

EMERGING VISION INC  
Form DEFR14A  
November 21, 2007

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

SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant

[X]

Filed by a Party other than the Registrant

[ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement
- [ ] **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- [X] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Under §240.14a-12

**EMERGING VISION, INC.**

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how its was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



**EMERGING VISION, INC.  
100 Quentin Roosevelt Boulevard  
Garden City, New York 11530**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON DECEMBER 13, 2007**

**To the Shareholders of Emerging Vision, Inc.:**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Shareholders of **Emerging Vision, Inc.** will be held at the offices of Certilman Balin Adler & Hyman, LLP, 90 Merrick Avenue, East Meadow, NY 11554, on December 13, 2007, at 9:00 a.m., local time, for the following purposes:

- (1) To elect three (3) Class I Directors to our Board of Directors, to fill the (3) vacancies that will be created by the expiration of the term of the Class I Directors, whose term expires at the meeting.
- (2) To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on October 24, 2007 are entitled to notice of, and to vote at, the meeting or any adjournment(s) thereof.

By Order of the Emerging Vision, Inc. Board  
of Directors

/ s / C h r i s t o p h e r G .  
Payan  
Christopher G. Payan  
*Chief Executive Officer*

Garden City, New York  
November 21, 2007

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, WE URGE YOU TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY, WHICH IS SOLICITED BY THE BOARD OF DIRECTORS OF EMERGING VISION, INC., AND RETURN IT IN THE PRE-ADDRESSED ENVELOPE PROVIDED FOR THAT PURPOSE. A SHAREHOLDER MAY REVOKE HIS PROXY AT ANY TIME BEFORE THE MEETING BY WRITTEN NOTICE TO SUCH EFFECT, BY SUBMITTING A SUBSEQUENTLY DATED PROXY OR BY ATTENDING THE MEETING AND VOTING IN PERSON.**



**EMERGING VISION, INC.**  
**100 Quentin Roosevelt Boulevard**  
**Garden City, New York 11530**

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**PROXY STATEMENT**

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**SOLICITING, VOTING AND REVOCABILITY OF PROXY**

This proxy statement is being mailed to all shareholders of record of Emerging Vision, Inc., at the close of business on October 24, 2007, in connection with the solicitation, by the Board of Directors, of proxies to be voted at the Annual Meeting of Shareholders, to be held at the offices of Certilman Balin Adler & Hyman, LLP, 90 Merrick Avenue, East Meadow, NY 11554, on December 13, 2007, at 9:00 a.m., local time, or any adjournment(s) thereof. The proxy and this proxy statement were first mailed to shareholders on or about November 26, 2007.

All shares represented by proxies duly executed and received will be voted on the matters presented at the meeting in accordance with the instructions specified in such proxies. Proxies so received without specified instructions will be voted as follows:

(i) **FOR** the election, to our Board of Directors, of those nominees named in the proxy, and

The Board does not know of any other matters that may be brought before the meeting nor does it foresee or have reason to believe that proxy holders will have to vote for substitute or alternate nominees to the Board. In the event that any other matter should come before the meeting or any nominee is not available for election, the persons named in the enclosed proxy will have discretionary authority to vote all Proxies not marked to the contrary with respect to such matters in accordance with their best judgment.

The Board has fixed the close of business on October 24, 2007 as the record date for the determination of shareholders entitled to notice of the Annual Meeting, and only holders of record of our common stock, par value \$0.01 per share (the "Common Stock"), and Senior Convertible Preferred Stock, par value \$0.01 per share (the "Preferred Stock" and, together with the Common Stock, hereinafter collectively referred to as the "Capital Stock"), on that date, will be entitled to notice of, and to vote at, the Annual Meeting. As of the record date, we had outstanding 125,286,805 shares of Common Stock, each share of Common Stock being entitled to one vote on all matters presented at the Annual Meeting, and 0.74 shares of Preferred Stock entitled to vote, on an "as converted" basis, together with the Common Stock as a single class, 98,519 shares of Common Stock, for a total of 125,385,324 voting shares (collectively, the "Voting Shares").

