LASERSIGHT INC /DE
Form 10QSB
March 23, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)
[ X ] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended September 30, 2004.

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the Transition period from ______________ to ______________

Commission File Number: 0-19671

LASERSIGHT INCORPORATED
(Exact name of registrant as specified in its charter)

| Delaware | 65-0273162 |
|---|---|
| (State of Incorporation) | (IRS Employer Identification No.) |

6848 Stapoint Court., Winter Park, Florida 32792
(Address of principal executive offices) (Zip Code)

(407) 678-9900
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____________

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act
Yes ____________ No X

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes X No

The number of shares of the registrant's common stock outstanding as of August 14, 2003 is 27,841,941. As detailed herein, the Company filed Chapter 11 bankruptcy on September 5, 2003. As a result of the bankruptcy, the company canceled these shares and issued 9,997,195 new shares on June 30, 2004. As of November 30, 2004, there are 9,997,195 common shares outstanding.

LASERSIGHT INCORPORATED AND SUBSIDIARIES

Except for the historical information contained herein, the discussion in this report contains forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934) that involve risks and uncertainties. LaserSight's actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors and Uncertainties" in this report and in LaserSight's Annual Report on Form 10-K for the year ended December 31, 2003. LaserSight undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect any future events or developments.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet as of September 30, 2004

Condensed Consolidated Statements of Operations for the Three Month Periods and Nine Month Periods Ended September 30, 2004 and 2003

Condensed Consolidated Statements of Cash Flows for the Nine Month Periods Ended September 30, 2004 and 2003

Notes to Condensed Consolidated Financial Statements

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

Item 3. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 3. Defaults Upon Senior Securities

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

Item 5. Other Information

Item 6. Exhibits



PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

LASERSIGHT INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

| ASSETS | September 30, 2004 |
|---|---|
| Current assets: | (Unaudited) |
| Cash and cash equivalents | $ 660,046 |
| Accounts receivable - trade, net | 341,905 |
| Notes receivable - current portion, net | 71,607 |
| Inventories | 2,728,360 |
| Other current assets | 41,921 |
| Total Current Assets | 3,843,839 |
| Property and equipment, net | 119,889 |
| Patents and acquired intangibles, net | 458,291 |
| Other assets, net | 878,731 |
| | $ 5,300,750 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | |
| Note payable, current portion | $ 1,926,960 |
| Accounts payable | 481,753 |
| Accrued expenses | 349,901 |
| Accrued warranty | 231,200 |
| Deferred revenue | 1,039,240 |
| Total Current Liabilities | 4,029,054 |
| Deferred royalty revenue | 4,098,271 |
| Note Payables, long term portion | 95,355 |
| Note Payable DIP Financing Related Party | 1,000,000 |
| Commitments and contingencies | |
| Stockholders' equity (deficit): | |
| Convertible preferred stock, par value $.001 per share; authorized 10,000,000 shares: 0 issued and outstanding | - |

| | |
|---|---|
| Common stock - par value $.001 per share; authorized 100,000,000 shares; 9,997,195 (8,863,195 issued, 1,134,000 to be issued pending a creditor objection to claim) | 9,997 |
| Additional paid-in capital | 104,618,070 |
| Accumulated deficit | (108,549,997) |
| | (3,921,930) |
| | $ 5,300,750 |

See accompanying notes to the condensed consolidated financial statements.



