SIGHT RESOURCE CORP
Form 10-Q
November 19, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For Quarterly Period Ended September 29, 2001 Commission File Number 0-21068

SIGHT RESOURCE CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	04-3181524
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6725 Miami Avenue, Suite 102
Cincinnati, OH 45243
(Address of principal executive offices)

513-527-9700
(Registrant's telephone number, including area code)

100 Jeffrey Avenue
Holliston, MA 01746
(Former name, former address and former fiscal year, if changed since the last report)

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

Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS: State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

On November 14, 2001, 29,567,113 shares (does not include 30,600 shares held as treasury stock) of common stock, par value $0.01 per share, were outstanding.

SIGHT RESOURCE CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Sight Resource Corporation
Consolidated Balance Sheets
Amounts in Thousands, except Share and Per Share Data

	As of September 29, 2001
ASSETS	(Unaudited)
Current assets:	
Cash and cash equivalents	$ 2,119
Accounts receivable, net of allowance of $1,807 and $1,897, respectively	2,546
Inventories	4,965
Prepaid and other current assets	200
Total current assets	9,830
Property and equipment	11,238
Less accumulated depreciation	(8,259)
Net property and equipment	2,979
Other assets:	
Intangibles assets, net	20,202
Other assets	2,062
TOTAL ASSETS	$ 35,073
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Revolver notes payable	$ 2,500
Current portion of long-term debt	6,547
Accounts payable	4,705
Accrued expenses and other current liabilities	2,421
Total current liabilities	16,173
Non-current liabilities:	
Long-term debt, less current maturities	355
Capital leases	22
Total non-current liabilities	710
Series B redeemable convertible preferred stock 1,452,119 shares issued	6,535
Stockholders' equity:	
Preferred stock, $.01 par value. Authorized 5,000,000 shares; no shares of Series A issued and outstanding	-
Common stock, $.01 par value. Authorized 50,000,000 shares; 29,312,154 at September 29, 2001 and 9,261,552 at December 30, 2000 shares issued and outstanding	293
Additional paid-in capital	41,195
Treasury shares at cost, 30,600 shares at September 29, 2001 and December 30, 2000	(137)

Accumulated deficit	(29,363)
Total stockholders' equity	11,988
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 35,073

See accompanying notes to consolidated financial statements.

Sight Resource Corporation
Consolidated Statements of Operations
Amounts in Thousands, Except Share and Per Share Data
(Unaudited)

	Three Months Ended	
	September 29, 2001	September 30, 2000
Net revenue	$ 15,290	$ 16,885
Cost of revenue	4,877	5,574
Gross profit	10,413	11,311
Selling, general and administrative expenses	11,231	11,387
Loss from operations	(818)	(76)
Other expense	-	(803)
Interest expense, net	(158)	(351)
Loss before taxes	(976)	(1,230)
Income tax expense	18	16
Net loss	$ (994)	$ (1,246)
Dividends on redeemable convertible preferred stock	366	-
Net loss attributable to common stockholders	$ (1,360)	$ (1,246)
Basic and diluted loss per common share	$ (0.05)	$ (0.14)

Weighted average number of common shares outstanding	24,821,000	9,229,000

See accompanying notes to consolidated financial statements.

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Sight Resource Corporation
Consolidated Statements of Cash Flows
Amounts in Thousands
(Unaudited)

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OPERATING ACTIVITIES:
Net loss
Adjustments to reconcile net loss to net cash
provided by (used in) operating activities:
Depreciation and amortization
Amortization and write-off of deferred financing costs
Amortization of unearned compensation
Loss on disposal of assets
Reserve for note receivable
Changes in operating assets and liabilities:
Accounts receivable
Inventories
Prepaid expenses and other current assets (liabilities)
Accounts payable and accrued expenses

Net cash provided by operating activities

INVESTING ACTIVITIES:
Purchases of property and equipment
Proceeds from sale of assets
Other liabilities

Net cash used in investing activities

FINANCING ACTIVITIES:
Principal payments
Proceeds from notes
Other liabilities
Merger expenses
Net proceeds from issuance of stock

Net cash provided by financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

Supplementary cash flow information:
Interest paid
Taxes paid

See accompanying notes to consolidated financial statements.

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SIGHT RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The Company

Sight Resource Corporation (the "Company") manufactures, distributes and sells eyewear and related products and services.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, these consolidated financial statements contain all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of September 29, 2001 and the results of its operations and cash flows for the periods presented.

The Company's fiscal year ends on the last Saturday in December. Each quarter represents a 13-week period, except during a 53-week year in which case one quarter represents a 14-week period. The quarter ended September 29, 2001 was 13 weeks and the quarter ended September 30, 2000 was 14 weeks; the nine months ended September 29, 2001 was 39 weeks and the nine months ended September 30, 2000 was 40 weeks. Fiscal year 2001 is a 52-week fiscal year and fiscal year 2000 was a 53-week fiscal year.

The accompanying consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements which are contained in the Company's Annual Report on Form 10-K, as amended on Form 10-K/A, for the year ended December 30, 2000.

(3) Merger with Eyeshop and Related Transactions

On May 23, 2001, the Company entered into a common stock purchase agreement by and among the Company, eyeshop.com inc. ("Eyeshop") and certain investors associated with Eyeshop (the "First Stock Purchase Agreement"), pursuant to which the Company agreed to sell, in two tranches, an aggregate of 5,000,000 shares of its common stock at a price of $0.20 per share for an aggregate purchase price of $1,000,000, to persons associated with Eyeshop. The Company closed on the sale of the first tranche of 1,250,000 shares for $250,000 on May 23, 2001. The second tranche of 3,750,000 shares for $750,000 closed on July 20, 2001.

On May 31, 2001, the Company entered into a common stock purchase agreement by and among the Company and certain investors associated with Eyeshop, to sell an aggregate of 6,569,500 shares of its common stock at a price of $0.20 per share for an aggregate purchase price of $1,313,900. The Company closed on the sale of the 6,569,500 shares on July 20, 2001.