The presence, in person or by proxy, of the holders of shares that represent a majority of the votes entitled to be cast at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. A plurality of the votes cast at the Annual Meeting is required for the election of directors. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions are counted as present in the tabulation of votes on the proposal presented to shareholders. Broker non-votes are not counted for the purpose of determining whether a particular proposal has been approved.

Any person giving a proxy in the form accompanying this proxy statement has the power to revoke it at any time before its exercise. The proxy may be revoked by filing with us a written notice of revocation or a fully executed proxy bearing a later date. The proxy may also be revoked by affirmatively electing to vote in person while in attendance at the meeting. However, a shareholder who attends the meeting need not revoke a proxy given and vote in

person unless the shareholder wishes to do so. Written revocations or amended proxies should be sent to us at 100 Quentin Roosevelt Boulevard, Suite 508, Garden City, New York 11530, Attention: Corporate Secretary.

The proxy is being solicited by our Board of Directors. We will bear the cost of the solicitation of proxies, including the charges and expenses of brokerage firms and other custodians, nominees and fiduciaries for forwarding proxy materials to beneficial owners of our shares. Solicitations will be made primarily by mail, but certain of our directors, officers or employees may solicit proxies in person or by telephone, telecopier or email without special compensation.

A list of shareholders entitled to vote at the meeting will be available for examination at the meeting at the request at or prior to the meeting by any shareholder. To contact us, shareholders should call (516) 390-2100.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Overview of Compensation Policy*

Our Compensation Committee is, among other things, empowered to review and approve the annual compensation for our executive officers. This Committee has the responsibility for establishing, implementing, and monitoring our compensation strategy and policy. Among its principal duties, the Committee ensures that the total compensation of the executive officers is fair, reasonable and competitive.

#### *Objectives and Philosophies of Compensation*

The primary objective of our compensation policy, including the executive compensation policy, is to help attract and retain experienced, talented leaders who have the intelligence, drive and vision to guide our company through the ever developing landscape of its existing business, and to develop new business initiatives. This policy is designed to reward the achievement of specific annual and long-term strategic goals aligning executive performance with company growth and shareholder value. In addition, the Board of Directors strives to promote an ownership mentality among key management and the Board of Directors.

#### *Setting Executive Compensation*

The compensation policy is designed to reward performance. In measuring executive officers' contribution to us, the Compensation Committee considers numerous factors, including our growth and financial performance as measured by revenue, gross margin and net income before taxes among other key performance indicators.

Regarding most compensation matters, including executive and director compensation, management provides recommendations to the Compensation Committee; however, the Compensation Committee does not delegate any of its functions to others in setting compensation. The Compensation Committee does not currently engage any consultant related to executive and/or director compensation matters, but has, in the past, retained a consultant to assist the Compensation Committee in evaluating executive compensation in light of market factors.

Stock price performance has not been a factor in determining annual compensation because the price of our Common Stock is subject to a variety of factors outside of management's control. We do not subscribe to an exact formula for allocating cash and non-cash compensation. However, a significant percentage of total executive compensation is performance-based, in order to better align the goals of executives with the goals of stockholders.

#### *Elements of our Compensation Plan*

The principal components of compensation for our executive officers are:

- base salary;
- performance-based incentive cash compensation;
- right to purchase the company's stock at a preset price (stock options); and
- retirement and other benefits.

#### *Base Salary*

We provide named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for named executive officers are determined for each executive based on his or her position and responsibility.

During its review of base salaries for executives, the Committee primarily considers:

- market data;
- internal review of the executives' compensation, both individually and relative to other officers; and
- individual performance of the executive.

Salary levels are typically evaluated annually as part of our performance review process as well as upon a promotion or other change in job responsibility.

#### *Performance-Based Incentive Compensation*

The Compensation Committee's charter provides it with the latitude to design cash and stock-based incentive compensation programs to promote high performance and achievement of corporate goals, encourage the growth of stockholder value and allow key employees to participate in our long-term growth and profitability.

