EMERGING VISION INC
Form 10-Q
August 14, 2008

UNITED STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549
FORM 10-Q(Mark one)
[X]
Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for

OR
[ ]
Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 fo

Commission file number: 1-14128

EMERGING VISION, INC.(Exact name of Registrant as specified in its charter)
NEW YORK(State or other jurisdiction of incorporation or organization)
11-3096941(I.R.S. Employer Identification No.)
100 Quentin Roosevelt BoulevardGarden City, NY 11530(Address and zip code of principal executive
Telephone Number: (516) 390-2100(Registrant's telephone number, including area code)
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by S
Yes X
No__

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer,
Large accelerated filer __
Accelerated filer __

Non accelerated filer __
Smaller reporting company X

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the
Yes __
No X

As of August 14, 2008, there were 125,292,806 outstanding shares of the Issuer's Common Stock, pa

TABLE OF CONTENTS

Certification of Chief Financial Officer 31.2

Certification of Chief Executive Officer and Chief Financial Officer

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
EMERGING VISION, INC. AND SUBSIDIARIESCONSOLIDATED CONDENSED BALANCE SHEETS(In Thousands, Except

ASSETS

	June 30, 2008 (unaudited)	December 31, 2007 (audited)
Current assets:		
Cash and cash equivalents	$2,074	$2,846
Franchise receivables, net of allowance of $124 and $147, respectively	1,820	1,842
Optical purchasing group receivables, net of allowance of $60	7,367	4,840
Other receivables, net of allowance of $7 and $5, respectively	414	369
Current portion of franchise notes receivable, net of allowance of $38	228	191
Inventories, net	409	466

Prepaid expenses and other current assets	669	447
Deferred tax assets, current portion	615	600
Total current assets	13,596	11,601
Property and equipment, net	1,255	1,496
Franchise notes receivable	147	121
Deferred tax asset, net of current portion	1,324	1,074
Goodwill, net	4,249	4,237
Intangible assets, net	3,192	3,065
Other assets	254	271
Total assets	$24,017	$21,865

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	$4,526	$5,607
Optical purchasing group payables	6,775	4,486
Accrual for store closings	268	300
Short-term debt	23	32
Related party obligations	399	404
Total current liabilities	11,991	10,829

Long-term debt	4,415	4,424
Related party borrowings, net of current portion	719	770
Franchise deposits and other liabilities	392	442
Total liabilities	17,517	16,465
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value per share; 5,000,000 shares authorized: Senior Convertible Pref	74	74
Common stock, $0.01 par value per share; 150,000,000 shares authorized; 125,475,143 shares issued	1,254	1,254
Treasury stock, at cost, 182,337 shares	(204)	(204)
Additional paid-in capital	128,017	127,971
Accumulated comprehensive income	195	165
Accumulated deficit	(122,836)	(123,860)
Total shareholders' equity	6,500	5,400
Total liabilities and shareholders' equity	$24,017	$21,865

Table of Contents

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

EMERGING VISION, INC. AND SUBSIDIARIESCONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

For the Three Months Ended June 30,
For the Six Months Ended June 30,

2008

	2007	2008	2007	
Revenues:				
Optical purchasing group sales	$16,367	$4,597	$30,662	$8,922
Franchise royalties	1,595	1,765	3,246	3,506
Retail sales - Company-owned stores	954	1,248	2,096	2,605
Membership fees - VisionCare of California	877	878	1,720	1,727
Franchise related fees and other revenues	18	75	248	128
Total revenue	19,811	8,563	37,972	16,888
Costs and operating expenses:				
Cost of optical purchasing group sales	15,626	4,300	29,159	8,303
Cost of retail sales	246	364	511	682
Selling, general and administrative expenses	3,723	3,818	7,444	7,453
Total costs and operating expenses	19,595	8,482	37,114	16,438
Operating income	216	81	858	450
Other income (expense):				
Interest on franchise notes receivable	7	12	14	23
Gain on sale of company-owned stores to franchisees	-	5	19	5
Other income				