LASERSIGHT INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | (Unaudited) Three Months Ended September 30, | | (Unaudit Nine Months Septembe |
|---|---|---|---|
| | 2004 | 2003 | 2004 |
| Revenues: | | | |
| Products (1) | $ 930,816 | $ 1,615,725 | $ 3,936,184 |
| Royalties | 234,810 | 234,810 | 704,430 |
| | 1,165,626 | 1,850,535 | 4,640,614 |
| Cost of revenues: | | | |
| Product cost | 626,776 | 510,221 | 2,654,205 |
| Gross profit (loss) | 538,850 | 1,340,314 | 1,986,409 |
| Research and development and regulatory expenses | 42,747 | 61,298 | 135,351 |
| Other general and administrative expenses | 707,258 | 2,154,653 | 2,225,494 |
| Selling-related expenses | 117,807 | 3,342,737 | 472,510 |
| Allowed warranty claims | - | 4,640,319 | - |
| Amortization of intangibles | 8,379 | 8,286 | 25,137 |
| Impairment of patents | - | - | - |
| | 833,444 | 10,145,995 | 2,723,141 |
| Income (Loss) from operations | (337,341) | (8,866,979) | (872,083) |
| Other income and expenses: | | | |
| Interest and other income | 275,476 | 10,422 | 331,117 |
| Interest expense | (189,509) | (58,908) | (419,330) |
| Income (loss) before income tax benefit | (251,374) | (8,915,465) | (960,296) |
| Income tax benefit | - | - | - |
| Net income (loss) before extinguishment of debt | (251,374) | (8,915,465) | (960,296) |

| | | | |
|---|---|---|---|
| Gain on extingushment of debt | - | - | 15,287,634 |
| Net income (loss) | (251,374) | (8,915,465) | 14,327,338 |
| Conversion discount on preferred stock | - | (487,861) | - |
| Income (loss) attributable to common shareholders | $ (251,374) | $ (9,403,326) | $ 14,327,338 $ |
| Income (loss) per common share | | | |
| Basic: | $ (0.03) | $ (0.34) | $ 0.66 $ |
| Diluted: | $ (0.03) | $ (0.34) | $ 0.42 $ |
| Weighted average number of shares outstanding | | | |
| Basic: | 9,997,000 | 27,842,000 | 21,828,000 |
| Diluted: | 9,997,000 | 27,842,000 | 34,133,000 |

(1) Including revenues from a related party of $ 778,804, $ 1,350,809, $ 3,509,714, and $ 4,223,5

See accompanying notes to the condensed consolidated financial statements.



LASERSIGHT INCORPORATED AND SUBSIDIARIES
CONDENSDED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(Unaudited)

| | 2004 | 2003 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income (loss) | $ 14,327,338 | $ (22,416, |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 80,466 | 571, |
| Provision for uncollectable accounts | - | 3,028, |
| Write off of inventory | - | 3,588, |
| Impairment of patents | - | 4,098, |
| Additions to notes payable for fees & penalities | 305,211 | |
| Stock options issued for services | - | 4, |
| Debt Forgiveness income | (15,287,634) | |
| Changes in assets and liabilities: | | |
| Accounts and notes receivable | (333,121) | 3,336, |
| Inventories | 633,625 | 1,272, |
| Accounts payable | 447,758 | 329, |
| Accrued expenses | 231,449 | 6,390, |
| Deferred revenue | (704,430) | (1,322, |
| Other | (502,077) | 500, |
| Net cash used in operating activities | (801,415) | (619, |

| | | |
|---|---|---|
| Cash flows from investing activities | | |
| Purchases of property and equipment, net | (109,689) | (13, |
| Net cash used in investing activities | (109,689) | (13, |
| Cash flows from financing activities | | |
| Payments on debt financing | (243,823) | (240, |
| Prcoeeds on DIP financing | 1,250,000 | |
| Proceeds from stock subscription receivable | - | 32, |
| Net cash provided by (used) in financing activities | 1,006,177 | (208, |
| Increase (Decrease) in cash and cash equivalents | 95,073 | (841, |
| Cash and cash equivalents, beginning of period | 564,973 | 1,065, |
| Cash and cash equivalents, end of period | $ 660,046 | $ 224, |

See accompanying notes to the condensed consolidated financial statements.



LASERSIGHT INCORPORATED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and Nine Month Periods Ended September 30, 2004 and 2003

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited, condensed consolidated financial statements of LaserSight Incorporated and subsidiaries ("LaserSight" or the "Company") as of September 30, 2004, and for the three-month and nine-month periods ended September 30, 2004 and 2003 have been prepared in accordance with accounting principles generally accepted in the United States and the rules and regulations of the United States Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information and footnotes necessary for a comprehensive presentation of financial position and the results of operation.