For stock-based programs, the Committee may grant participants stock options which are the only non-cash incentive currently approved by our stockholders. In granting these awards, the Committee establishes parameters such as vesting schedules and terms of the grants.

All awards of shares of our stock options are made at the market price at the time of the award. Annual awards of stock options to executives and Board members are made at the Committee's regularly scheduled or special meetings.

#### *Stock Option Program*

The Stock Option Program assists us in:

- enhancing the link between the creation of stockholder value and long-term executive incentive compensation;
- providing an opportunity for increased equity ownership by executives; and
- maintaining competitive levels of total compensation.

Stock option award levels are determined based on market data, vary among participants based on their positions within our company and are granted at the Committee's regularly scheduled and special meetings. Options are awarded at the Over-the-Counter Bulletin Board closing price of our Common Stock on the date of the grant. The Committee has never granted options with an exercise price that is less than the closing price of our Common Stock on the grant date, nor has it granted options which are priced on a date other than the grant date.

Options granted by the Committee vest according to a variety of vesting schedules, with the Committee endeavoring to ensure that the vesting schedule has a close nexus with the performance of the executive. Vesting rights cease upon

termination of employment for executives and Board members. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights.

*Retirement and Other Benefits*

All of our employees residing in the United States are eligible to participate in our 401(k) Retirement Plan.

*401(k) Retirement Plan*

In January 1995, we instituted a 401(k) Plan covering substantially all full-time employees with six months of service. Under the Plan, employees may elect to defer up to 15% of compensation (subject to certain limitations).

*Employee Stock Purchase Plan*

We do not currently have an established Employee Stock Purchase Plan.

*Perquisites and Other Personal Benefits*

We provide some executive officers with perquisites and other personal benefits that we and the Committee believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

All employees can participate in the plans and programs described above.

Each of our employees is entitled to receive medical and dental benefits and part of the cost is funded by the employee.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the “Compensation Discussion and Analysis” for 2006 (included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended, and this proxy statement) with our management. Based on this review and these discussions, the Compensation Committee recommended to our Board of Directors that this “Compensation Discussion and Analysis” section be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended, and this proxy statement.

*Members of the Compensation Committee*

- Seymour G. Siegel, Chairman
- Joel L. Gold
- Harvey Ross



**Summary Compensation Table**

The following table sets forth information concerning the total compensation awarded to, earned by or paid to our Chief Executive Officer, Chief Financial Officer, and the other three most highly compensated executives, other than our Chief Executive Officer and Chief Financial Officer, as of December 31, 2006 (collectively, the “Named Executive Officers”) for services rendered to us in all capacities:

Name and Principal Position	Year	Salary (1)	Bonus	Stock Awards	Option Awards	Change in Pension Value and Non-Equity Nonqualified Incentive Deferred Plan Compensation			All Other Compensation (2)	Total
						Compensation	Earnings			
Christopher G. Payan, Chief Executive Officer	2006	\$ 275,000	-	-	-	-	-	-	-	\$ 275,000
Myles S. Lewis, Chief Operating Officer	2006	\$ 190,000	-	-	-	-	-	-	-	\$ 190,000
Samuel Z. Herskowitz, Chief Marketing Officer	2006	\$ 190,000	-	-	-	-	-	\$ 10,000		\$ 200,000
Brian P. Alessi, Chief Financial Officer	2006	\$ 140,000	-	-	-	-	-	-	-	\$ 140,000
Dr. Nicholas Shashati, President – VCC	2006	\$ 140,000	-	-	-	-	-	-	-	\$ 140,000

(1) Represents annual salary paid to the executive.

(2) Represents car allowance payments.

### EMPLOYMENT AGREEMENTS

On April 2, 2007, Mr. Payan entered into an Employment Agreement with the Company, effective December 1, 2006, which provides for Mr. Payan to serve as Chief Executive Officer for a term expiring on November 30, 2009, unless sooner terminated pursuant to the provisions of the Employment Agreement. Mr. Payan is to receive an annual base salary of \$275,000. Additionally, Mr. Payan will be eligible for an annual bonus to be determined by the Company's Board of Directors at the end of each calendar year, receive employee benefits, receive a monthly car allowance, as well as certain other benefits defined in the Employment Agreement.

