

## **MOODY'S ASSIGNS SGL-2 RATING TO EYE CARE CENTERS OF AMERICA**

Eye Care Centers of America's (ECCA) SGL-2 rating reflects Moody's expectation that the company will have good liquidity over the next twelve months. ECCA's SGL-2 rating recognizes that ECCA's cash flow generation and existing cash balances are expected to cover cash needs for working capital, scheduled debt amortization, and capital expenditures. A \$25 million senior secured revolving credit facility, maturing in 2010, which the company does not plan to access in the near term, provides good liquidity to fund the company's operating needs if there is a misstep in operating cash flow over the next twelve months. Additionally, the company's covenant cushions under the credit facility are adequate. The rating also considers that ECCA's assets are largely encumbered.

ECCA's SGL-2 speculative grade liquidity rating is a positive factor supporting the company's long-term B2 senior implied rating. Key restraints to the SGL rating are modest to low free cash flow expectations (cash from operations less capital expenditures), the small size of ECCA'S revolving credit facility, and relatively few sources of alternate liquidity to draw on in the event of an unexpected business slowdown. The SGL rating is supported by modest quarterly EBITDA margins ranging from 7% to 18%, quarterly cash balances ranging from \$6 million to \$18 million, lack of significant maturities, and expected cash flow from operations.

The company's credit facility contains leverage and interest coverage ratios. The leverage covenant (debt/LTM EBITDA) ratchets down from 6.25 times in 2005 to 6.0 times in 2006 and the interest coverage covenant (EBITDAR/Interest) increases from 1.3 times in 2005 to 1.35 times in 2006. Moody's expects ECCA will exceed its leverage and interest coverage ratio over the next twelve months, even under reasonably stressed scenarios.

The SGL rating could be positively affected if favorable market conditions lead to significant improvement in cash flow generation and financial flexibility. The SGL rating could be pressured if cash flow generation were to deteriorate or if margins were to weaken and put pressure on covenant compliance.

Eye Care Centers of America, Inc., has a senior implied rating of B2 and a negative outlook. Revenue for the LTM ended April 2, 2005 was approximately \$400 million.