The Company's business is subject to various risks and uncertainties which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has suffered recurring losses from operations and has a significant accumulated deficit that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described below. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The condensed consolidated financial statements have been prepared in accordance with the requirements for interim financial information and

with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in LaserSight's annual report on Form 10-K for the year ended December 31, 2003. In the opinion of management, the condensed consolidated financial statements include all adjustments necessary for a fair presentation of consolidated financial position and the results of operations and cash flows for the periods presented. There are no other components of comprehensive loss other than the Company's consolidated net income (loss) for the three-month and nine month periods ended September 30, 2004 and 2003. The results of operations for the three and nine month period ended September 30, 2004 are not necessarily indicative of the operating results for the full year.

NOTE 2 CRITICAL ACCOUNTING POLICIES

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in our 2003 Annual Report on Form 10-K, filed in March 2005, in the Critical Accounting Policies and Estimates section of "Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations."



NOTE 3 PER SHARE INFORMATION

Basic income or loss per common share is computed using the weighted average number of common shares and contingently issuable shares (to the extent that all necessary contingencies have been satisfied). Diluted loss per common share is computed using the weighted average number of common shares, contingently issuable shares, and common share equivalents outstanding during each period. Common share equivalents include options and warrants to purchase Common Stock, are included in the computation using the treasury stock method, and convertible preferred stock using the if-converted method, if they would have a dilutive effect. However, as a result of the September 5, 2003 Chapter 11 filing, all common and preferred shares outstanding at and prior to June 30, 2004, including options and warrants were cancelled and new shares were distributed, effective June 30, 2004, as follows:

| | |
|---|---|
| Creditors of LSI | 1,116,000 |
| Creditors of LST | 1,134,000 (1) |
| Old Preferred Stockholders | 360,000 |
| Old common stockholders | 539,997 (2) |
| Cancel Treasury Stock | (2,802) |
| Conversion of $1 million DIP Financing | 6,850,000 |
| | 9,997,195 |

(1) These shares will be issued upon the resolution of a creditor

objection to claim.
(2) The old common stock was converted at a 51.828 to 1 ratio.

The following table presents earnings per share figures as if the reorganization of the capital structure had taken place as of the beginning of the first period presented.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net income (loss) per common share basic and diluted ......... | ($0.03) | ($0.84) | $1.43 | ($2.10) |
| Weighted average number of common shares outstanding - basic and diluted .................... | 9,997,195 | 9,997,195 | 9,997,195 | 9,997,195 |

NOTE 4 INVENTORIES

Inventories, which consist primarily of excimer and erbium laser systems and related parts and components, are stated at the lower of cost or market. Cost is determined using the standard cost method, which approximates cost determined on the first-in first-out basis. The components of inventories, net of reserves, at September 30, 2004 are summarized as follows:

| | September 30, 2004 |
|---|---|
| Raw materials | $1,959,971 |
| Work-in-process | 768,389 |
| Finished goods | -0- |
| Test equipment - clinical trials | -0- |
| | 2,728,360 |



NOTE 5 AMENDED LOAN AGREEMENT

On September 20, 2003 the Company announced that it had been advised by Heller Healthcare Finance, Inc ("Heller") and GE Healthcare Financial Services, Inc., as successor-in-interest to Heller (collectively "GE"), that its loans to the Company were in default due to an adverse material change in the financial condition and business operations of the Company. The Company continued to negotiate with GE and on August 30, 2004 the Company signed a three-year note expiring on September 30, 2007. The note bears interest of 9%. Certain covenants were modified as follows: net worth $750,000, tangible net worth $1,000,000 and minimum quarterly revenues of $1,000,000. GE was issued a warrant to purchase 100,000 shares of common stock at $0.25 per share, or $0.40 per share if the New Industries Investment Group (the "China Group"), see Note 6, converts its DIP loan to equity. The warrant expires September 30, 2008.The Company is currently not in

compliance with certain of its loan covenants and is attempting to negotiate revised terms with the lender,accordingly, all amounts outstanding under this loan agreement are classified as current liabilities.