### GRANTS OF PLAN-BASED AWARDS IN 2006

There were no equity-based awards granted to the Named Executive Officers nor were any non-equity awards granted with future payouts during 2006.

### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information regarding exercisable and unexercisable stock options held by each of the Named Executive Officers on December 31, 2006:

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#) (1)	Option Exercise Price (\$)	Option Expiration Date
Christopher G. Payan	7,208,220	-	0.14	12/29/2014
	50,000	-	0.26	7/16/2011
Myles S. Lewis	3,314,124	-	0.14	12/29/2014
	50,000	-	0.33	4/26/2011
Samuel Z. Herskowitz	1,841,180	-	0.14	12/29/2014
	37,500	-	0.33	4/26/2011
	20,000	-	6.31	12/14/2009
	10,000	-	3.25	4/9/2009
Brian P. Alessi	920,590	-	0.14	12/29/2014
Dr. Nicholas Shashati	133,334	-	0.16	11/22/2015
	100,000	-	0.33	4/26/2011
	20,000	-	6.31	12/14/2009
	10,000	-	3.25	4/9/2009
	-	66,666	0.16	11/22/2015

(1) Options become available on November 22, 2007.

### OPTIONS EXERCISED AND STOCK VESTED

There were no options exercised by or stock awards that vested for the Named Executive Officers during 2006.

### PENSION BENEFITS

We do not provide a pension plan for our employees.

### DIRECTOR COMPENSATION

Directors who are not our employees or executive officers receive \$20,000 per annum, payable in equal, quarterly installments of \$5,000, \$1,500 for each in person meeting, and no additional compensation for telephonic meetings or actions taken by written consent in lieu of a meeting. In the event that multiple meetings are held on the same day, directors will receive compensation for one meeting. Further, all directors are reimbursed for certain expenses in connection with their attendance at board and committee meetings.

Other than with respect to the reimbursement of expenses, directors who are our employees or executive officers will not receive additional compensation for serving as a director.

The following table represents the compensation provided by us to each of the persons who served as a director during 2006, except for Christopher G. Payan, our Chief Executive Officer, who's compensation is set forth in the Summary Compensation Table. Mr. Payan did not receive any additional consideration for his service on the Board of Directors:

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards (2)	All Other Compensation	Total
Alan Cohen, O.D.	\$ 26,000	--	--	--	\$ 26,000
Robert Cohen, O.D.	\$ 26,000	--	--	--	\$ 26,000
Joel L. Gold	\$ 23,000	--	--	--	\$ 23,000
Harvey Ross	\$ 26,000	--	\$ 11,808	--	\$ 37,808
Seymour G. Siegel (1)	\$ 36,000	--	\$ 11,808	--	\$ 47,808

(1) Mr. Siegel received an additional \$10,000 during 2006 in consideration for serving as Chairman of the Audit Committee.

(2) The amounts in this column reflect the compensation expenses recognized for the year ended December 31, 2006 in connection with the 150,000 options granted to both Mr. Ross and Mr. Siegel in April 2006.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND, MANAGEMENT AND RELATED STOCKHOLDER MATTERS

#### Common Stock

The following table sets forth information, as of October 24, 2007, regarding the beneficial ownership of our Common Stock by: (i) each shareholder known by us to be the beneficial owner of more than five percent of the outstanding shares of our Common Stock; (ii) each of our directors; (iii) each of our Named Executive Officers (as said term is defined under the caption “Executive Compensation” above); and (iv) all of our directors and executive officers as a group.