	25	12	54	47
Interest expense	(80)	(44)	(186)	(109)
Total other income (expense)	(48)	(15)	(99)	(34)
Income before income tax benefit	168	66	759	416
Income tax benefit	139	302	265	383
Net income	307	368	1,024	799
Comprehensive income:				
Foreign currency translation adjustments	9	-	33	-
Comprehensive income	$316	$368	$918	$799
Net income per share:				
Basic	$0.00	$0.01	$0.01	$0.01
Diluted	$0.00	$0.00	$0.01	$0.01
Weighted-average number of common shares outstanding:				
Basic	125,293	70,324	125,293	70,324
Diluted	130,783	127,012	131,175	123,635

Table of Contents The accompanying notes are an integral part of these consolidated condens

EMERGING VISION, INC. AND SUBSIDIARIESCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	$1,024	$799
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	313	220
Provision for doubtful accounts	12	(1)
Deferred tax assets	(265)	(422)
Gain on the sale of property and equipment	(19)	(5)
Non-cash compensation charges related to options and warrants	46	73
Changes in operating assets and liabilities:		
Franchise and other receivables	(42)	(827)
Optical purchasing group receivables	(2,527)	(936)
Inventories	4	(33)
Prepaid expenses and other current assets	(222)	(108)
Other assets	(7)	182
Accounts payable and accrued liabilities	(1,081)	562
Optical purchasing group payables	2,289	771
Franchise deposits and other liabilities	(82)	(88)

Net cash (used in) provided by operating activities	(557)	187
Cash flows from investing activities:		
Proceeds from franchise and other notes receivable	126	74
Costs associated with enhancing trademark value	(228)	(60)
Franchise notes receivable issued	(20)	(131)
Purchases of property and equipment	(21)	(504)
Net cash used in investing activities	(143)	(621)
Cash flows from financing activities:		
Borrowings under credit facility	-	350
Payments on borrowings	(74)	(349)
Net cash (used in) provided by financing activities	(74)	1
Net cash used in operations	(774)	(433)
Effect of foreign exchange rate changes on cash	2	-
Net decrease in cash and cash equivalents	(772)	(433)
Cash and cash equivalents - beginning of period	2,846	1,289
Cash and cash equivalents - end of period	$2,074	$856
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest		

$158 $25

Taxes
$32 $29

Non-cash investing and financing activities:

Accounts and notes receivable in connection with the sale of two Company-owned stores (inclusive
$169 $-

Table of Contents
The accompanying notes are an integral part of these consolidated condensed financial stateme

EMERGING VISION, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS(UNAUDI
NOTE 1 – ORGANIZATION:

Business

Emerging Vision, Inc. and subsidiaries (collectively, the "Company") operates one of
As of June 30, 2008, there were 151 Retail Stores in operation, consisting of 142 franchised stor

Principles of Consolidation

The Consolidated Condensed Financial Statements include the accounts of Emerging Vision, I

Basis of Presentation

The accompanying Consolidated Condensed Financial Statements of the Company have been
Effective January 1, 2008, the Company changed its basis of presentation for its business segment

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:
Share-Based Compensation
The Company accounts for share-based compensation in accordance with the fair value method provis
Share-based compensation cost of approximately $41,000 and $69,000 is reflected in selling, gener
On May 7, 2008, the Company's Compensation Committee granted an aggregate of 625,000 common stock
There were no common stock option grants to any of the Company's employees, or warrant grants to
Revenue Recognition
The Company recognizes revenues in accordance with the Securities and Exchange Commission ("SEC")
The Company derives its revenues from the following five principal sources:
Optical purchasing group sales – Represents product pricing extended to the Company's optical pur
Franchise royalties – Represents continuing franchise royalty fees based upon a percentage of the
Retail sales – Company-owned stores – Represents sales from eye care products and related service
Membership fees – VisionCare of California – Represents membership fees generated by VisionCare o
Franchise related fees and other revenues – Represents certain franchise fees collected by the Co
The Company also follows the provisions of Emerging Issue Task Force ("EITF") Issue 01-09, "Accou
Comprehensive Income
The Company follows the provisions of SFAS No. 130, "Reporting Comprehensive Income," which estab
Foreign Currency Translation
The financial position and results of operations of TOG were measured using TOG's local currency

