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NICHOLAS C. TAYLOR
MEMBER

November 14, 1996

Mr. David J. Stone
Andrews & Kurth, L.L.P.
Suite 4200
600 Travis
Houston, Texas 77002

Re: Advantage Eye Care Inc.

Dear Mr. Stone:

This is in response to your letter dated November 8, 1996, and received by this Agency on November 12, 1996.

Your letter and supplemental materials indicate that Advantage Eye Care Inc. ("Advantage") has been recently incorporated in Texas to act as a cooperative on behalf of its shareholders in purchasing, and negotiating discounts for, services and products and will coordinate the setting of rates and discounts for services and products through various agreements with third party vendors, their marketing representatives, and legal and other professional entities. Advantage shareholders will not be required to utilize the services provided by Advantage and may independently negotiate transactions on their own behalf. Advantage will collect advertising fees from vendors to fund its future working capital needs.

Advantage proposes to offer and sell a minimum of 15,000 shares and a maximum of 37,500 shares of its common stock, par value \$.01 per share (the "Common Stock"), at a price of \$1.00 per share. The proposed offering will be extended exclusively to as few as 20 and as many as 50 independent optometrists licensed in the State of Texas. Each offeree will have the opportunity to subscribe for no more, and no less, than 750 shares of Common Stock at a price of \$1.00 per share. Each of the offerees will receive a summary of the services to be provided by Advantage to its shareholders, a copy of its Articles of Incorporation and Bylaws, a Shareholder Agreement, and a Subscription Agreement.

You have stated that no public advertisement or general solicitation will be utilized in connection with the proposed offering and that no commission or other remuneration will be paid, directly or indirectly, to any entity or individual in connection with the solicitation of the offerees in the proposed offering.

You have also indicated that transfers and resales of the shares of Common Stock will be restricted. Pursuant to the terms of the Shareholders Agreement and the Subscription Agreement, a shareholder will not be permitted to pledge, hypothecate, or otherwise encumber his or her shares of Common Stock. The same agreements also provide that the shares of Common Stock may be transferred or resold by a shareholder only under limited circumstances, provided that, in each instance, the proposed transfer or sale is first approved by Advantage's board of directors, and the proposed transfer or sale must be to (i) the optometrist's own practice, (ii) another independent optometrist licensed in the State of Texas, or (iii) Advantage, further provided, in the third instance, that Advantage has sufficient funds to repurchase the shares of Common Stock from the shareholder at that time.

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The Shareholder Agreement further provides that the price of the Common Stock upon any such future transfer or resale by a shareholder will be \$1.00 per share.

As submitted in your letter, the proposed offering of Common Stock is intended solely to raise funds to pay for organizational expenses and to provide initial working capital. The Shareholder Agreement provides that dividends may not be declared by Advantage's board of directors or paid to its shareholders. The price or value of \$1.00 per share of Common Stock will not change over time as a result of any advertising fees collected by Advantage, reflecting management's belief that the proceeds of this offering and the revenue from future advertising fees will cover the cost of organizing and operating Advantage without generating a cash surplus in the future.

Finally, you have stated that a shareholder will have no expectation of profits or dividends and no anticipation of any appreciation in the value of the Common Stock. However, you have stated that the shareholder will expect Advantage to save the shareholder money on the purchases of services and products. Thus, a prospective shareholder would reasonably anticipate a return of his or her initial \$750.00 capital contribution only in the event that Advantage were to be liquidated or dissolved and the value of Advantage's assets, if any, exceeded the amount of its liabilities, debts, and other obligations at that time.

Based on the foregoing understanding, the staff of the State Securities Board will not recommend any action to require registration of Advantage's Common Stock to be offered and sold in Texas in accordance with the terms set forth above. In addition, the staff of the State Securities Board will recommend no action to require registration of Advantage, its officers or directors involved in the offer and sale of Common Stock as set forth above.

Please note that this Agency has not made an independent investigation of the facts, but has relied solely on the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the no-action position stated above would be void.

I trust this letter answers your inquiry. Please feel free to write us if you need further information.

Very truly yours,

DENISE VOIGT CRAWFORD
Securities Commissioner

dw/

David Weaver
General Counsel