any Lien created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 6.7, provided that no notice of lien has been filed or recorded under the IRC;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens (other than any Lien imposed by ERISA and other than on the Collateral) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Liens on the property of Borrower or any of its Subsidiaries securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business, provided all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) Liens consisting of judgment or judicial attachment liens that do not constitute Events of Default under Section 8.1(i);

(h) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of Borrower and its Subsidiaries;

(i) Liens on assets of corporations which become Subsidiaries after the date of this Agreement; provided, however, that such Liens existed at the time the respective corporations became Subsidiaries and were not created in anticipation thereof, and the Indebtedness secured thereby shall be permitted under Section 7.5(f);

(j) purchase money security interests on any property acquired or held by Borrower or its Subsidiaries securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided that (i) any such Lien attaches to such property concurrently with or within forty-five (45) days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the debt secured thereby does not exceed one hundred percent (100%) of the cost of such property, and (iv) the Purchase Money Indebtedness secured by any and all such purchase money security interests shall be permitted under Section 7.5(f);

(k) Liens securing Capitalized Lease Obligations on assets subject to such leases, provided that the Indebtedness secured thereby shall be permitted under Section 7.5(f);

(l) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by Borrower in excess of those set forth by regulations promulgated by the Board of Governors of the Federal Reserve System, and (ii) such deposit account is not intended by Borrower or any of its Subsidiaries to provide collateral to the depository institution;

(m) Liens on any Managed Care Subsidiary pursuant to the applicable rules and regulations of, or undertakings made to, any regulatory entity having jurisdiction and authority over such Managed Care Subsidiary; and

(n) Liens on intercompany Indebtedness permitted under Section 7.5(c) hereof.

7.2 Disposition of Assets. Borrower shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing, except:

(a) dispositions of (i) Inventory in the ordinary course of business, or (ii) used, worn-out or surplus Equipment in the ordinary course of business in an amount not to exceed $250,000 in the aggregate during the term of this Agreement;

(b) the sales of equipment, in an amount not to exceed $250,000 in the aggregate during the term of this Agreement, to the extent that such Equipment is exchanged for credit against the purchase price of similar replacement Equipment, or the proceeds of such sale are reasonably promptly applied to the purchase price of such replacement Equipment; provided, that (i) Lender shall have a first priority perfected Lien on such replacement Equipment and (ii) any cash proceeds remaining after the purchase of such Replacement Equipment shall be applied as a repayment of the Obligations;

(c) Disposition not otherwise permitted hereunder which are made for fair market value; provided, that (i) at the time of any disposition, no Event of Default shall exist or shall result from such Disposition, (ii) the aggregate sales price from such disposition shall be paid in Qualified Proceeds, (iii) (x) the aggregate value of all assets so sold by Borrower and its Subsidiaries, together, shall not exceed $100,000, or (y) such Disposition shall constitute a Disposition of a retail store location permitted under Section 7.18(b), and (iv) the cash portion of Net Proceeds relating to any such Disposition promptly shall be used to make a prepayment of the Loans and the non-cash portion of any such Net Proceeds promptly shall be pledged to Lender to secure the Obligations pursuant to documentation reasonably acceptable to Lender; and

(d) subleases of real property and Equipment in the ordinary course of business to independent eye care professionals.

7.3 Consolidations and Mergers. Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, merge, reorganize, recapitalize, reclassify its capital stock or other equity interests, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, form any new subsidiary, or liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), except:

(a) any Subsidiary may merge with Borrower, provided that Borrower shall be the continuing or surviving corporation, or with any one or more Restricted Subsidiaries, provided that if any transaction shall be between an Unrestricted Subsidiary and a Restricted Subsidiary, the Restricted Subsidiary shall be the continuing or surviving corporation, and any Unrestricted Subsidiary may merge with another Unrestricted Subsidiary; and

(b) any Subsidiary may sell or transfer all or substantially all of its assets (upon voluntary liquidation or otherwise), to Borrower or a Restricted Subsidiary, and any Unrestricted Subsidiary may sell or transfer all or substantially all of its assets (upon voluntary liquidation or otherwise) to another Unrestricted Subsidiary.