Contemporaneously with the closing of the Merger, the Company and Carlyle Venture Partners, L.P., C/S Venture Investors, L.P., Carlyle U.S. Venture Partners, L.P. and Carlyle Venture Coinvestment, L.L.C. (collectively, the "Investors") entered into an agreement which provides for, among other things, the following terms:

- that upon conversion of the Series B redeemable convertible preferred stock, par value $0.01 per share (the "Preferred Stock"), the Investors will be entitled to receive 3,176,511 shares of the Company's common stock in satisfaction of the Investors' rights to receive anti-dilution protection in connection with the financings and the Merger;

- that the Investors waive their rights to anti-dilution protection with respect to future obligations of the Company to issue securities;

- that the Investors waive their rights to receive additional shares of common stock pursuant to the Class I Warrants with respect to future issuances of warrants and options by the Company, all in exchange for a warrant to purchase 1,000,000 shares of common stock at an exercise price of $0.20 per share;

- that the Company satisfy its obligations to pay dividends on the Preferred Stock for the calendar year 2001 by issuing an aggregate of 1,221,999 shares of common stock in installments of 364,723 shares, 318,947 shares and 283,380 shares, all of which were issued on August 30, 2001, and 254,949 shares, which were issued effective as of November 1, 2001;

- that dividends accruing on the Preferred Stock after November 1, 2001 will accrue as cash dividends and be paid promptly in cash upon the earliest to occur of

  - the merger, consolidation, reorganization, recapitalization, dissolution or liquidation of the Company where the stockholders of the Company immediately following the consummation of the merger no longer own more than 50% of the voting securities of the Company,

  - the sale, lease, exchange or other transfer of all or substantially all of the assets of the Company,

  - the consummation of an equity financing by the Company in which proceeds to the Company, net of transaction costs, are greater than or equal to $10 million,

  - the end of the first twelve month period in which earnings before income taxes, depreciation and amortization are equal to or greater than $5 million dollars or

  - the refinancing of the Company's outstanding indebtedness to Fleet Bank;

  - and that the Investors waive their right to more than one designee on the Company's board of directors.

The estimated fair value of the warrant was $240,000 and has been allocated to "dividend to preferred shareholders" during the three month period ended September 29, 2001.

On July 20, 2001, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of May 23, 2001 by and among the Company, Eyeshop

Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of the Company ("EAC"), and Eyeshop, EAC merged with and into Eyeshop (the "Merger") and Eyeshop became a wholly-owned subsidiary of the Company.

Pursuant to the Merger Agreement, Eyeshop stockholders exchanged their Eyeshop stock for the following at the closing of the Merger:

- Each outstanding share of Eyeshop common stock was exchanged for 4.52 shares of the Company's common stock;

- Each outstanding share of Eyeshop Series A Preferred Stock was exchanged for 9.79 shares of the Company's common stock; and

- Each outstanding share of Eyeshop Series B Preferred Stock was exchanged for 33.72 shares of the Company's common stock.

Pursuant to the Merger Agreement, former Eyeshop stockholders are also entitled to receive additional shares of the Company's common stock if and when the options, warrants and other rights to receive the Company's common stock that were held by the Company's security holders as of May 23, 2001 are exercised. The Company issued a total of 7,306,662 shares of common stock to former Eyeshop stockholders in connection with the Merger. At the close of the Merger, former Eyeshop stockholders and purchasers of the Company's common stock pursuant to the First Stock Purchase Agreement held approximately 50% of the issued and outstanding common stock of the Company.

Collectively, the former stockholders of Eyeshop together with the common stock purchasers associated with Eyeshop held approximately 18,876,162 shares of the Company's common stock immediately after the Merger and the common stock financings, or approximately 64% of the Company's issued and outstanding common stock and approximately 61% of the Company's issued and outstanding voting securities.

The Company has completed its accounting for the Merger. The treatment, for accounting purposes, was considered to be a purchase of Eyeshop's assets and assumption of Eyeshop's liabilities by the Company. The aggregate purchase price was $1,784,000 and the costs of the assets acquired and liabilities assumed have been allocated on the basis of the estimated fair value of the net assets acquired. There was no additional goodwill provided in the transaction.

As of September 29, 2001, the Company had not finalized its plans to relocate its headquarters from Holliston, Massachusetts to Cincinnati, Ohio. Since September 29, 2001, the Company has finalized its plan and is currently operating from its Cincinnati, Ohio headquarters while maintaining certain functions, not yet transitioned, from Holliston, Massachusetts.

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SIGHT RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(4) Earnings Per Share

The following table provides a reconciliation of the numerators and denominators of the basic and diluted loss per share computations for the three months and nine months ended September 29, 2001 and September 30, 2000:

	Three Months Ended	Nine Mo

	September 29, 2001	September 30, 2000	September 29 2001
	(In thousands, except share and per		
BASIC AND DILUTED LOSS PER SHARE			
Net loss	$ (994)	$ (1,246)	$ (3,254
Net loss attributable to common stockholders	(1,360)	(1,246)	(3,877
Weighted average common shares outstanding	24,821,000	9,229,000	14,781,000
Net loss per share	$ (0.05)	$ (0.14)	$ (0.26

Outstanding options, warrants and convertible preferred stock were not included in the computation of diluted earnings per share for the three and nine months ended September 29, 2001, because they would have been antidilutive. The following table presents the number of outstanding options, warrants and convertible preferred stock shares not included in the computation of diluted loss per share.

	Three Months Ended		Nine Months Ended	
	September 29, 2001	September 30, 2000	September 29, 2001	September 2000
Options	-	7,135	-	6,01
Warrants	1,005,463	1,420	1,005,108	1,19
Convertible preferred stock	1,452,119	1,452,119	1,452,119	1,452,11
Total	2,457,582	1,460,674	2,457,227	1,459,33

(5) Operating Segment and Related Information

The following tables represent certain operating segment information (in thousands).