Income Taxes

Effective January 1, 2007, the Company adopted the provisions of FASB's Interpretation ("FIN") No

The Company recognizes interest and penalties related to uncertain tax positions as a reduction o

The Company operates in multiple tax jurisdictions within the United States of America and Canada

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principl

Reclassification

Certain reclassifications have been made to prior year's consolidated condensed financial stateme

NOTE 3 – PER SHARE INFORMATION:

In accordance with SFAS No. 128, "Earnings Per Share", basic earnings per share of common stock (

The following table sets forth the computation of basic and diluted per share information:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Numerator:				
Net income (in thousands):	$307	$368	$1,024	$799
Denominator:				
Weighted-average shares of common stock outstanding	125,293	70,324	125,293	70,324
Dilutive effect of stock options, warrants and restricted stock	5,490	56,688	5.882	53,312
Weighted-average shares of common stock outstanding, assuming dilution	130,783	127,012	131,175	123,636
Net income per share:				
Basic	$0.00	$0.01	$0.01	$0.01
Diluted	$0.00	$0.00	$0.01	$0.01

NOTE 4 – CREDIT FACILITY:

On August 8, 2007, the Company entered into a Revolving Line of Credit Note and Credit Agreement

On August 10, 2007, the Company borrowed $3,609,423 to fund the purchase price payable in connect

NOTE 5 – SEGMENT REPORTING

Business Segments

Operating segments are organized internally primarily by the type of services provided, and in ac

The Optical Purchasing Group Business segment consists of the operations of Combine, acquired in

The Franchise segment consists of 142 franchise locations as of June 30, 2008. Revenues generate

The Company Store segment consists of 8 Company-owned retail optical stores as of June 30, 2008.

The VisionCare of California ("VCC") segment consists of optometric services provided to patients

The Corporate Overhead segment consists of expenses not allocated to one of the other segments.

The Other segment includes revenues and expenses from other business activities that do not fall

Certain business segment information is as follows (in thousands):

	As of June 30,	As of December 31,
	2008	2007
Total Assets:		
Optical Purchasing Group Business	$14,746	$11,682
Franchise	4,063	4,507
Company Store	1,036	1,301
VisionCare of California	628	568
Corporate Overhead	3,358	3,731
Other	186	76
Total assets	$24,017	$21,865

	For the Three MonthsEnded June 30,		For the Six MonthsEnded June 30,	
	2008	2007	2008	2007

Net Revenues:				
Optical Purchasing Group Business	$16,367	$4,597	$30,662	$8,922
Franchise	1,605	1,840	3,406	3,634
Company Store	954	1,248	2,096	2,605
VisionCare of California	877	878	1,720	1,727
Corporate Overhead	-	-	-	-
Other	8	-	88	-
Net revenues	$19,811	$8,563	$37,972	$16,888
Income (Loss) before Income Tax Benefit:				
Optical Purchasing Group Business	$319	$95	$640	$186
Franchise	985	1,005	2,168	2,137
Company Store	(186)	(175)	(203)	(266)
VisionCare of California	4	16	6	25
Corporate Overhead	(898)	(875)	(1,785)	(1,666)
Other	(56)	-	(67)	-
Income before income tax benefit	$168	$66	$759	$416
Depreciation and Amortization:				
Optical Purchasing Group Business	$77	$39	$153	$77
Franchise	27	20	55	42
Company Store	16	28	35	53

VisionCare of California	5	3	11	6
Corporate Overhead	27	20	55	42
Other	4	-	4	-
Total depreciation and amortization	$156	$110	$313	$220

Interest Expense:

Optical Purchasing Group Business	$67	$32	$159	$87
Franchise	-	-	-	-
Company Store	-	-	-	-
VisionCare of California	-	-	-	-
Corporate Overhead	13	12	27	22
Other	-	-	-	-
Total interest expense	$80	$44	$186	$109

The following table shows certain unaudited pro forma results of the Company, assuming the Compan

	For the Three MonthsEnded June 30,		For the Six MonthsEnded June 30,	
	2008	2007	2008	2007
Net Revenues:				

Optical Purchasing Group Business	$16,367	$15,937	$30,662	$28,665
Franchise	1,605	1,840	3,406	3,634
Company Store	954	1,248	2,096	2,605
VisionCare of California	877	878	1,720	1,727
Corporate Overhead	-	-	-	-
Other	8	-	88	-
Net revenues	$19,811	$19,903	$37,972	$36,631
Income (Loss) before Income Tax Benefit:				
Optical Purchasing Group Business	$319	$210	$640	$485
Franchise	985	1,005	2,168	2,137
Company Store	(186)	(175)	(203)	(266)
VisionCare of California	4	16	6	25
Corporate Overhead	(898)	(875)	(1,785)	(1,666)
Other	(56)	-	(67)	-
Income before income tax benefit	$168	$181	$759	$715
Depreciation and Amortization:				
Optical Purchasing Group Business	$77	$70	$153	$140
Franchise	27	20	55	42
Company Store	16	28	35	53
VisionCare of California	5	3	11	6

Corporate Overhead	27	20	55	42
Other	4	-	4	-
Total depreciation and amortization	$156	$141	$313	$283

Interest Expense:				
Optical Purchasing Group Business	$67	$84	$159	$206
Franchise	-	-	-	-
Company Store	-	-	-	-
VisionCare of California	-	-	-	-
Corporate Overhead	13	12	27	22
Other	-	-	-	-
Total interest expense	$80	$96	$186	$228

Geographic Information

The Company also does business in two separate geographic areas; the United States and Canada. C

	For the Three MonthsEnded June 30,		For the Six MonthsEnded June 30,	
	2008	2007	2008	2007
Net Revenues:				
Canada	$297	$-	$594	$-
United States				

	19,514	8,563	37,378	16,888
Net revenues	$19,811	$8,563	$37,972	$16,888
Income before Income Tax Benefit:				
Canada	$49	$-	$98	$-
United States	119	66	661	416
Income before income tax benefit	$168	$66	$759	$416

The geographic information on Canada includes TOG's business activity from August 1, 2007, the ef
Additional geographic information is summarized as follows for the six months ended June 30, 2008

	United States	Canada	Total
Total Assets	$23,445	$572	$24,017
Depreciation and Amortization	308	5	313
Goodwill	4,249	-	4,249
Intangible Assets	3,192	-	3,192
Interest Expense	186	-	186

NOTE 6 – COMMITMENTS AND CONTINGENCIES:

Litigation

In 1999, Berenter Greenhouse and Webster, an advertising agency previously utilized by the Compan

In July 2001, the Company commenced an arbitration proceeding, in the Ontario Superior Court of J

In February 2002, Kaye Scholer, LLP, the law firm previously retained by the Company as its outsi

On May 20, 2003, Irondequoit Mall, LLC commenced an action against the Company and Sterling Visio

In August 2006, the Company and its subsidiary, Sterling Vision of California, Inc. ("SVC") filed

In October 2007, Arnot Realty Corporation commenced an action against the Company, in the Supreme

In February 2008, Sangertown Square, LLC commenced an action against the Company, in the Supreme

In July 2008, Ontario Mills Limited Partnership commenced an action against the Company, in the S

Although the Company, where indicated herein, believes that it has a meritorious defense to the c
In addition to the foregoing, in the ordinary course of business, the Company is a defendant in c

Guarantees

As of June 30, 2008, the Company was a guarantor of certain leases of retail optical stores franc

Employment Agreements

The Company has an Employment Agreement (“Agreement 1”) with its Chief Executive Officer (“CEO”),
Additionally, in connection with the acquisition of Combine Optical Management Corporation (“COMC