The percentages in the “Percent of Class” column are calculated in accordance with the rules of the Securities and Exchange Commission, under which a person may be deemed to be the beneficial owner of shares if that person has or shares the power to vote or dispose of those shares or has the right to acquire beneficial ownership of those shares within 60 days (for example, through the exercise of an option or warrant). Accordingly, the shares shown in the table as beneficially owned by certain individuals may include shares owned by certain members of their respective families. Because of these rules, more than one person may be deemed to be the beneficial owner of the same shares. The inclusion of the shares shown in the table is not necessarily an admission of beneficial ownership of those shares by the person indicated. The address of Horizons Investors Corp. is P.O. Box 221, Brooklyn, New York 11208. The address of Joel L. Gold is c/o Andrew Garrett, 425 Park Avenue, 22<sup>nd</sup> Floor, New York, New York 10022. The address of Nicholas Shashati is c/o Sterling VisionCare, 9625 Black Mountain Road, Suite 311, San Diego, California 92126. The address of Lou Weisbach is c/o Teamscape, LLC, 3100 Dundee Road, Suite 704, Northbrook, IL 60062. The address of all other persons listed below is 100 Quentin Roosevelt Boulevard, Garden City, New York 11530.

Name of Beneficial Owner	Number of Shares Beneficially Owned	(1)	Percent of Class
Christopher G. Payan (a) (b)	8,470,720	(1)	6.4%
Samuel Z. Herskowitz (b)	2,008,680	(2)	1.6%
Brian P. Alessi (b)	920,590	(3)	*
Dr. Nicholas Shashati (b)	263,334	(4)	*
Dr. Alan Cohen (a)	7,848,590	(5)	6.2%
Dr. Robert Cohen (a)	6,322,459	(6)	5.0%
Joel L. Gold (a)	446,500	(7)	*
Harvey Ross (a)	7,891,513	(8)	6.3%
Seymour G. Siegel (a)	300,000	(9)	*
Horizons Investors Corp.	50,526,543	(10)	40.3%
Lou Weisbach	4,085,000		3.3%
All current directors and executive officers as a group	34,472,386	(11)	25.1%

\* less than 1%

(a) Director

(b) Executive officer

- (1) Includes the right to acquire 7,258,220 shares of Common Stock upon the exercise of presently exercisable, outstanding options.
- (2) Includes the right to acquire 1,908,680 shares of Common Stock upon the exercise of presently exercisable, outstanding options.
- (3) Includes the right to acquire 920,590 shares of Common Stock upon the exercise of presently exercisable, outstanding options.
- (4) Represents the right to acquire 263,334 shares of Common Stock upon the exercise of presently exercisable, outstanding options, but excludes the right to acquire 66,666 shares of Common Stock upon the exercise of outstanding options that are not

exercisable until November 22, 2007.

- (5) Includes (i) the right to acquire 350,000 shares of Common Stock upon the exercise of presently exercisable, outstanding options, and (ii) 26,700 shares owned by Dr. Cohen, as custodian for each of Erica and Nicole Cohen (Dr. Cohen's children, as to which Dr. Cohen disclaims beneficial ownership), but excludes 16,840,528 shares, in the aggregate, held in trust for Dr. Cohen's minor children, Erica, Nicole, Jaclyn and Gabrielle, as beneficiaries, in respect of which Dr. Cohen is not a trustee and has no dispositive or investment authority, and as to which he disclaims beneficial ownership.
- (6) Includes the right to acquire 350,000 shares of Common Stock upon the exercise of presently exercisable, outstanding options, but excludes 16,550,104 shares, in the aggregate, owned by Dr. Cohen's adult children, Allyson, Jeffrey and Stefanie, as to which Dr. Cohen has no dispositive or investment authority and disclaims beneficial ownership.
- (7) Includes 76,500 shares of Common Stock owned by Mr. Gold's children and the right to acquire 370,000 shares of Common Stock upon the exercise of presently exercisable, outstanding options, but excludes an additional 5,000 shares of Common Stock owned by Mr. Gold's wife, as to which Mr. Gold disclaims beneficial ownership.
- (8) Includes the right to acquire 300,000 shares of Common Stock upon the exercise of presently exercisable, outstanding options.
- (9) Represents the right to acquire 300,000 shares of Common Stock upon the exercise of presently exercisable, outstanding options.
- (10) Includes shares of Common Stock owned by Horizons Investors Corp., a New York corporation principally owned by Benito R. Fernandez, a former director of ours, and includes the right to acquire 100,000 shares of Common Stock upon the exercise of presently exercisable, outstanding options.
- (11) Includes (i) the right to acquire 12,020,824 shares of Common Stock upon the exercise of presently exercisable, outstanding options and (ii) 26,700 shares owned by Dr. Cohen, as custodian for each of Erica and Nicole Cohen (as to which Dr. Cohen disclaims beneficial ownership), but excludes the right to acquire 66,666 shares of Common Stock upon the exercise of options that are not exercisable until November 22, 2007. In accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended, the 12,020,824 shares of Common Stock for which our directors and executive officers, as a group, hold currently exercisable options, have been added to the total number of issued and outstanding shares of Common Stock solely for the purpose of calculating the percentage of such total number of issued and outstanding shares of Common Stock beneficially owned by such directors and executive officers as a group.