For the three months ended September 29, 2001 and September 30, 2000.

Totals	Eye Care Centers		Laser Vision Correction		All Other	
	2001	2000	2001	2000	2001	200
Revenues:						
External customers	$15,246	$16,774	$ 44	$ 111	$ -	$
Interest:						

Interest income	-	-	-	-	12	
Interest expense	(7)	(5)	-	-	(163)	(
Net interest expense	(7)	(5)	-	-	(151)	(
Depreciation and amortization	764	900	1	2	47	
Income (loss) from operations	271	1,032	13	(8)	(1,089)	(1,
Identifiable assets	30,555	27,660	34	-	4,484	9,
Capital expenditures	70	129	-	-	37	

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SIGHT RESOURCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

For the nine months ended September 29, 2001 and September 30, 2000.

Totals	Eye Care Centers		Laser Vision Correction		All Other	
	2001	2000	2001	2000	2001	2000
Revenues:						
External customers	$45,640	$50,402	$ 219	$ 485	$ --	$ --
Interest:						
Interest income	--	--	--	--	23	44
Interest expense	(13)	(19)	--	--	(547)	(926
Net interest expense	(13)	(19)	--	--	(574)	(882
Depreciation and amortization	2,492	2,749	2	6	138	145
Income (loss) from operations	738	2,897	38	42	(3,316)	(3,380
Identifiable assets	30,555	27,660	34	--	4,484	9,755
Capital expenditures	261	523	--	2	86	51

Each operating segment is individually managed and has separate financial results that are reviewed by the Company's chief operating decision-makers. Each segment contains closely related products that are unique to the particular segment.

The principal products of the Company's eye care centers are eyeglasses, frames, ophthalmic lenses and contact lenses.

Profit from operations is net sales less cost of sales and selling, general and administrative expenses, but is not affected by non-operating charges/income or by income taxes.

Non-operating charges/income consists principally of net interest expense.

In calculating profit from operations for individual operating segments, certain administrative expenses incurred at the operating level that are common to more than one segment are not allocated on a net sales basis.

All intercompany transactions have been eliminated, and intersegment revenues are not significant.

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

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements contained in this document which are not historical fact are forward-looking statements based upon management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by such forward-looking statements. Such forward-looking statements are identified by words such as "expects", "anticipates", "intends", "will" and other similar expressions which express management's present belief, expectations or intentions regarding the Company's future performance. Forward-looking statements include those statements relating to the expected costs savings and better business controls resulting from the consolidation of optical laboratories. Risks and additional factors affecting the Company's business include, without limitation, those described under "Business Risks and Cautionary Statements" in the Company's Form 10-K, as amended on Form 10-K/A, for the fiscal year ended December 30, 2000, filed with the Securities and Exchange Commission.

Overview

Sight Resource Corporation (the "Company") manufactures, distributes and sells eyewear and related products and services. As of September 29, 2001, the Company's operations consisted of 119 eye care centers with two regional optical laboratories and three distribution centers. Based upon annual sales, the Company is one of the fifteen largest providers in the United States primary eye care industry. The Company's eye care centers operate primarily under the brand names Cambridge Eye Doctors, E.B. Brown Opticians, Eyeglass Emporium, Kent Optical, Shawnee Optical, Vision Plaza, and Vision World. The Company also provides, or where necessary to comply with applicable law, administers the business functions of optometrists, ophthalmologists and professional corporations that provide vision related professional services.

Prior to October 2001, the Company operated two regional optical laboratories and three distribution centers. During October 2001, the Company consolidated the two regional optical laboratories and three distribution centers and operates, as of November 2001, one regional optical laboratory and one distribution center. The regional optical laboratory provides complete laboratory services to the Company's eye care centers, including polishing, cutting and edging, tempering, tinting and coating of ophthalmic lenses. The distribution centers provide and maintain an inventory of all accessories and supplies necessary to operate the primary eye care centers in their regions, as well as "ready made" eye care products, including contact lenses and related supplies. The inventory of eyeglass lenses, frames, contact lenses, accessories and supplies is acquired through a number of sources, domestic and foreign. Management believes that the regional optical laboratory and distribution center have the capacity to accommodate additional multi-site eye care centers.

RESULTS OF OPERATIONS

Three Months and Nine Months Ended September 29, 2001 and September 30, 2000

Net Revenue. During the three months ended September 29, 2001, the Company generated net revenue of approximately $15.3 and $0.1 million from the operation of its 119 eye care centers and its affiliated laser vision correction ("LVC") services, respectively, as compared to net revenue of approximately $16.8 and $0.1 million from its 126 eye care centers and its affiliated laser vision correction services, respectively, for the three months ended September 30, 2000. Net revenue for the first nine months of fiscal 2001 was approximately $45.7 million and $0.2 million from the operations of its eye care centers and laser vision correction affiliation, respectively, as compared to net revenue of approximately $50.4 million and $0.5 million from its eye care centers and its affiliated laser vision correction services for the first nine months ended September 30, 2000. The $1.6 million, or 9.4% decrease in total net revenue for the three months ended September 29, 2001 is primarily attributable to a fourteen week reporting period in 2000 versus the thirteen week reporting period in 2001 and the closing of seven stores net of store additions. Same store sales were 3% higher for the thirteen week reporting period in 2001 versus the same thirteen week reporting period in 2000, despite a temporary slowdown in sales that immediately followed the unfortunate events of September 11, 2001. The $5.0 million or 10.4% decrease in total net revenue for the nine months ended September 29, 2001 is primarily due to lower average net sales per store, the closing of seven stores net of store additions and the reduction of sales to the Company's largest managed care plan customer in New England.