7.4 Loans and Investments. Borrower shall not purchase or acquire, or suffer or permit any Subsidiary to purchase or acquire, or make any commitment therefor, any capital stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or make or commit to make any Acquisitions, or make or commit to make any advance, loan, extension of credit or capital contribution to or any other investment in, any Person including any Affiliate of Borrower (together, "Investments"), except for:

(a) Investments held by Borrower or any Subsidiary in the form of cash equivalents;

(b) extensions of credi in the nature of accounts receivable arising from the sale or lease of goods or services in the ordinary course of business;

(c) Investments by Borrower in any of its Restricted Subsidiaries or by any of its Restricted Subsidiaries in another of its Restricted Subsidiaries;

(d) so long as Borrower has Excess Availability, on the date of such Investment and after giving effect thereto, of at least $1,500,000, Investments made or after the Amendment Closing Date by Borrower or any Restricted Subsidiary in existing Unrestricted Subsidiaries not to exceed $750,000 in the aggregate; and

(e) Loans to employees of Borrower or its Subsidiaries not to exceed $200,000 at any time outstanding.

7.5 Limitation on Indebtedness. Borrower shall not, and shall not suffer or permit any Subsidiary to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement;

(b) Indebtedness consisting of Contingent Obligations permitted pursuant to Section 7.8;

(c) Intercompany Indebtedness issued to Borrower by its Restricted Subsidiaries and, to the extent permitted by Section 7.4(e), intercompany Indebtedness issued to Borrower by Unrestricted Subsidiaries provided that any and all of such Indebtedness shall be evidenced by a promissory note or notes which shall be assigned and delivered to Lender pursuant to the Security Agreement;

(d) Indebtedness existing on the Amendment Closing Date and set forth in Schedule 7.5;

(e) prior to March 1, 2000, unsecured Indebtedness of Borrower pursuant to its interest rate swap arrangements with Wachovia Bank, N.A., in an aggregate notional amount not to exceed $5,000,000 (the "Wachovia Swap Obligations");

(f) Indebtedness in an aggregate amount not to exceed $1,000,000 at any time secured by Liens otherwise permitted by Section 7.1(i), (j) and (k);

(g) Indebtedness outstanding under the Senior Notes; and

(h) Any extension, renewal or refinancing of any of the foregoing Indebtedness so long as the principal amount thereof is not increased as a result thereof and the terms thereof are no more adverse to Borrower and its Subsidiaries or Lender than the Indebtedness so extended, renewed or refinanced.

7.6 Transactions with Affiliates. Borrower shall not, and shall not suffer or permit any Subsidiary to, enter into any transaction with any Affiliate of Borrower, except upon fair and reasonable terms no less favorable to Borrower or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of Borrower or such Subsidiary.

7.7 Use of Proceeds. Borrower shall not, and shall not suffer or permit any Subsidiary to, use any portion of the proceeds of the Loans or any Letter of Credit, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance Indebtedness of Borrower or others incurred to purchase or carry Margin Stock, (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (iv) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act, except in compliance with such Sections.

7.8 Contingent Obligations. Borrower shall not, and shall not suffer or permit any Subsidiary to, create, incur, assume or suffer to exist any Contingent Obligations except:

(a) endorsements for collection or deposit in the ordinary course of business;

(b) prior to March 1, 2000, the Wachovia Swap Obligations;

(c) Contingent Obligations of Borrower and its Subsidiaries existing as of the Amendment Closing Date and listed in Schedule 7.8;

(d) Contingent Obligations with respect to Surety Instruments incurred to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements, in each case incurred in the ordinary course of business and securing obligations not constituting Indebtedness;

(e) Contingent Obligations with respect to Surety Instruments incurred in respect of trade letters of credit, standby letters of credit or performance, surety or appeal bonds, in each case incurred in the ordinary course of business and securing obligations not constituting Indebtedness and not exceeding at any time $250,000 in the aggregate in respect of Borrower and its Subsidiaries together; and

(f) Contingent Obligations with respect to any liability of Borrower or any Restricted Subsidiary which is otherwise permitted under this Agreement.

7.9 Joint Ventures. Borrower shall not, and shall not suffer or permit any Subsidiary to enter into any Joint Venture, except that Borrower and its Subsidiaries may enter into alliances with other retailers or managed care companies to solicit and perform managed care contracts which agreements must be reasonably acceptable to Lender.