NOTE 6 CHINA BACKGROUND

The Company had been in continuous negotiations with the China Group to secure immediate cash payments for the purchase of Company products, further define the terms of the a long term strategy for the Company in China, and to outline a framework for additional product purchases. Further background on the China Group:

Shenzhen New Industries Medical Development Co., Ltd. ("NIMD") was founded and incorporated by the Medical Investment Department of the People's Republic of China in 1995 by its parent company, New Industries Investment Group ("NII"). It specializes in marketing and distribution of LASIK surgery devices and equipment, as well as in investment and operation of LASIK clinical centers in Chinese market.

NIMD purchased more than $7.5 million value of LaserSight's products and services after it was engaged in the exclusive distributorship with LaserSight and before LaserSight went into Chapter 11. In the past decade, NIMD invested and operated more than 20 PRK/LASIK excimer laser refractive surgery centers in joint venture with the most prestigious hospitals and medical institutes in China. NIMD is the largest business in Mainland China, as measured by the amount of investment in refractive surgery centers.

New Industries Investment Consultants (H.K.) Ltd ("NIIC") specializes in hi-tech business investment and consulting services. It is registered in Hong Kong. It was incorporated in 1994 by its principal investor Mr. Xianding Weng (a major shareholder of NII, and NII's CEO). NIIC with NIMD, pioneers in the laser refractive surgery industry in China, introduced Schwind's excimer lasers into Mainland China in early 1990's.

The China Group provided $2 million of debtor-in-possession ("DIP") financing to the Company. On June 30, 2004, $1 million of the DIP financing was converted into 6,850,000 shares of common stock and the China Group owns 72% of the Company. Revenues to the China Group were $3.5 million and $4.2 million in the nine months ended September 30, 2004 and 2003, respectively.Accounts receivable due from the China Group as of September 30, 2004 was $ 475,469. The loss of the China group as a customer would have a significant negative impact on the Company's ability to continue as a going concern.

NOTE 7 STOCK BASED COMPENSATION

The Company accounts for stock-based employee compensation plans using the intrinsic value method under Accounting Principles Board Opinion No. 25 and related interpretations. Accordingly, stock-based employee compensation cost is not reflected in net earnings, as all stock options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. As previously announced, as a result of the Chapter 11 filing, the Company cancelled all of the common and preferred shares, options and warrants outstanding at September 30, 2004. Accordingly, there was no stock based compensation for the three months and nine months ended September 30, 2004.Had compensation cost for the Company's Stock-based

compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of Statement No. 123, "Accounting for Stock Based Compensation," the Company's net earnings and earnings per share would have been reduced to the pro-forma amounts indicated below:



| | Three months ended: Sept. 30, 2004 | Sept. 30, 20 |
|---|---|---|
| Net income (loss), as reported | $ (251,374) | $ (8,915,46 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | -- | 190,52 |
| Pro forma net income (loss) | $ (251,374) | $ (9,105,99 |
| Conversion discount on preferred stock | -- | (487,86 |
| Pro forma income (loss) attributable to common shareholders | $ (251,374) | $ (9,593,85 |
| Basic and diluted income (loss) per share: | | |
| As reported | $(0.03) | (0.34 |
| Pro forma | (0.03) | (0.34 |

| | Nine months ended: Sept. 30, 2004 | Sept. 30, 20 |
|---|---|---|
| Net income (loss), as reported | $ 14,327,338 | $(22,416,96 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | -- | 571,58 |
| Pro forma net income (loss) | $ 14,327,338 | $(22,988,54 |
| Conversion discount on preferred stock | -- | (1,447,55 |
| Pro forma income (loss) attributable to common shareholders | $ 14,327,338 | $(24,436,10 |
| Basic income (loss) per share: | | |
| As reported | $ 0.66 | (0.86 |
| Pro forma | 0.66 | (0.88 |
| Diluted income (loss) per share: | | |
| As reported | $ 0.42 | (0.86 |
| Pro forma | 0.42 | (0.88 |