NOTE 7 – OTHER EVENTS

Upon the recommendation of the Nominating Committee of the Board of Directors of the Company, eff
On May 23, 2008, the Company’s independent inspector of election, Broadridge Financial Solutions,

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

This Report contains certain forward-looking statements and information relating to the Company t
In order to more accurately detail our financial information and performance, the Company has mad
Segment results for the three and six months ended June 30, 2008, as compared to the three and si

Consolidated Segment Results

Total revenues for the Company increased approximately $11,248,000, or 131.4%, to $19,811,000 for
Total costs, and selling, general and administrative expenses for the Company increased approxima

Optical Purchasing Group Business Segment

For the Three Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Optical purchasing group sales	$16,367	$4,597	$11,770	256.0%
Cost of optical purchasing group sales	15,626	4,300	11,326	263.4%
Gross margin	741	297	444	149.5%
Operating Expenses:				
Salaries and related benefits	123	82	41	50.0%
Rent and related overhead	88	26	62	238.5%
Depreciation and amortization				

	76	39	37	94.9%
Credit card and bank fees	76	22	54	245.5%
Other general and administrative costs	4	4	-	0.0%
Total operating expenses	367	173	194	112.1%
Operating Income	$374	$124	$250	201.6%

For the Six Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Optical purchasing group sales	$30,662	$8,922	$21,740	243.7%
Cost of optical purchasing group sales	29,159	8,303	20,856	251.2%
Gross margin	1,503	619	884	142.8%
Operating Expenses:				
Salaries and related benefits	257	160	97	60.6%
Rent and related overhead	161	55	106	192.7%
Depreciation and amortization	153	77	76	98.7%
Credit card and bank fees	135	44	91	206.8%
Other general and administrative costs	17	16	1	6.3%
Total operating expenses	723	352	371	105.4%
Operating Income	$780	$267	$513	192.1%

This segment consists of the operations of Combine and TOG. TOG's activity for the three and s
Optical purchasing group revenues increased approximately $11,770,000, or 256.0%, to $16,367,000
Costs of optical purchasing group sales increased approximately $11,326,000, or 263.4%, to $15,62
Operating expenses of the optical purchasing group segment increased approximately $194,000, or 1
Interest expense related to the optical purchasing group segment increased approximately $35,000,

Franchise Segment

For the Three Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Royalties	$1,595	$1,765	$(170)	(9.6%)
Franchise fees	10	75	(65)	(86.7%)
Net revenues	1,605	1,840	(235)	(12.8%)
Operating Expenses:				
Salaries and related benefits	287	314	(27)	(8.6%)
Rent and related overhead	93	104	(11)	(10.6%)
Professional fees	111	99	12	12.1%
Trade shows	99	105	(6)	(5.7%)
Bad debt	5	51	(46)	(90.2%)
Other general and administrative costs	32	32	-	0.0%
Total operating expenses	627	705	(78)	(11.1%)
Operating Income	$978	$1,135	$(157)	(13.8%)

For the Six Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Royalties	$3,246	$3,506	$(260)	(7.4%)
Franchise fees	160	128	32	25.0%
Net revenues	3,406	3,634	(228)	(6.3%)
Operating Expenses:				
Salaries and related benefits	645	665	(20)	(3.0%)
Rent and related overhead	154	211	(57)	(27.0%)
Professional fees	221	255	(34)	(13.3%)
Trade shows	164	187	(23)	(12.3%)
Other general and administrative costs	86	46	40	87.0%
Total operating expenses	1,270	1,364	(94)	(6.9%)
Operating Income	$2,136	$2,270	$(134)	(5.9%)

Franchise royalties decreased approximately $170,000, or 9.6%, to $1,595,000 for the three mo
Franchise fees (which includes initial franchise fees, renewal fees, conversion fees and store tr
Operating expenses of the franchise segment decreased approximately $78,000, or 11.1%, to $627,00