7.10 Restricted Payments. Borrower shall not, and shall not suffer or permit any Subsidiary to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock, or purchase, redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding (all such dividends, distributions, purchases, redemptions or acquisitions are herein referred to as "Restricted Payments"), except that Borrower and any Restricted Subsidiary may:

(a) declare and make dividend payments or other distributions payable solely in its common stock;

(b) make repurchases of the common stock of Borrower from employees of Borrower or any of its Subsidiaries or their authorized representatives or successors upon the death, disability or termination of employment of such employees in an aggregate amount not to exceed $100,000 in any calendar year as long as no Default or Event of Default shall have occurred and be continuing or result therefrom; and

(c) make repurchases of the common stock of Borrower pursuant to the terms of the Put Option Agreement, dated October 1, 1997, by and between Borrower and Myrel Neumann, O.D., as such agreement is in effect in all material respects on the Amendment Closing Date, as long as no Default or Event of Default shall have occurred and be continuing or result therefrom, in an aggregate amount not to exceed $900,000 during the period from January 1, 2000 until February 1, 2000.

7.11 ERISA. Borrower shall not, and shall not suffer or permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably expected to result in liability of Borrower in an aggregate amount in excess of $250,000; or (b) engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA which has resulted or could reasonably be expected to result in liability by Borrower in an aggregate amount in excess of $250,000.

7.12 Change in Business; Change of Name. Borrower shall not, and shall not suffer or permit any Subsidiary to, engage in any material line of business which is not reasonably related or complimentary to those lines of business carried on by Borrower and its Subsidiaries on the Amendment Closing Date. Borrower shall not, and shall not suffer or permit any Subsidiary to, change its corporate or other organizational structure (within the meaning of Section 11-9-402(7) of the Code) without Foothill's prior written consent. Borrower shall not, and shall not suffer or permit any Subsidiary to, change its name, or identity, or add any new fictitious name, without thirty (30) days' prior written notice to Lender.

7.13 Accounting Changes. Borrower shall not, and shall not suffer or permit any Subsidiary to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of Borrower or of any Subsidiary.

7.14 Financial Covenants. Borrower shall not fail to maintain the financial covenants as set forth on Schedule 7.14.

7.15 Amendments. Borrower shall not, and shall not permit any Subsidiary to, permit or suffer any material amendments, modifications, supplements, or restatements of (a) its certificate of incorporation, by-laws, or other governing documents, as applicable, or (b) in any manner adverse to Lender, the Senior Notes, the Indenture, any leases referred to in Section 5.22 or any of its other Material Contracts, or any Indebtedness permitted under Section 7.5.

7.16 No Other Negative Pledges. Borrower will not, and will not permit or cause any of its Subsidiaries to, directly or indirectly, enter into or suffer to exist any agreement or restriction that prohibits or conditions the creation, incurrence or assumption of any Lien upon or with respect to any part of its property or assets, whether now owned or hereafter acquired, or agree to do any of the foregoing, other than as set forth in (i) this Agreement, the Collateral Documents or the Indenture, (ii) any agreement or instrument creating a Permitted Lien (but only to the extent such agreement or restriction applies to the assets subject to such Permitted Lien), and (iii) operating leases of real or personal property entered into by Borrower or any of its Subsidiaries as lessee in the ordinary course of business.

7.17 Prepayments. Except in connection with a refinancing permitted by Section 7.5(f), prepay, redeem, retire, defease, purchase, or otherwise acquire any Indebtedness owing to any third Person, other than the Obligations in accordance with this Agreement.

7.18 Real Estate; Store Locations. Borrower will not, and will not permit or cause any of its Subsidiaries to, (a) purchase any real property or (b) close any of its retail store locations without the prior written consent of Lender which shall not be unreasonably withheld.

7.19 Capital Expenditures. Borrower shall not, and shall not permit any of its Subsidiaries to, make (a) capital expenditures related to the opening of new retail store locations in an aggregate amount in excess of $3,500,000 during any fiscal year, or (b) capital expenditures in an aggregate amount in excess of $10,000,000 during any fiscal year.