**Senior Convertible Preferred Stock**

Set forth below is the name, address, stock ownership and voting power of the sole owner of the outstanding shares of our Senior Convertible Preferred Stock:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percent of Class
Rita Folger 1257 East 24 <sup>th</sup> Street Brooklyn, NY 11210	0.74(1)	100%

- (1) These shares are convertible into an aggregate of 98,519 shares of Common Stock; and the holder thereof will be entitled to cast that number of votes at any meeting of shareholders.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS****Cohen's Fashion Optical**

Drs. Robert and Alan Cohen are officers and directors of Cohen's Fashion Optical, Inc., ("CF") and its affiliate, Real Optical, LLC. CF, which has been in existence since 1978, owns a chain of company-operated and franchised retail optical stores doing business under the name "Cohen's Fashion Optical." As of August 13, 2007, CF had 73 franchised stores and 12 company-owned stores. In addition, CF also licenses to retail optical stores the right to operate under the name "Cohen's Kids Optical" or "Ultimate Spectacle." As of August 13, 2007, there was 1 Ultimate Spectacle store located in the State of New York; and REAL, as of such date, operated 3 stores (under the name "Cohen's Fashion Optical"), all of which were located in New York State. CF and REAL stores are similar to our retail optical stores. CF has been offering franchises since 1979 and currently has retail optical stores in the States of Connecticut, Florida, New Hampshire, Massachusetts, New Jersey and New York. In the future, Cohen's Fashion Optical, Cohen's Kids Optical or Ultimate Spectacle stores may be located in additional states. As of August 13, 2007, approximately 15 CF stores were located in the same shopping center or mall as, or in close proximity to, certain of our retail optical stores. It is possible that one or more additional Cohen's Fashion Optical stores, Cohen's Kids Optical stores or Ultimate Spectacle stores may, in the future, be located near one or more of our retail optical stores, thereby competing directly with such of our stores. In addition, our stores and certain of CF's stores jointly participate, as providers, under certain third party benefit plans that either we or CF obtained, and which arrangement is anticipated to continue in the future.

In January 2002, we subleased from CF, for a term of five years, a portion of the space then being leased by CF in a building located at 100 Quentin Roosevelt Boulevard, Garden City, New York and, in connection therewith, relocated our principal executive offices to such premises. Occupancy costs were being allocated between us and CF based upon the respective square footages being occupied. Management believes that the sublease was at fair market value. Such sublease expired in November 2006.

On December 31, 2002, we refinanced certain past due amounts, owed to CF, in an effort to improve our current cash flow position. As a result, we signed a 5-year, \$200,000 promissory note, in favor of CF, bearing interest at a rate of 10% per annum, and which is payable in equal monthly installments of principal and interest.

In the ordinary course of business, primarily due to the fact that the entities occupied office space in the same building, and in an effort to obtain savings with respect to certain administrative costs, we and CF will at times share in the costs of minor expenses. Management believes it has appropriately accounted for these expenses.