Cost of Revenue. Cost of revenue decreased from approximately $5.5 million and $0.1 million from the operation of the 126 eye care centers and laser vision correction affiliation, respectively, for the three months ended September 30, 2000 to approximately $4.8 million and $0.1 million from the operation of the 119 eye care centers and the Company's laser vision correction affiliation, respectively, for the three months ended September 29, 2001. Total cost of revenue as a percentage of net revenue decreased from 33.0% for the three months ended September 30, 2000 to 31.9% for the three months ended September 29, 2001. The decrease during the quarter is primarily due to efficiencies at the regional optical laboratories. Cost of revenue decreased from approximately $16.1 million from the operation of the eye care centers for the nine months ended September 29, 2000 to approximately $14.6 million for the nine months ended September 29, 2001. Cost of revenue as a

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percentage of net revenue increased slightly from 31.6% for the nine months ended September 30, 2000 to 31.9% for the nine months ended September 29, 2001. The increase as a percentage of net revenue primarily reflects more sales price discounting, offset somewhat by the consolidation of optical laboratory operations. Cost of revenue principally consisted of the cost of manufacturing, purchasing and distributing optical products to customers of the Company and the cost of delivering LVC services.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were approximately $11.2 million and $33.8 million for the three months and nine months ended September 29, 2001 as compared to approximately $11.4 million and $35.2 million for the three and nine months ended September 30, 2000. The decrease primarily relates to reductions in bad debt expense, lower store operating costs due to the closure of nine stores net of store additions, offset somewhat by inflationary pressures that increased payroll costs. Selling, general and administrative expense, as a percentage of net revenue, increased from 67.4% to 73.5% for the three months ended September 29, 2001, and increased from 69.2% to 73.8% for the nine months ended September 29, 2001 as compared to the three and nine months ended September 30, 2000. The increase in selling, general and administrative expenses as a percentage of sales for the three and nine month periods ending September 29, 2001 is mainly due to low sales levels.

Other Income and Expense. Interest expense totaled $158,000 and $587,000 for the three and nine months ended September 29, 2001, respectively, as compared to $351,000 and $841,000 for the three and nine months ended September 30, 2000, respectively. The decrease resulted from lower interest rates and lower average outstanding debt during the periods. Other income (expense) during the 2000 periods reflects the reserve for notes receivable of $714,000 from a former executive officer and member of the Board of Directors, Stephen M. Blinn.

Net Loss. The Company realized a net loss of $994,000, or $0.05 per share on a basic and diluted basis, for the three months ended September 29, 2001 as compared to a net loss of $1.2 million, or $0.14 per share on a basic and diluted basis, for the three months ended September 30, 2000. The Company realized a net loss of $3.3 million, or $0.25 per share on a basic and diluted basis, for the nine months ended September 29, 2001, as compared to a net loss of $2.2 million, or $0.24 per share on a basic and diluted basis, for the nine months ended September 30, 2000. The decrease in net loss per share is primarily attributable to a significant increase in the number of shares of common stock outstanding in the 2001 period.

Liquidity and Capital Resources

At September 29, 2001, the Company had approximately $2.1 million in cash and cash equivalents and working capital deficit of approximately $6.3 million, in comparison to approximately $0.5 million in cash and cash equivalents and working capital deficit of approximately $6.7 million as of December 30, 2000. The improvement in the Company's cash position is due to the proceeds received from the sales of common stock, which were completed concurrently with the closing of the merger with Eyeshop on July 20, 2001. The working capital deficit is primarily due to the bank debt of approximately $8.3 million with Fleet National Bank ("Fleet") which was classified on September 29, 2001 and on December 30, 2000 as current. The maturity date of the bank debt has been extended to December 31, 2002. The bank debt continues to be classified as current because the Company cannot forecast with reasonable certainty that the Company will be in compliance with future bank covenants. Barring any compliance defaults with future bank covenants, which could accelerate the maturity of the loan and accelerate the repayment of the loan, the Company believes it has sufficient cash to operate in the near term.

The Company may need to raise additional funds in the near term and may seek to raise those funds through additional financings, including public or private equity offerings. There can be no assurance that funds will be available for the contemplated financings or otherwise on terms acceptable to the Company, if at all. If adequate funds are not available, the Company may be required to limit its operations, which would have a material and adverse affect on the Company.

Effective January 1, 1999, the Company acquired all of the outstanding shares of capital stock of Shawnee Optical, Inc. ("Shawnee"). The purchase price paid in connection with this acquisition was $1.75 million in cash, $0.3 million in notes payable over three years and 70,000 shares of common stock. The Company has failed to make required note payments to Shawnee noteholders in the amount of $100,000 that were due on January 22, 2001.

Effective April 1, 1999, the Company acquired all of the outstanding shares of capital stock of Kent Optical Company and its associated companies (collectively, "Kent"). The purchase price paid in connection with this acquisition was $5.209 million in cash, $1.0 million in notes payable over three years and 160,000 shares of common stock. In addition, the Company offered to issue additional consideration to the Kent stockholders if the market price of the Company's common stock did not equal or exceed $5.00 per share at any time during the period from April 23, 2000 to April 23, 2001. The market price of the