8. EVENTS OF DEFAULT. Any of the following shall constitute an "Event of Default":

8.1 Non-Payment. If Borrower fails to pay when due and payable or when declared due and payable, any portion of the Obligations (whether of principal, interest (including any interest which, but for the provisions of the Bankruptcy Code, would have accrued on such amounts), fees and charges due Lender, reimbursement of Lender Expenses, or other amounts constituting Obligations); or

8.2 Representation or Warranty. Any representation or warranty by Borrower or any of its Subsidiaries made or deemed made herein (other than in Section 5.20), in any other Loan Document or which is contained in any certificate, document or financial or other statement by Borrower, any of its Subsidiaries or any Authorized Person, furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made; or

8.3 Specific Defaults. Borrower fails to perform or observe any term, covenant or agreement contained in any of Sections 6.1, 6.2, 6.3, 6.6, 6.9 or 6..12 or in Article 7; or

8.4 Other Defaults. Borrower or any of its Subsidiaries party thereto fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of five (5) Business Days after the date upon which an Authorized Person knew or reasonably should have known of such failure; or

8.5 Cross-Default. (i) Borrower or any of its Subsidiaries (A) fails to make any payment in respect of any Indebtedness or Contingent Obligation, having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $250,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise); or (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness or Contingent Obligation, if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity, or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded or (ii) Borrower or any of its Subsidiaries (A) shall have received notice of termination with respect to, or notice of an intent to terminate, the Wal-Mart Master Lease Agreement, (B) shall be in default with respect to fifteen (15) or more leases of real property related to retail store locations within Wal-Mart stores to the extent the defaults under such leases would permit termination thereof, or (c) shall be in default with respect to twenty-five (25) or more leases of real property related to retail store locations (other than locations within Wal-Mart stores) to the extent the defaults under such leases would permit termination thereof; provided, however, that the foregoing shall not apply to the Existing Defaults so long as such Existing Defaults are cured as provided in Section 3.1(j) and Section 3.3(b); or

8.6 Insolvency; Voluntary Proceedings. Borrower or any of its Subsidiaries (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

8.7 Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against Borrower or any of its Subsidiaries, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of Borrower's or any of its Subsidiaries' properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within sixty (60) days after commencement, filing or levy; (ii) Borrower or any of its Subsidiaries admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) Borrower or any of its Subsidiaries acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

8.8 ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $250,000; or (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds $250,000; or (iii) Borrower or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $250,000; or

8.9 Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against Borrower or any of its Subsidiaries involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of $250,000 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of twenty (20) days after the entry thereof; or

8.10 Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against Borrower or any of its Subsidiaries which does or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of twenty (20) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

8.11 Change of Control. There occurs any Change of Control; or

8.12 Loss of Licenses. Any Governmental Authority revokes or fails to renew any material license, permit or franchise of Borrower or any of its Subsidiaries, or Borrower or any of its Subsidiaries for any reason loses any material license, permit or franchise, or Borrower or of its Subsidiaries suffers the imposition of any restraining order, escrow, suspension or impound of funds in connection with any proceeding (judicial or administrative) with respect to any material license, permit or franchise, provided that such event results in or could reasonably be expected to result in a loss of annual revenue or potential revenue of at least the lesser of (i) $3,000,000 or (ii) one percent (1%) of the gross revenues of Borrower (on a consolidated basis with its Subsidiaries) for the most recently ended twelve (12) month period; or

8.13 Adverse Change. There occurs a Material Adverse Effect; or

8.14 Collateral.

(a) any material provision of any Collateral Document shall for any reason cease to be valid and binding on or enforceable against Borrower or any of its Subsidiaries party thereto or Borrower or any of its Subsidiaries shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or

(b) any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in the Collateral purported to be covered thereby or such security interest shall for any reason cease to be a perfected and first priority security interest subject only to Permitted Liens; or

8.15 There shall occur a default or event of default under the Senior Notes; or

8.16 James W. Krause shall cease to be the chairman and chief executive officer of Borrower and shall not have been replaced by a new officer reasonably acceptable to Lender within ninety (90) days; or

8.17 Borrower or any of its Subsidiaries shall at any time disavow any of its obligations under, or shall assert the invalidity or enforceability of, any of the Collateral Documents; or

8.18 If Borrower or any of its Subsidiaries is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs; or

8.19 If Borrower or any of its Subsidiaries makes any payment on account of Indebtedness that has been contractually subordinated in right of payment to the payment of the Obligations, except to the extent such payment is permitted by the terms of the subordination provisions applicable to such Indebtedness.