### **General Vision Services**

In January 2001, General Vision Services, LLC, a Delaware limited liability company (“GVS”) located in New York City and beneficially owned, in principal part, by Drs. Robert and Alan Cohen and certain members of their respective immediate families (collectively, the “Cohen Family”), acquired substantially all of the assets of General Vision Services, Inc. As of August 13, 2007, GVS operated approximately 16 retail optical stores, principally located in New Jersey and in the New York metropolitan area, which stores are similar to retail optical stores that we operate and franchise. In addition, GVS solicits and administers third party benefit programs similar to those that we administer. GVS does not franchise any retail optical stores. It is possible that a GVS store, or another retail optical store which provides third party benefit plans administered by GVS, may now or in the future be located near one or more of our retail optical stores and may be competing directly with such store.

Furthermore, we, CF and GVS jointly participate in certain third party benefit plans, and certain of our retail optical stores, CF’s stores and GVS’ stores participate as providers under third party benefit plans that either we, CF and GVS obtained and, in all likelihood, we, CF and GVS will continue to do so in the future.

### **Vision World**

In October 2003, Vision World, LLC, a Delaware limited liability company located in New York City and beneficially owned, in principal part, by Drs. Robert and Alan Cohen and certain members of the Cohen Family, acquired substantially all of the assets of Eyeglass Services Industries, Inc.’s third party administration business. Vision World solicits and administers third party benefit programs similar to those that we administer. It is possible that a Vision World store, or another retail optical store which provides third party benefit plans administered by Vision World, may now or in the future be located near one or more of our retail optical stores and may be competing directly with such store.

### **Newtek Business Services**

Christopher G. Payan, our Chief Executive Officer and a director, serves on the Board of Directors of Newtek Business Services, Inc. (“NBSI”), a company that provides various financial services to both small and mid-sized businesses. We utilize the bank and non-bank card processing services of one of NBSI’s affiliated companies. For the years ended December 31, 2006, 2005 and 2004, we paid approximately \$71,000, \$66,000 and \$65,000, respectively, to such affiliate for such services provided. We believe that the cost of such services were as favorable to us as those which could have been obtained from an unrelated third party.

Additionally, we obtain third party administrative services from one of NBSI’s affiliated companies. No payments are made directly to that affiliate.

### **Transactions Among Us and the Cohen Family**

On December 31, 2003, we entered into agreements, with certain of the members of the Cohen Family (collectively, the “Subject Shareholders”), pursuant to which we and each of the Subject Shareholders agreed to, and effectuated, (a) the rescission, *ab initio*, of the exercise, by the Subject Shareholders, of 6,178,840 of the over-subscription rights of the Subject Shareholders (and, accordingly, of the issuance, to such Subject Shareholders, of the units associated therewith) granted to them during the 2003 shareholder rights offering (“Rights Offering”) and (b) the rescission, surrender and cancellation of all of the remaining warrants (15,784,572 in the aggregate) that were acquired by the Subject Shareholders in the Rights Offering (collectively, the “Rescission Transactions”). In connection with the

Rescission Transactions, we agreed to repay each Subject Shareholder the original subscription amount of \$0.04 (previously paid by each Subject Shareholder) for each of the rescinded units (together with interest at a rate of 6% per annum from the date of the original acquisition thereof), which, in the aggregate for all of the Subject Shareholders, totaled \$247,154. In October 2007, the Company repaid such amounts together with all accrued interest then due.

Recognizing that the Subject Shareholders suffered certain damages in connection with the Rescission Transactions, on December 31, 2003, (i) we and the Shareholders entered into settlement agreements with each of the Subject Shareholders, pursuant to which the Subject Shareholders released any and all claims that they may have had against us as a result of the consummation of the Rescission Transactions, and (ii) we, in consideration for such releases, granted to the Subject Shareholders, in the aggregate, new warrants to purchase 28,142,252 shares of our Common Stock. The exercise prices of the new warrants issued to each of the Subject Shareholders ranged from \$0.0465 to \$0.0489. These exercise prices were calculated with the intention of allowing the Subject Shareholders to purchase our equity on substantially the same economic terms that they would have been originally entitled pursuant to the Rights Offering, but for the Rescission Transactions. The new warrants became exercisable on April 15, 2006 and were all exercised in October 2007.

### **Insider Transactions**