Company Store Segment

For the Three Months Ended June 30 (in thousands):

2008

		2007	$ Change	% Change
Net Revenues:				
Retail sales	$954	$1,248	$(294)	(23.6%)
Cost of retail sales	246	364	(118)	(32.4%)
Gross margin	708	884	(176)	(19.9%)
Operating Expenses:				
Salaries and related benefits	480	578	(98)	(17.0%)
Rent and related overhead	294	352	(58)	(16.5%)
Advertising	65	139	(74)	(53.2%)
Other general and administrative costs	62	61	1	1.6%
Total operating expenses	901	1,130	(229)	(20.3%)
Operating (Loss) Income	$(193)	$(246)	$53	21.5%

For the Six Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Retail sales	$2,096	$2,605	$(509)	(19.5%)
Cost of retail sales	511	682	(171)	(25.1%)
Gross margin	1,585	1,923	(338)	(17.6%)

	2008	2007	$ Change	% Change
Operating Expenses:				
Salaries and related benefits	981	1,141	(160)	(14.0%)
Rent and related overhead	569	703	(134)	(19.1%)
Advertising	133	300	(167)	(55.7%)
Other general and administrative costs	113	118	(5)	(4.2%)
Total operating expenses	1,796	2,262	(466)	(20.6%)
Operating (Loss) Income	$(211)	$(339)	$128	37.8%

Retail sales for the Company store segment decreased approximately $294,000, or 23.6%, to $
Excluding exam fee revenue from retail sales, the Company-owned store's gross profit margin incre
Operating expenses of the Company store segment decreased approximately $229,000, or 20.3%, to $9
Gain on sale of company-owned stores to franchisees related to the sale of a Company-owned store

VisionCare of California Segment

For the Three Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Membership fees	$877	$878	$(1)	(0.1%)
Operating Expenses:				
Salaries and related benefits	812	795	17	2.1%
Rent and related overhead	35	39	(4)	(10.3%)
Other general and administrative costs	32	33	(1)	(3.0%)
Total operating expenses	879	867	12	1.4%
Operating (Loss) Income	$(2)	$11	$(13)	(118.2%)

For the Six Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Membership fees	$1,720	$1,727	$(7)	(0.4%)
Operating Expenses:				
Salaries and related benefits	1,594	1,571	23	1.5%
Rent and related overhead	73	75	(2)	(2.7%)
Other general and administrative costs	56	69	(13)	(18.8%)
Total operating expenses	1,723	1,715	8	0.5%
Operating (Loss) Income	$(3)	$12	$(15)	(125.0%)

Revenues generated by the Company's wholly-owned subsidiary, VisionCare of California, Inc.
Operating expenses of the VCC segment remained consistent with last year's expenses, increasing o

Corporate Overhead Segment

For the Three Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Operating Expenses:				
Salaries and related benefits	$538	$581	$(43)	(7.4%)
Rent and related overhead	60	81	(21)	(25.9%)
Professional fees	168	140	28	20.0%
Insurance	38	58	(20)	(34.5%)

Other general and administrative costs	78	83	(5)	(6.0%)
Total operating expenses	882	943	(61)	(6.5%)
Operating (Loss) Income	$(882)	$(943)	$61	6.5%

For the Six Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Operating Expenses:				
Salaries and related benefits	$1,119	$1,109	$10	1.0%
Rent and related overhead	121	176	(55)	(31.3%)
Professional fees	302	234	68	29.1%
Insurance	126	121	5	4.1%
Other general and administrative costs	127	120	7	5.8%
Total operating expenses	1,795	1,760	35	2.0%
Operating Loss	$(1,795)	$(1,760)	$(35)	(2.0%)

There were no revenues generated by the corporate overhead segment.
Operating expenses decreased approximately $61,000, or 6.5%, to $882,000 for the three months end
The increase for the six months ended June 30, 2008 was attributable to increases in salaries and