Company's common stock did not equal or exceed $5.00 per share at any time during the period from April 23, 2000 to April 23, 2001. The amount of additional consideration due to the Kent stockholders for each share of common stock issued in the acquisition and held by them on April 23, 2001 is equal to the difference between $5.00 and the greater of (a) the market price of the common stock on April 23, 2001 or (b) $2.73. As of April 23, 2001, the aggregate additional consideration payable to the Kent sellers was $363,200 (the "Additional Consideration"). At the Company's option, the Additional Consideration may be paid to the Kent stockholders in cash or in additional shares of the Company's common stock valued at its market price on the date that the Additional Consideration becomes payable to the Kent stockholders. At the time of the acquisition, the Company included the

value of the Additional Consideration in its determination of the purchase price. In addition, the Company has failed to make required note payments to Kent noteholders in the amount of $333,333 that were due on April 23, 2001. On July 27, 2001, the Company was served with a complaint filed by John Cress and Timothy Westra (together, the "Plaintiffs") in Muskegon County Circuit Court in Michigan on July 6, 2001 against the Company and Kent Acquisition Corporation (a subsidiary of the Company, "KAC"). The complaint alleges two counts. In the first count, the Plaintiffs allege that KAC and the Company failed to make payments under certain promissory notes (the "Kent Notes") issued to the Plaintiffs as part of consideration due to a Stock Purchase Agreement dated April 1, 1999 by and among KAC, Kent Optical Company and its related entities (the "Kent Stock Purchase Agreement") and that such nonpayment constitutes an event of default under the Kent Notes. Plaintiffs seek relief in the form of payment of amounts due on the Kent Notes, including all applicable interest, costs and attorney fees. In the second count, the Plaintiffs allege that KAC and the Company failed to make payments of certain additional consideration due pursuant to the Kent Stock Purchase Agreement when the market price of certain shares of the Company's common stock held by the Plaintiffs did not equal or exceed $5.00 per share at any time during the period from April 23, 2000 to April 23, 2001. Plaintiffs seek relief in the form of payment of the additional consideration due pursuant to the Kent Stock Purchase Agreement, including all applicable interest, costs and attorney fees. This matter is subject to mediation scheduled in late November 2001. The outcome of this matter is uncertain and the Company and its legal advisors are in discussions with the Plaintiffs and their legal advisors regarding the scheduled mediation.

In connection with the exercise of stock options to purchase 138,322 shares (the "Option Shares") of the Company's common stock during fiscal 1997, Stephen M. Blinn, a former executive officer and former Director of the Company, executed a promissory note (the "Note") in favor of the Company for the aggregate exercise price of $594,111. The Note is due on the earlier of September 2, 2007 or the date upon which Mr. Blinn receives the proceeds of the sale of not less than 20,000 of the Option Shares (the "Maturity Date"). Interest accrues at the rate of 6.55%, compounding annually, and is payable on the earlier of the Maturity Date of the Note or upon certain Events of Default as defined in the Note. The principal balance of the Note, together with accrued and unpaid interest, is approximately $714,000. During the third quarter of fiscal 2000, Mr. Blinn informed the Company that he understood that the terms of the Note permitted Mr. Blinn to satisfy in full his obligations under the Note by either (a) returning the Option Shares to the Company or (b) turning over to the Company any cash proceeds received by Mr. Blinn upon a sale of the Option Shares. The Company has informed Mr. Blinn that the Note is a full recourse promissory note, and that Mr. Blinn remains personally liable for all unpaid principal and interest under the Note. Due to Mr. Blinn's position regarding the Note and his failure to provide the Company or the Company's accountants with a copy of his personal financial statements or any other evidence of his ability to pay the amounts due under the Note, the Company has established a $714,000 reserve for notes receivable and, subsequent to the establishment of the reserve, the Company no longer recognizes as interest income accrued interest related to the Note.

As of September 29, 2001, the Company had warrants outstanding which provide it with potential sources of financing as outlined below. However, because of the current market value of the Company's common stock, it is unlikely that any subsequent material proceeds from the exercise of the warrants may be realized by the Company.

Securities	Number Outstanding	Potential Proceeds
Class II Warrants	290,424	$2,613,816
Bank Austria AG, f/k/a Creditanstalt, Warrants	150,000	693,750
Sovereign Warrants	50,000	25,500
Sovereign Warrants	50,000	7,810
Carlyle Warrants	1,000,000	200,000
		$3,545,876

As of September 29, 2001, the Company also has outstanding 227,125 Class I Warrants. The Class I Warrants originally entitled their holders to purchase an amount of shares of the Company's common stock equal to an aggregate of up to 19.9% of the shares of common stock purchasable under the Company's then outstanding warrants and options on the same terms and conditions applicable to then existing warrant and option holders. Such Class I Warrants have since been amended to set the maximum number of shares purchaseable under the Class I Warrants at 227,125 pursuant to a Letter Agreement, dated May 21, 2001, between and among the Company and Carlyle Venture Partners, L.P., C/S Venture Investors, L.P., Carlyle U.S. Venture Partners, L.P. and Carlyle Venture Coinvestment, L.L.C., as more fully described below. The holders of the Class I Warrants are obligated to exercise them at the same time the corresponding options and warrants of existing holders are exercised, subject to certain limitations. The amount of potential proceeds from the exercise of the Class I Warrants cannot be estimated at this time; however, for the reasons stated above it is unlikely that any proceeds will be realized by the Company.

On February 20, 1997, the Company entered into a Credit Agreement (the "1997 Agreement") with a bank pursuant to which the Company could borrow up to $5.0 million on a term loan basis and up to $5.0 million on a revolving credit basis, subject to certain performance criteria. As part of the 1997 Agreement, the Company issued to the bank warrants to purchase 150,000 shares of the common stock at a purchase price of $4.625 per share. The warrants expire December 31, 2003. As noted in the next paragraph below, the Company has entered into a new credit facility and retired the 1997 Agreement.

On April 15, 1999, the Company entered into a Credit Agreement (the "1999 Agreement") with Fleet National Bank ("Fleet") pursuant to which the Company could borrow $10.0 million on an acquisition line of credit, of which $7.0 million is on a term loan basis and $3.0 million is on a revolving line of credit basis, subject to certain performance criteria and an asset-related borrowing base for the revolver. The performance criteria include, among others, financial condition covenants such as net worth requirements, indebtedness to net worth ratios, debt service coverage ratios, funded debt coverage ratios, and pretax profit, net profit and EBITDA requirements.