8.20 (a) If a notice of Lien, levy, or assessment is filed of record with respect to any of Borrower's or any Subsidiary's properties or assets in an amount in excess of $150,000 by the United States government, or any department, agency, or instrumentality thereof, or by any state, county, municipal or governmental agency (except with respect to any taxes which are the subject of a Permitted Protest), or (b) if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a Lien in an amount in excess of $150,000, whether choate or otherwise, upon any of Borrower's or any Subsidiary's properties or assets and the same is not paid on the payment date thereof (except with respect to any taxes which are the subject of a Permitted Protest); provided that Lender shall have the right to establish a reserve against the Borrowing Base in an amount of any such Lien without waiving its rights and remedies with respect to an Event of Default arising under this Section 8.20.

9. LENDER'S RIGHTS AND REMEDIES.

9.1 Rights and Remedies. Upon the occurrence, and during the continuation, of an Event of Default, Lender may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable;

(b) Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement, under any of the Loan Documents, or under any other agreement between Borrower and Lender;

(c) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of Lender, but without affecting Lender's rights and security interests in the Collateral and without affecting the Obligations;

(d) Settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which Lender considers advisable, and in such cases, Lender will credit Borrower's Loan Account with only the net amounts received by Lender in payment of such disputed Accounts after deducting all Lender Expenses incurred or expended in connection therewith;

(e) Cause Borrower to hold all returned Inventory in trust for Lender, segregate all returned Inventory from all other property of Borrower or in Borrower's possession and conspicuously label said returned Inventory as the property of Lender;

(f) Without notice to or demand upon Borrower or any guarantor, make such payments and do such acts as Lender considers necessary or reasonable to protect its security interests in the Collateral. Borrower agrees to assemble the Collateral if Lender so requires, and to make the Collateral available to Lender as Lender may reasonably designate. Borrower authorizes Lender to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or Lien that in Lender's determination appears to conflict with its security interests and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned or leased premises, Borrower hereby grants Lender a license to enter into possession of such premises and to occupy the same, without charge, for up to one hundred twenty (120) days in order to exercise any of Lender's rights or remedies provided herein, at law, in equity, or otherwise;

(g) Without notice to Borrower (such notice being expressly waived), and without constituting a retention of any collateral in satisfaction of an obligation (within the meaning of Section 11-9-505 of the Code), set off and apply to the Obligations any and all (i) balances and deposits of Borrower held by Lender (including any amounts received in the Blocked Accounts), or (ii) indebtedness at any time owing to or for the credit or the account of Borrower held by Lender;

(h) Hold, as cash collateral, any and all balances and deposits of Borrower held by Lender, and any amounts received in the Blocked Accounts, to secure the full and final repayment of all of the Obligations;

(i) Seek the appointment of a receiver or keeper to take possession of the Collateral and to enforce any of Lender's remedies with respect to such appointment without prior notice or hearing, and Borrower hereby consents to such right and such appointment and hereby waives any objection Borrower may have thereto or the right to have a bond or other security posted by Lender in connection therewith;

(j) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Lender is hereby granted a non-exclusive license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and Borrower's rights under all licenses and all franchise agreements shall inure to Lender's benefit(to the extent it does not cause a violation or forfeiture thereof);

(k) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Lender determines is commercially reasonable. It is not necessary that the Collateral be present at any such sale;

(l) Lender shall give notice of the disposition of the Collateral as follows:

(1) Lender shall give Borrower and each holder of a security interest in the Collateral who has filed with Lender a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Collateral, then the time on or after which the private sale or other disposition is to be made;

(2) The notice shall be personally delivered or mailed, postage prepaid, to Borrower as provided in Section 12, at least five (5) days before the date fixed for the sale, or at least five (5) days before the date on or after which the private sale or other disposition is to be made; no notice needs to be given prior to the disposition of any portion of the Collateral that is perishable or threatens to decline speedily in value or that is of a type customarily sold on a recognized market. Notice to Persons other than Borrower claiming an interest in the Collateral shall be sent to such addresses as they have furnished to Lender;

(3) If the sale is to be a public sale, Lender also shall give notice of the time and place by publishing a notice one time at least five (5) days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held;

(m) Lender may credit bid and purchase at any public sale;

(n) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower. Any excess will be returned, without interest and subject to the rights of third Persons, by Lender to Borrower; and

(o) Borrower acknowledges that the Obligations arose out of a commercial transaction, and agree that if an Event of Default shall occur, Lender shall have the right to an immediate writ of possession without notice of a hearing.