NOTE 8 CONTINGENCIES

On September 5, 2003 LaserSight and two of its subsidiaries filed for Chapter 11 bankruptcy protection and reorganization in the United States Bankruptcy Court, Middle District of Florida, Orlando Division. The cases filed were LaserSight Incorporated, ("LSI") Case No. 6-03-bk-10371-ABB; LaserSight Technologies, Inc., ("LST") Case No. 6-03-bk-10370-ABB; and LaserSight Patents, Inc., Case No. 6-03-bk-10369-ABB. Under Chapter 11, certain claims against the Company in existence prior to the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Company continues business operations as Debtor-in-possession. These claims were reflected in the December 31, 2003 balance sheets as "liabilities subject to compromise." Additional claims (liabilities subject to compromise) may arise subsequent to the filing date resulting from rejection of executory contracts, including leases, and from the determination by the court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts. Claims secured against the Company's assets ("secured claims") also are stayed, although the holders of such claims have the right to move the court for relief from the stay. The majority of secured claims are held by Heller Healthcare Finance, Inc and GE Healthcare Financial Services, Inc., as successor-in-interest to Heller (collectively "GE").



The Company had incurred significant losses and negative cash flows from operations in each of the years in the three-year period ended December 31, 2003, and had an accumulated deficit of $108.5 million at September 30, 2004. Cash flows were negative during the nine month period ended September 30, 2004. The substantial portion of these losses is attributable to an inability to sell certain products in the U.S. due to delays in Food and Drug Administration (FDA) approvals for

the treatment of various procedures on the Company's excimer laser system in the U.S. and continued development efforts to expand clinical approvals of the Company's excimer laser and other products. Additionally, the Company's continued lack of adequate funding and working capital, and additional administrative and professional expenses attributed to the Chapter 11 filing, have also contributed to these losses.

Even with the Chapter 11 protection, the Company's ability to continue as a going concern is uncertain and dependent upon continuing to achieve improved operating results and cash flows or obtaining additional equity capital and/or debt financing. These condensed consolidated financial statements include substantial re-structuring charges recorded during the second quarter of 2003 necessary to reflect the diminution of asset carrying values and the Company's re-focus of its products to core product lines.

On April 28, 2004, the Bankruptcy Court confirmed the Re-organization Plan. The effective date of the Plan was June 30, 2004. On December 22, 2004 a final decree of bankruptcy was issued.

On June 30, 2004, the Company cancelled all outstanding stock, options and warrants and issued 9,997,195 new shares of common stock. The shares were distributed as follows:

| | |
|---|---|
| Creditors of LSI | 1,116,000 |
| Creditors of LST | 1,134,000 (1) |
| Old Preferred Stockholders | 360,000 |
| Old common stockholders | 539,997 (2) |
| Cancel treasury stock | (2,802) |
| Conversion of $1 million DIP Financing | 6,850,000 |
| | 9,997,195 |

(1) These shares were issued in January of 2005, after a creditor objection to claim was settled.

(2) The old common stock was converted at a ratio of 51.828 to 1. Due to rounding on conversion only 539,997 shares were issued.

In June of 2004, the effective date of the re-organization plan, the following liabilities were relieved:

| | |
|---|---|
| Accounts Payable | $ 2,905,814 |
| Accrued TLC license fee | 825,500 |
| Accrued salaried/severance | 235,367 |
| Accrued warranty | 6,125,730 |
| Accrued Ruiz license fees | 3,471,613 |
| Deposits/service contracts | 720,399 |
| Other accrued expenses | 1,331,711 |
| | 15,616,134 |
| Stock issued to creditors | (328,500) |
| Gain on forgiveness of debt | $ 15,287,634 |

The new common stock issued to the creditors was valued at $0.146 per share, or $328,500, which was deducted from the forgiven liabilities. The stock value per shares is the same amount as the $1,000,000 of DIP financing converted to equity.

As disclosed in the Company's Form 10-K filed for the year ended December 31, 2003, the Company was involved in various litigations, some of which were resolved as part of the September 2003 Chapter 11 filing.