At December 25, 1999, the Company was not in compliance with the following financial covenants of the 1999 Agreement: minimum net worth, minimum debt service coverage, maximum funded debt service coverage and minimum net profit. However, on March 31, 2000, the Company and Fleet entered into a modification agreement (the "Original Modification Agreement") that amended the 1999 Agreement in order to, among other things, waive the Company's default, adjust certain covenants to which the Company is subject and terminate the acquisition line of credit. In addition, the Original Modification Agreement limited the revolving line note to $2.5 million and the term loan to $6.75 million and established the maturity date for each of these credit lines as March 31, 2001. The scheduled monthly principal payments for the term loan were adjusted to $83,333.33 from April 2000 through July 2000, $100,000.00 from August 2000 through December 2000 and $125,000.00 from January 2001 through March 2001. As part of the Original Modification Agreement, the Company issued to Fleet warrants to purchase 50,000 shares of the Company's common stock at an exercise price of $0.51 per share which was equal to the average closing price of the common stock for the last five trading days for the month of August 2000, and warrants to purchase 50,000 shares of the Company's common stock at an exercise price of $0.156 per share which was equal to the average closing price of the Company's common stock for the last five trading days for the month of December 2000. In August 2000, as a result of a bank merger, Sovereign Bank of New England ("Sovereign") became the successor party to Fleet in the Original Modification Agreement.

On November 30, 2000, the Company and Sovereign entered into a second modification agreement (the "Second Modification Agreement") that amended the terms of the Original Modification Agreement in order to, among other things, defer certain payments required under the term note and amend certain terms and conditions of the 1999 Agreement. Sovereign deferred the required principal payments due on December 1, 2000 in the amount of $100,000 and on January 1, 2001 in the amount of $125,000 until March 1, 2001 and March 22, 2001, respectively. At December 30, 2000, the Company was in default for non-compliance with certain negative covenants contained in the Second Modification Agreement relating to minimum net worth, minimum debt service coverage, maximum funded debt service coverage and minimum net profit.

On March 26, 2001, the Company and Sovereign entered into the Third Modification Agreement (the "Third Modification Agreement") that amended the terms of the Original Modification Agreement and the Second Modification Agreement in order to, among other things, waive the Company's default, adjust or delete certain covenants to which the Company was subject, change the repayment terms and extend the maturity date of the loans to December 31, 2002. In addition, the Third Modification Agreement required that the Company close an equity financing of at least $1.0 million with third party investors on or before May 31, 2001. The Third Modification Agreement establishes the following annual interest rates for both the revolving line and term loans: (i) from February 1, 2001 through September 30, 2001 - 6%; (ii) from October 1, 2001 through December 31, 2001 - 7%; (iii) from January 1, 2002 through December 31, 2002 - prime rate subject to a minimum rate of 8% and a maximum rate of 11%. The scheduled monthly principal payments did not begin until July 1, 2001 and are $30,000 from July 1, 2001 through December 31, 2001, and $100,000 from January 1, 2002 through December 31, 2002. As of September 29, 2001, $5.8 million was borrowed on the term loan and $2.5 million was borrowed on the revolving credit facility.

On May 14, 2001, the Company and Sovereign amended and restated the Third Modification Agreement (the "Amended and Restated Third Modification Agreement"). The Amended and Restated Third Modification Agreement contains the same terms as the Third Modification Agreement, except that the Amended and

Restated Third Modification Agreement requires the Company to close a financing or series of financings, either through the issuance of equity or debt subordinate to Sovereign, of at least $2.3 million with third party investors on or before July 15, 2001.

On May 23, 2001, the Company entered into a common stock purchase agreement by and among the Company, eyeshop.com inc. ("Eyeshop") and certain investors associated with Eyeshop (the "Stock Purchase Agreement"), pursuant to which the Company agreed to sell, in two tranches, an aggregate of 5,000,000 shares of its common stock at a price of $0.20 per share for an aggregate purchase price of $1,000,000, to persons associated with Eyeshop. The Company closed on the sale of the first tranche of 1,250,000 shares for $250,000 on May 23, 2001 and on the second tranche of 3,750,000 shares for $750,000 on July 20, 2001.

On July 20, 2001, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of May 23, 2001 by and among the Company, Eyeshop Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of the Company ("EAC"), and Eyeshop, EAC merged with and into Eyeshop (the "Merger") and Eyeshop became a wholly-owned subsidiary of the Company.

Pursuant to the Merger Agreement, Eyeshop stockholders exchanged their Eyeshop stock for the following at the closing of the Merger:

- Each outstanding share of Eyeshop common stock was exchanged for 4.52 shares of the Company's common stock;
- Each outstanding share of Eyeshop Series A Preferred Stock was exchanged for 9.79 shares of the Company's common stock; and
- Each outstanding share of Eyeshop Series B Preferred Stock was exchanged for 33.72 shares of the Company's common stock.

Pursuant to the Merger Agreement, former Eyeshop stockholders are also entitled to receive additional shares of the Company's common stock if and when the options, warrants and other rights to receive the Company's common stock that were held by the Company's security holders as of May 23, 2001 are exercised. The Company issued a total of 7,306,662 shares of Common Stock to former Eyeshop stockholders in connection with the Merger.

In conjunction with the Merger, the Company is currently in the process of relocating its headquarters from Holliston, Massachusetts to Cincinnati, Ohio. The Company is presently operating significantly from its Cincinnati, Ohio headquarters while maintaining certain functions not yet transitioned from Holliston, Massachusetts.

On May 31, 2001, the Company entered into a common stock purchase agreement by and among the Company and certain investors associated with Eyeshop, to sell an aggregate of 6,569,500 shares of its common stock at a price of $0.20 per share for an aggregate purchase price of $1,313,900. The Company closed on the sale of the 6,569,500 shares on July 20, 2001.

