

Spec Grade Liquidity Assmt: Eye Care Centers of America, Inc.

Eye Care Centers of America, Inc.

Moody's Investors Service updated the rationale for the SGL-2 Speculative Grade Liquidity rating of Eye Care Centers of America ("ECCA").

The affirmation of the liquidity rating at SGL-2 (good liquidity) reflects Moody's expectation that internally generated cash flow will meaningfully exceed cash outflows for mandatory debt service, capital expenditures, cash taxes, and incremental working capital investment over the next twelve months. Even if operating results fall below plan and assuming no capital markets access, Moody's believes that Third Quarter 2006 cash of \$40 million and \$22 million of availability on the \$25 million revolving credit facility (after \$3 million for letter of credit back up) would cover a plausible free cash flow deficit over the short-term. Moody's does not expect ECCA's higher-rated owners to be able to contribute additional capital in the event of a liquidity shortfall.

Moody's believes that the company will generate around \$70 million of EBITDA over the next four quarters, and annual cash outflows are forecasted at about \$30 million for cash interest expense, \$2 million for mandatory principal amortization on the Term Loan, and about \$17 million for gross capital investment. In a normal year, the company also supports sales growth by permanently investing several million dollars in net working capital. Cash tax payments are less than GAAP tax accruals largely due to the deductibility of certain intangible assets. While Moody's does not expect revolving credit facility borrowings within the near-term, we believe that the company will maintain uninterrupted access to its revolving credit facility by remaining in compliance with its existing bank loan covenants.

Eye Care Centers of America, Inc. ("ECCA"), with headquarters in San Antonio, Texas, operates 386 optical retailing stores under EyeMasters and other regional trade names. ECCA is owned by HVHC Inc. (corporate family rating of Ba3), a wholly-owned subsidiary of Highmark Inc. (senior unsecured rating of Baa2). Revenue for the twelve months ending Sept. 30, 2006 was approximately \$426 million. The corporate family rating is B2.

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