Italian Distributor. In February 2003, an Italian court issued an order restraining LaserSight Technologies from marketing our AstraPro software at a trade show in Italy. This restraining order was issued in favor of LIGI Tecnologie Medicali S.p.a. (LIGI), a distributor of our products, and alleged that our AstraPro software product infringes certain European patents owned by LIGI. We had retained Italian legal counsel to defend us in this litigation, and we were informed that the Italian court had revoked the restraining order and ruled that LIGI must pay our attorney's fees in connection with our defense of the restraining order. In addition, our Italian legal counsel informed us



that LIGI had filed a motion for a permanent injunction. We believe that our AstraPro software does not infringe the European patents owned by LIGI, but due to limited cash flow the Company has not defended its position. Management believes that the outcome of this litigation will not have a material adverse impact on LaserSight's

business, financial condition or results from operations. Since the Chapter 11 petition does not apply to foreign courts, this action is still pending.

Routine Matters. In addition, we are involved from time to time in routine litigation and other legal proceedings incidental to our business. Although no assurance can be given as to the outcome or expense associated with any of these proceedings, we believe that none of such proceedings, either individually or in the aggregate, will have a material adverse effect on the financial condition of LaserSight.

NOTE 9 SEGMENT INFORMATION

The Company's operations principally include refractive products. Refractive product operations primarily involve the development, manufacture and sale of ophthalmic lasers and related devices for use in vision correction procedures. Patent services involve the revenues and expenses generated from the ownership of certain refractive laser patents.

Operating profit is total revenue less operating expenses. In determining operating profit for operating segments, the following items have not been considered: general corporate expenses, non-operating income and expense and income tax expense. Identifiable assets by operating segment are those that are used by or applicable to each operating segment. General corporate assets consist primarily of cash and income tax accounts.

The table below summarizes information about reported segments as of and for the three months ended September 30 :

| | Operating Revenues | Operating Profit (Loss) | Assets | Depreciation Amortizat |
|---|---|---|---|---|
| 2004 | | | | |
| Operating segments: | | | | |
| Refractive products | 930,816 | (337,341) | 4,652,012 | 12,736 |
| Patent services | 234,810 | 234,810 | - | - |
| General corporate | - | (135,012) | 648,738 | - |
| Consolidated total | 1,165,626 | (845,779) | 5,300,750 | 12,736 |
| 2003 | | | | |
| Operating segments: | | | | |
| Refractive products | 1,615,725 | (8,325,360) | 5,622,761 | 223,896 |
| Patent services | 234,810 | 234,810 | - | - |
| General corporate | - | (776,429) | 245,086 | 141 |
| Consolidated total | 1,850,535 | (8,866,979) | 5,867,847 | 224,037 |

| | Operating Revenues | Operating Profit (Loss) | Assets | Depreciation a Amortizatio |
|---|---|---|---|---|
| 2004 | | | | |

| ---- | | | | |
|---|---|---|---|---|
| Operating segments: | | | | |
| Refractive products | 3,936,184 | (872,083) | 4,652,012 | 80,466 |
| Patent services | 704,430 | 704,430 | - | - |
| General corporate | - | (299,047) | 648,738 | - |
| Consolidated total | 4,640,614 | (466,700) | 5,300,750 | 80,466 |
| | | | | |
| 2003 | | | | |
| ---- | | | | |
| Operating segments: | | | | |
| Refractive products | 5,297,522 | (21,442,871) | 5,622,761 | 570,588 |
| Patent services | 704,430 | 704,430 | - | - |
| General corporate | - | (1,570,089) | 245,086 | 423 |
| Consolidated total | 6,001,952 | (22,308,530) | 5,867,847 | 571,011 |



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

Forward-Looking Statements and Associated Risks

THIS QUARTERLY REPORT ON FORM 10-QSB CONTAINS FORWARD-LOOKING STATEMENTS THAT HAVE BEEN MADE PURSUANT TO THE PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON MANAGEMENT'S CURRENT EXPECTATIONS, ESTIMATES AND PROJECTIONS, BELIEFS AND ASSUMPTIONS. WORDS SUCH AS "ANTICIPATES", "EXPECTS", "INTENDS", "PLANS", "BELIEVES", "SEEKS", "ESTIMATES", VARIATIONS OF SUCH WORDS AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT; THEREFORE, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR FORECASTED IN ANY SUCH FORWARD-LOOKING STATEMENTS. THESE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN "PART I - ITEM 1 - DESCRIPTION OF BUSINESS - RISK FACTORS" AND PART II - ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS" CONTAINED IN THE COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2003, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. INVESTORS SHOULD REVIEW THIS QUARTERLY REPORT IN COMBINATION WITH THE COMPANY'S ANNUAL REPORTON FORM 10-K IN ORDER TO HAVE A MORE COMPLETE UNDERSTANDING OF THE PRINCIPAL RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY'S STOCK.