Contemporaneously with the closing of the Merger, the Company and Carlyle Venture Partners, L.P., C/S Venture Investors, L.P., Carlyle U.S. Venture Partners, L.P. and Carlyle Venture Coinvestment, L.L.C. (collectively, the "Investors") entered into an agreement which provides for, among other things, the following terms:

- that upon conversion of the Series B redeemable convertible preferred stock, par value $0.01 per share (the "Preferred Stock"), the Investors will be entitled to receive 3,176,511 shares of the Company's common stock in satisfaction of the Investors' rights to receive anti-dilution protection in connection with the financings and the Merger;

- that the Investors waive their rights to anti-dilution protection with respect to future obligations of the Company to issue securities;
- that the Investors waive their rights to receive additional shares of common stock pursuant to the Class I Warrants with respect to future issuances of warrants and options by the Company, all in exchange for a warrant to purchase 1,000,000 shares of common stock at an exercise price of $0.20 per share;
- that the Company satisfy its obligations to pay dividends on the Preferred Stock for the calendar year 2001 by issuing an aggregate of 1,221,999 shares of common stock in installments of 364,723 shares, 318,947 shares and 283,380 shares, all of which were issued on August 30, 2001, and 254,949 shares, which were issued effective as of November 1, 2001;
- that dividends accruing on the Preferred Stock after November 1, 2001 will accrue as cash dividends and be paid promptly in cash upon the earliest to occur of
  - the merger, consolidation, reorganization, recapitalization, dissolution or liquidation of the Company where the stockholders of the Company immediately following the consummation of the merger no longer own more than 50% of the voting securities of the Company,
  - the sale, lease, exchange or other transfer of all or substantially all of the assets of the Company,
  - the consummation of an equity financing by the Company in which proceeds to the Company, net of transaction costs, are greater than or equal to $10 million,
  - the end of the first twelve month period in which earnings before income taxes, depreciation and amortization are equal to or greater than $5 million dollars or
  - the refinancing of the Company's outstanding indebtedness to Fleet Bank;
- and that the Investors waive their right to more than one designee on the Company's board of directors.

The estimated fair value of the warrant was $240,000 and has been allocated to "dividend to preferred shareholders" during the three month period ended September 29, 2001.

Recent Accounting Pronouncements

In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies the criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, which has been superseded by Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

The Company adopted the provisions of Statement 141 and will adopt the provisions of statement 142 on January 1, 2002. Furthermore, any goodwill and any intangible assets determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of Statement 142.

Statement 141 will require upon adoption of Statement 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. Upon adoption of Statement 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, Statement 142 will require the Company to perform an assessment of whether there is an indication that goodwill (and equity-method goodwill) is impaired as of the date of adoption. To accomplish this the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statement of earnings.

And finally, any unamortized negative goodwill (and negative equity-method goodwill) existing at the date Statement 142 is adopted must be written off as the cumulative effect of a change in accounting principle.

As of the date of adoption, the Company expects to have unamortized goodwill in the amount of $14.3 million unamortized identifiable intangible assets in the amount of $5.3 million and unamortized negative goodwill in the amount of $0, all of which will be subject to the transition provisions of Statements 141 and 142. Amortization expense related to goodwill was $1.1 million and $797,000 for the year ended December 30, 2000 and the nine months ended September 29, 2001, respectively. Because of the extensive effort needed to comply with adopting Statement 142, it is not practicable to reasonably estimate the full impact of adopting these Statements on the Company's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

Statement of Financial Accounting Standards No. 143, "Accounting For Asset Retirement Obligations" ("SFAS 143"), issued in August 2001, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets, and for the associated retirement costs. SFAS 143 which applied to all entities that have a legal obligation associated with the retirement of a tangible long-lived asset is effective for fiscal years beginning after June 15, 2002. The Company does not expect the implementation of SFAS 143 to have a material impact on its financial condition or results of operations.

SFAS 144, issued in October 2001, addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144, which applies to all entities, is effective for fiscal years beginning after December 15, 2001. The Company does not expect the implementation of SFAS 144 to have a material impact on its financial condition or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has not entered into any transactions using derivative financial instruments or derivative commodity instruments and believes that its exposure to market risk associated with other financial instruments (such as investments) is not material.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On July 27, 2001, the Company was served with a complaint filed by John Cress and Timothy Westra (together, the "Plaintiffs") in Muskegon County Circuit Court in Michigan on July 6, 2001 against the Company and Kent Acquisition Corporation (a subsidiary of the Company, "Kent"). The complaint alleges two counts. In the first count, the Plaintiffs allege that Kent and the Company failed to make payments under certain promissory notes (the "Kent Notes") issued to the Plaintiffs as part of consideration due pursuant to a Stock Purchase Agreement dated April 1, 1999 by and among Kent, Kent Optical Company and its related entities (the "Kent Stock Purchase Agreement") and that such nonpayment constitutes an event of default under the Kent Notes. Plaintiffs seek relief in the form of payment of amounts owed on the Kent Notes, including all applicable interest, costs and attorney fees. In the second count, the Plaintiffs allege that Kent and the Company failed to make payments of certain additional consideration due pursuant to the Kent Stock Purchase Agreement when the market price of certain shares of the Company's common stock held by the Plaintiffs did not equal or exceed $5.00 per share at any time during the period from April 23, 2000 to April 23, 2001. Plaintiffs seek relief in the form of payment of the additional consideration due pursuant to the Kent Stock Purchase Agreement, including all applicable interest, costs and attorney fees.

This matter is subject to mediation scheduled in late November 2001. The outcome of this matter is uncertain and the Company and its legal advisors are in discussions with the Plaintiffs and their legal advisors regarding the scheduled mediation.