9.2 Remedies Cumulative. Lender's rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative. Lender shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it.

10. TAXES AND EXPENSES.

If Borrower fails to pay any monies (whether taxes, assessments, insurance premiums, or, in the case of leased properties or assets, rents or other amounts payable under such leases) due to third Persons, or fails to make any deposits or furnish any required proof of payment or deposit, all as required under the terms of this Agreement, then, to the extent that Lender determines that such failure by Borrower could reasonably be expected to have a Material Adverse Effect, in its discretion and without prior notice to Borrower, Lender may do any or all of the following: (a) make payment of the same or any part thereof; (b) set up such reserves in Borrower's Loan Account as Lender deems necessary to protect Lender from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type described in Section 6.6, and take any action with respect to such policies as Lender deems prudent. Any such amounts paid by Lender shall constitute Lender Expenses. Any such payments made by Lender shall not constitute an agreement by Lender to make similar payments in the future or a waiver by Lender of any Event of Default under this Agreement. Lender need not inquire as to, or contest the validity of, any such expense, tax, or Lien and the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

11. WAIVERS; INDEMNIFICATION.

11.1 Demand; Protest; etc. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Borrower may in any way be liable.

11.2 Lender's Liability for Collateral. So long as Lender complies with its obligations, if any, under Section 11-9-207 of the Code, Lender shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person. All risk of loss, damage, or destruction of the Collateral shall be borne by Borrower.

11.3 Indemnification. Borrower shall pay, indemnify, defend, and hold Lender, each Participant, and each of their respective officers, directors, employees, counsel, agents, and attorneys-in-fact (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, and damages, and all reasonable attorneys' fees and disbursements and other costs and expenses actually incurred in connection therewith (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them in connection with or as a result of or related to the execution, delivery, enforcement, performance, and administration of this Agreement and any other Loan Documents or the transactions contemplated herein, and with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event or circumstance in any manner related thereto (all the foregoing, collectively, the "Indemnified Liabilities"). Borrower shall have no obligation to any Indemnified Person under this Section 11.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person. This provision shall survive the termination of this Agreement and the repayment of the Obligations.

12. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, or facsimile to Borrower or to Lender, as the case may be, at its address set forth below:

If to Borrower: VISTA EYECARE, INC.
296 Grayson Highway
Lawrenceville, Georgia 30045-5737
Attn: Chief Financial Officer
Fax No. (770) 822-2027

with copies to: VISTA EYECARE, INC.
296 Grayson Highway
Lawrenceville, Georgia 30045-5737
Attn: General Counsel
Fax No. (770) 822-2029

If to Lender: FOOTHILL CAPITAL CORPORATION
Northpark Town Center, Building 400
1000 Abernathy Road, N.E., Suite 1450
Atlanta, Georgia 30328
Attn: Business Finance Division Manager
Fax No. (770) 508-1370

with copies to: Paul, Hastings, Janofsky & Walker LLP
600 Peachtree Street, N.E., Suite 2400
Atlanta, Georgia 30308
Attn: Chris D. Molen, Esq.
Fax No. (404) 815-2424

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section 12, other than notices by Lender in connection with Sections 11-9-504 or 11-9-505 of the Code, shall be deemed received on the earlier of the date of actual receipt or three (3) Business Days after the deposit thereof in the mail. Borrower acknowledges and agrees that notices sent by Lender in connection with Sections 11-9-504 or 11-9-505 of the Code shall be deemed sent when deposited in the mail or personally delivered, or, where permitted by law, transmitted facsimile or other similar method set forth above.

13. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANY OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF FULTON, STATE OF GEORGIA OR, AT THE SOLE OPTION OF LENDER, IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF BORROWER AND LENDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 13. BORROWER AND LENDER HEREBY WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH OF BORROWER AND LENDER REPRESENTS THAT IT HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

14. DESTRUCTION OF BORROWER'S DOCUMENTS.

All documents, schedules, invoices, agings, or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender four (4) months after they are delivered to or received by Lender, unless Borrower requests, in writing, the return of said documents, schedules, or other papers and makes arrangements, at Borrower's expense, for their return.

15. GENERAL PROVISIONS.

15.1 Effectiveness. This Agreement shall be binding and deemed effective when executed by Borrower and Lender.

15.2 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Lender shall release Borrower from its Obligations. Lender may assign this Agreement and its rights and duties hereunder and no consent or approval by Borrower is required in connection with any such assignment. Lender reserves the right to sell, assign, transfer, negotiate, or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. In connection with any such assignment or participation, Lender may disclose all documents and information which Lender now or hereafter may have relating to Borrower or Borrower's business. To the extent that Lender assigns its rights and obligations with respect to the Loans and the commitment hereunder to a third Person, Lender thereafter shall be released from such assigned obligations to Borrower and such assignment shall effect a novation between Borrower and such third Person. With respect to any Person that purchases any portion of Lender's rights and obligations under this Agreement pursuant to the terms of this Section 15.2, such Person shall be entitled (i) to all of the benefits of Section 11.3 hereof and (ii) to the payment of all Lender Expenses and expenses of the type described in paragraph (c) of the Fee Letter as if such Person were the "Lender" as defined herein and in the Fee Letter.

15.3 Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each section applies equally to this entire Agreement.

15.4 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

15.5 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

15.6 Amendments in Writing. This Agreement can only be amended by a writing signed by both Lender and Borrower.

15.7 Counterparts; Facsimile Execution. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by facsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

15.8 Revival and Reinstatement of Obligations. If the incurrence or payment of the Obligations by Borrower or any guarantor of the Obligations or the transfer by either or both of such parties to Lender of any property of either or both of such parties should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, and other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if Lender is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Lender is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys' fees of Lender related thereto, the liability of Borrower or such guarantor automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

15.9 Integration. This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

15.10 Time is of the Essence. Time is of the essence of this Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in Atlanta, Georgia.

VISTA EYECARE, INC.,
a Georgia corporation

By /s/ Mitchell Goodman
Name: Mitchell Goodman
Title: Executive Vice President

FOOTHILL CAPITAL CORPORATION, a California corporation with an office in Atlanta, Georgia, as lender and as agent for itself and certain other Persons

By /s/ Patricia McLoughlin
Name: Patricia McLoughlin
Title: Vice President

FOOTHILL CAPITAL CORPORATION, a California corporation with an office in Atlanta, Georgia, as the sole Bank, the Issuing Bank, the Documentation Agent and the Administrative Agent under the Prior Credit Agreement

By /s/ Patricia McLoughlin
Name: Patricia McLoughlin
Title: Vice President

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AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into as of September 9, 1999, by and among VISTA EYECARE, INC., a Georgia corporation (the "Company"), ITC SERVICE COMPANY, a Delaware corporation ("ITC"), and CAMPBELL B. LANIER, III ("Lanier").

W I T N E S S E T H:

WHEREAS, the Company entered into a Rights Agreement with Wachovia Bank of North Carolina, N.A. dated as of January 17, 1997, as subsequently amended (the "Rights Agreement"), pursuant to which the ownership of 15% or more shares of Common Stockby any Acquiring Person would trigger certain consequences; and

WHEREAS, a group of which ITC and Lanier are members (the "13D Group") has previously requested of the Company that it be allowed to become the Beneficial Owner of up to 25% of the outstanding shares of Common Stock without triggering the provisions of the Rights Agreement, which request was granted by the Company on April 22, 1999; and

WHEREAS, the Company has agreed to a further exception to the restrictions of the Rights Agreement to increase such amount to 28%, on the condition that ITC and Lanier enter into this Agreement providing for certain restrictions on the voting of certain of such shares;

NOW, THEREFORE, in consideration of the foregoing premises and promises and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

Definitions

A. Undefined Capitalized Terms. Undefined capitalized terms used in this Agreement (and the recitals thereto) shall have the meanings given to them in the Rights Agreement.