Overview

LaserSight is principally engaged in the manufacture and supply of narrow beam scanning excimer laser systems, topography-based diagnostic workstations, and other related products used to perform procedures that correct common refractive vision disorders such as nearsightedness, farsightedness and astigmatism. Since 1994, we have marketed our laser systems commercially in over 30 countries worldwide and currently have an installed base of approximately 434 laser systems, including over 234 of our LaserScan LSX(TM) laser systems. We are currently focused on selling in selected international markets; primarily China.

We have significant liquidity and capital resource issues relative to

the timing of our accounts receivable collection and the successful completion of new sales compared to our ongoing payment obligations and our recurring losses from operations and net capital deficiency raises substantial doubt about our ability to continue as a going concern. We have experienced significant losses and operating cash flow deficits, and we expect that operating cash flow deficits will continue without improvement in our operating results. In August 2002, we executed definitive agreements relating to our China Transaction (see "China Transaction").

Bankruptcy

On September 5, 2003 the company filed for Chapter 11 bankruptcy protection and reorganization. Under Chapter 11, certain claims against the Company in existence prior to the filing of the petitions for relief are stayed while the Company continues business operations as debtor-in-possession. The Company operated in this manner from September 5, 2003 through June 10, 2004, when a final bankruptcy release was obtained. As a result of the bankruptcy re-structuring, the Company has recorded credits for debt forgiveness of approximately $15.3 during the three months ended June 30, 2004. Additionally, the Company recognized charges of approximately $8.0 million during 2003 for patent impairment, accounts receivable, and inventory write offs. The Company cancelled all of its outstanding common and preferred stock, including warrants and options, and issued 9,997,195 new common shares on June 30, 2004. The Company emerged from bankruptcy with approximately $0.7 million in unsecured liabilities, approximately $2.1 million in secured debt to GE, approximately $5.4 million in deferred revenue and approximately $1.0 million of DIP financing provided by NIIC, as part of the approved bankruptcy plan. NIIC converted $1.0 million of the DIP financing for additional 6,850,000 common shares. $66,000 and $450,000 were paid for bankruptcy related professional fees for legal, financial advisor, bankruptcy trustee, transfer agent, new stock certificates, priority claims, printing and postage for the three and nine months ended September 30, 2004, respectively.

China Transaction

In February 2004, we received a commitment to purchase at least $12.0 million worth of our products during the 12-month period ending February 2005, to distribute our products in Mainland China, Hong Kong, Macao and Taiwan.



From February 2004 through September 30, 2004, approximately $3.5 million worth of products were sold under these agreements and subsequent modifications. The purchase agreement provides for two one year extensions.

Results of Operations

The following table sets forth for the periods indicated information derived from our statements of operations for those periods expressed as a percentage of net sales, and the percentage change in such items from the comparable prior year period. Any trends illustrated in the following table are not necessarily indicative of future results.

As a Percentage of Net Sales

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Statement of Operations Data: | | | | |
| Net Revenues: | | | | |
| Refractive products | 79.9% | 87.3% | 84.8% | 88.3% |
| Patent services | 20.1% | 12.7% | 15.2% | 11.7% |
| Net Revenues | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of Revenue | 53.8% | 27.6% | 57.2% | 106.6% |
| Gross Profit (1) | 46.2% | 72.4% | 42.8% | -6.6% |
| Research, development and regulatory expenses (2) | 3.7% | 3.3% | 2.9% | 5.9% |
| Other general and administrative expenses | 60.7% | 116.4% | 48.0% | 133.9% |
| Selling-related expenses (3) | 10.1% | 180.6% | 10.2% | 75.8% |
| Impairment charge | 0.0% | 0.0% | 0.0% | 68.3% |
| Allowed warranty claims | 0.0% | 250.8% | 0.0% | 77.3% |
| Amortization of intangibles | 0.7% | 0.4% | 0.5% | 4.0% |
| Loss from continuing operations | -28.9% | -228.4% | -18.8% | -226.1% |