Item 2. Changes in Securities and Use of Proceeds

On May 23, 2001, the Company entered into a common stock purchase agreement by and among the Company, Eyeshop and certain investors associated with Eyeshop pursuant to which the Company agreed to sell, in two tranches, an aggregate of 5,000,000 shares of its common stock at a price of $0.20 per share for an aggregate purchase price of $1,000,000, to persons associated with Eyeshop. The Company closed on the sale of the first tranche of 1,250,000 shares for $250,000 on May 23, 2001. The second tranche of 3,750,000 shares for $750,000 closed on July 20, 2001. In addition, on May 31, 2001, the Company entered into a second common stock purchase agreement by and among the Company and certain investors associated with Eyeshop to sell an aggregate of 6,569,500 shares of its common stock at a price of $0.20 per share for an aggregate purchase price of $1,313,900. The Company closed on the sale of the 6,569,500 shares on July 20, 2001.

Pursuant to the Merger Agreement, Eyeshop stockholders exchanged their Eyeshop stock for the following at the closing of the Merger:

- Each outstanding share of Eyeshop common stock was exchanged for 4.52 shares of the Company's common stock;
- Each outstanding share of Eyeshop Series A Preferred Stock was exchanged for 9.79 shares of the Company's common stock; and
- Each outstanding share of Eyeshop Series B Preferred Stock was exchanged for 33.72 shares of the Company's common stock.

Additionally, pursuant to the Merger Agreement, former Eyeshop stockholders are entitled to receive additional shares of the Company's common stock if and when the options, warrants and other rights to receive the Company's common stock that were held by the Company's security holders as of May 23, 2001 are exercised. The Company issued a total of 7,306,662 shares of common stock to former Eyeshop stockholders in connection with the Merger.

No underwriters were involved in the transactions listed above. The shares were issued in connection with the merger with Eyeshop. The Company relied upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, because the above transactions did not involve any public offering by the Company.

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Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of the Company was held at 9:00 a.m. on July 13, 2001. Of the 12,201,671 shares, including 10,749,552 shares of common stock and 1,452,119 shares of preferred stock, issued and outstanding and eligible to vote as of the record date of June 11, 2001, a quorum of 11,807,840 shares or 96.8% of the eligible shares were present in person or represented by proxy.

The following actions were taken at such meeting:

(a) The election of E. Dean Butler, Christian E. Callsen and Russell E. Taskey to the Company's Board of Directors to serve for a term ending in 2004 and until a successor is duly elected and qualified.

	For	Withheld
Butler	10,821,190	927,610
Callsen	10,821,190	927,610
Taskey	10,820,690	928,110

(b) The ratification of the appointment of KPMG LLP as the Company's independent public accountants for the fiscal year ending December 29, 2001.

For	Against	Abstain
11,321,620	341,490	85,690

Upon a motion by a stockholder to adjourn the Annual Meeting, more than a majority of the votes cast approved the adjournment of the Annual Meeting until 12:00 p.m. on July 13, 2001. At the continuation of the Annual Meeting on July 13, 2001, more than a majority of the votes cast were voted to approve a motion by a stockholder to adjourn the Annual Meeting until July 20, 2001 to achieve the goal of obtaining votes with respect to the following additional proposals in as an open and democratic method as practicable: to amend the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 20,000,000 shares to 50,000,000 shares and to increase the number of shares of common stock authorized under the Company's 1992 Employee, Director and Consultant Stock Option Plan from 1,850,000 to 6,500,000 shares.

The reconvened Annual Meeting was held on July 20, 2001. Of the 12,201,671 shares issued and outstanding and eligible to vote as of the record date of June 11, 2001, a quorum of 11,807,840 shares or 96.8% of the eligible shares were present in person or represented by proxy. At the reconvened Annual Meeting, the following actions were taken:

(a) The approval of a proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 20,000,000 shares to 50,000,000 shares.

For	Against	Abstain
6,215,717	1,254,005	141,452

(b) The approval of a proposal to increase the number of shares of common stock authorized under the Company's 1992 Employee, Director and Consultant Stock Option Plan from 1,850,000 to 6,500,000 shares.

For	Against	Abstain
6,215,148	1,649,644	146,382

(c) The approval of the proposal to amend the Company's 1992 Employee, Director and Consultant Stock Option Plan to increase from 400,000 to 2,250,000 shares the maximum number of shares for which stock options may be granted to any participant in any consecutive three year period.

For	Against	Abstain
10,492,781	1,165,929	90,090

Item 5. Other Information

On August 30, 2001, the Company appointed Duane D. Kimble, Jr., of Cincinnati, Ohio, to the position of Chief Financial Officer. Prior to joining the Company, Mr. Kimble was Chief Financial Officer of the Baldwin Piano and Organ Company. Mr. Kimble replaces James W. Norton, who resigned from the Chief Financial Officer position that he held for three years.

As of September 29, 2001, the Company had not finalized its plans to relocate its headquarters from Holliston, Massachusetts to Cincinnati, Ohio. Since September 29, 2001, the Company has finalized its plan to relocate and is currently operating from its Cincinnati, Ohio headquarters while maintaining certain functions, not yet transitioned, from Holliston, Massachusetts.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit No.	Title
3.1	Restated Certificate of Incorporation of the Company, as amended
10.1	Lease Agreement, between Park Place, LLC and the Company, dated July 9, 2001

(b) The Company filed the following reports on Form 8-K during the quarter ended September 29, 2001:

(1) Form 8-K filed on July 17, 2001, to report events under Items 5 and 7, relating to the Company's annual meeting.

(2) Form 8-K filed on August 6, 2001, to report events under Items 1, 5 and 7, relating to the merger between eyeshop.com inc. and the Company, the common stock financings and the Company's annual meeting.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Sight Resource Corporation

Date: November 19, 2001 By: /s/ CARENE S. KUNKLER

Carene S. Kunkler
President and Chief Executive Officer
(principal executive officer)

Date: November 19, 2001 By: /s/ DUANE D. KIMBLE, JR.

Duane D. Kimble, Jr.
Chief Financial Officer
(principal financial officer)

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Exhibit Index

Exhibit No.	Title
3.1	Restated Certificate of Incorporation of the Company as, amended
10.1	Lease Agreement, between Park Place, LLC and the Company, dated July 9, 2001

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