B. Other. The following terms shall have the following meanings in this Agreement:

> "Covered Shares" means any Group Shares in excess of 25% of the outstanding shares of Common Stock, but the number of Covered Shares shall not exceed 3% of the outstanding shares of Common Stock.
>
> "Group Shares" means Common Stock of which the 13D Group is the Beneficial Owner.

2. During such time as there exist any Covered Shares, ITC and Lanier agree to vote a number of shares of Common Stock owned by either of them equal to the number of such Covered Shares on any matters presented to the shareholders of the Company in the same ratio as all shares voted by any holders of Common Stock other than (a) any member of the 13D Group, and (b) any Affiliates and Associates of the 13D Group. which for purposes of this Paragraph of this Agreement shall include, without limitation, all directors and executive officers of ITC and ITC Holding Company, Inc., the parent corporation of ITC.

3. Promptly upon the request of the Company, ITC and Lanier agree to irrevocably appoint the Company's designee as their lawful attorney and proxy with full power of substitution for and in their respective names to vote (in accordance with Paragraph 2 of this Agreement) shares owned by them equal to the number of Covered Shares, at all annual, special and other meetings of shareholders of the Company (or by written consent in lieu thereof) and at all other times the Covered Shares are required to be or may be voted. ITC and Lanier understand and agree that the appointment and proxy, if granted, will be irrevocable and coupled with an interest and will not terminate by operation of law. Any such appointment and proxy arrangement shall terminate (a) to the extent that shares of Common Stock cease to be Covered Shares or (b) as provided in Paragraph 4 of this Agreement.

4. ITC and Lanier agree that they will not sell shares of Common Stock in an amount that would cause them to collectively own less than the number of Covered Shares without having first caused another person in the 13D Group to have duly executed and delivered to the Company a copy of this Agreement or a substantially similar agreement in form and substance satisfactory to the Company, covering a number of shares that together with the shares owned by ITC and Lanier would equal at least the number of Covered Shares. Upon the execution and delivery of such agreement, the appointment and proxy arrangement described in Paragraph 3 of this Agreement shall terminate with respect to the shares of Common Stock sold by ITC or Lanier.

5. Nothing in this Agreement shall (a) be deemed an admission that any Person is or is not an Affiliate or Associate of any other Person or (b) preclude a Person from becoming or ceasing to be an Affiliate or Associate of any other Person. Neither this Agreement nor any of its terms shall create any implied or express obligation on the part of the Company to agree to make further exceptions or take any additional action under the Rights Agreement.

6. All determinations as to the number of shares of Common Stock outstanding shall be made in accordance with the provisions of the Rights Agreement.

7. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Georgia, without regard to conflict of laws principles. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same Agreement. All of the terms, provisions and

covenants of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties to this Agreement and their respective successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

VISTA EYECARE, INC.

/s/ Mitchell Goodman
By: Mitchell Goodman
Title: Senior Vice President

ITC SERVICE COMPANY

/s/ William H. Scott, III
By: William H. Scott, III
Title: President

/s/ Campbell B. Lanier, III
CAMPBELL B. LANIER, III

VISTA EYECARE, INC.

SUBSIDIARY COMPANIES

Name of Subsidiary	Jurisdiction of Incorporation
Midwest Vision, Inc.	Minnesota
NVAL Healthcare Systems, Inc.	Georgia
NVAL Visioncare Systems of California, Inc.	California
NVAL Visioncare Systems of North Carolina, Inc.	North Carolina
International Vision Associates, Ltd.	Georgia
Mexican Vision Associates, S.A. de C.V.	Mexico
Mexican Vision Associates Operadora, S. de R.L. de C.V.	Mexico
Mexican Vision Associates Servicios, S. de R.L. de C.V.	Mexico
New West Eyeworks, Inc.	Delaware
Frame-n-Lens Optical, Inc.	California
Vision Administrators, Inc	California
ProCare Eye Exam, Inc.	California
Family Vision Centers, Inc.	Delaware

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement File No. 333-06579 and File No. 333-21782.

/s/ Arthur Andersen LLP

Atlanta, Georgia
April 5, 2000

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