Other Segment

For the Three Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				

Commissions	$12	$-	$12	n/a
Other	(4)	-	(4)	n/a
Net revenues	8	-	8	n/a
Operating Expenses:				
Salaries and related benefits	12	-	12	n/a
Advertising	50	-	50	n/a
Other general and administrative costs	5	-	5	n/a
Total operating expenses	67	-	67	n/a
Operating Loss	$(59)	$-	$(59)	n/a

For the Six Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
Net Revenues:				
Commissions	$69	$-	$69	n/a
Other	19	-	19	n/a
Net revenues	88	-	88	n/a
Operating Expenses:				
Salaries and related benefits	32	-	32	n/a
Advertising	92	-	92	n/a
Other general and administrative costs	13	-	13	n/a

Total operating expenses	137	-	137	n/a
Operating Loss	$(49)	$-	$(49)	n/a

Revenues generated by the other segment include approximately $12,000 and $69,000 of commis
Operating expenses of the other segment solely related to the operations that began in January 20
Use of Non-GAAP Performance Indicators
The following section expands on the financial performance of the Company detailing the Company's
EBITDA does not represent cash flow from operations as defined by generally accepted accounting p
EBITDA Reconciliation

For the Three Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
EBITDA Reconciliation:				
Net income	$307	$368	$(61)	(16.6%)
Interest	80	44	36	81.8%
Taxes	(139)	(296)	157	53.0%
Depreciation and amortization	156	110	46	41.8%
EBITDA	$404	$226	$178	78.8%

For the Six Months Ended June 30 (in thousands):

	2008	2007	$ Change	% Change
EBITDA Reconciliation:				
Net income	$1,024	$799	$225	28.2%
Interest	186	109	77	70.6%

Taxes	(265)	(377)	112	29.7%
Depreciation and amortization	313	220	93	42.3%
EBITDA	$1,258	$751	$507	67.5%

The Company also incurred other non-cash charges that effected earnings including compensat

Liquidity and Capital Resources

As of June 30, 2008, the Company had a positive working capital of $1,605,000 and cash on hand of

For the six months ended June 30, 2008, cash flows (used in) investing activities were $143,000 d

For the six months ended June 30, 2008, cash flows used in financing activities were $74,000 due

Credit Facility

On August 8, 2007, the Company entered into a Revolving Line of Credit Note and Credit Agreement

On August 10, 2007, the Company borrowed $3,609,423 to fund the purchase price payable in connect

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any contractual arrangement involving an unconsolidated entit

The Company does not have any off-balance sheet financing or unconsolidated variable interest ent

Management's Discussion of Critical Accounting Policies and Estimates

High-quality financial statements require rigorous application of high-quality accounting policie

Management's estimate of the allowances on receivables is based on historical sales, historical l

The Company recognizes revenues in accordance with SEC Staff Accounting Bulletin ("SAB") No. 104,

Management's performs an annual impairment analysis to determine the fair value of goodwill and c

Item 3. Quantitative and Qualitative Disclosures about Market Risk

This Quarterly Report does not include information for Item 3 pursuant to the rules of the Securi

Item 4T. Controls and Procedures

(a) Disclosure Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") with the parti

(b) Changes in Internal Controls over Financial Reporting There has been no change in the Company

A control system, no matter how well designed and operated, can provide only reasonable, not

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

In October 2007, Arnot Realty Corporation commenced an action against the Company, in the Supreme

In July 2008, Ontario Mills Limited Partnership commenced an action against the Company, in the S

Although the Company, where indicated herein, believes that it has a meritorious defense to the c

Item 1a. Risk Factors

There have been no material changes to the disclosure related to risk factors made in the Company

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

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

On May 23, 2008, the Company's independent inspector of election, Broadridge Financial Solutions,

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14(a) of the Secu

31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14(a) of the Secu

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant h

EMERGING VISION, INC.(Registrant)

BY:/s/ Christopher G. PayanChristopher G. PayanChief Executive Officer(Principal Executive Offic

BY:/s/ Brian P. AlessiBrian P. AlessiChief Financial Officer(Principal Financial and Accounting

Dated: August 14, 2008