(1) As a percentage of net revenues, the gross profit for refractive products only for the three months ended September 30, 2004 and 2003, and the nine months ended September 30, 2004 and 2003, were 33%, 68%, 33% and (21%), respectively.

(2) As a percentage of refractive product net sales, research, development and regulatory expenses for the three months ended September 30, 2004 and 2003, and the nine months ended September 30, 2004 and 2003, were 5%, 4%, 3% and 7%, respectively.



(3) As a percentage of refractive product net sales, selling-related expenses for the three months ended September 30, 2004 and 2003, and the nine months ended September 30, 2004 and 2003, were 13%, 207%, 12% and 86%, respectively.

Three Months Ended September 30, 2004, Compared to Three Months Ended September 30, 2003

Revenues. Net revenues for the three months ended September 30, 2004 decreased by $685,000, or 33%, to $1.2 million from $1.9 million for the comparable period in 2003.

During the three months ended September 30, 2004 refractive products revenues decreased $685,000, or 42%, to $0.9 million from $1.6 million for the

comparable period in 2003. This revenue decrease was primarily the result of higher sales of lasers offset by lower sales of parts for laser systems. During the three months ended September 30, 2004, excimer laser system sales accounted for approximately $0.7 million in revenues compared to no revenues over the same period in 2003. During the three months ended September 30, 2004, three laser systems were sold compared to none for the comparable period in 2003. During the three months ended September 30, 2004, parts revenues accounted for approximately $0.1 million in revenues compared to $1.4 million in revenues over the same period in 2003.

Net revenues from patent services for the three months ended September 30, 2004 remained the same at $235,000 for the comparable period in 2003.

Geographically, China has become our most significant market with $0.9 million in revenue during the three months ended September 30, 2004, as compared to $1.4 million for the three months ended September 30, 2003.

Cost of Revenues; Gross Profit. For the three months ended September 30, 2004 and 2003, gross profit margins were 46% and 72%, respectively. The gross margin decrease during the three months ended September 30, 2004 was primarily attributable to lower margins on parts sales.

Research, Development and Regulatory Expenses. Research, development and regulatory expenses for the three months ended September 30, 2004 decreased approximately $19,000, or 30%, to $43,000 from $61,000 for the comparable period in 2003. While decreasing our expenses, we continued to develop our AstraMax diagnostic workstation.

Other General and Administrative Expenses. Other general and administrative expenses for the three months ended September 30, 2004 decreased $1.4 million, or 67%, to $0.7 million from $2.2 million for the comparable period in 2003. This decrease was primarily due to a decrease of cost reductions to the sales and marketing, customer support, administration, and professional services departments.

Selling-Related Expenses and allowed warranty claims. Selling-related expenses consist of those items directly related to sales activities, including commissions on sales, royalty or license fees, warranty expenses, and costs of shipping and installation. Commissions and royalties, in particular, can vary significantly from sale to sale or period to period depending on the location and terms of each sale. Selling-related expenses for the three months ended September 30, 2004 decreased $3.2 million, or 96%, to $118,000 from $3.3 million during the comparable period in 2003. This decrease was primarily attributable to a $3.2 million decrease in costs of license fees, 2003 included $3.5 million of license fees primarily related to future keratome license fees due immediately because of a default on our agreement and a increase of $0.3 million of warranty expense. A $4.6 million expense for warranty claims allowed in bankruptcy was taken in the three months ended September 30, 2003.

Amortization of Intangibles. Costs relating to the amortization of intangibles for the three months ended September 30, remained substantially unchanged from the comparable period in 2002. Items directly related to the amortization of intangible assets are acquired technologies, patents and license agreements.



During 2003, the Company wrote off approximately $4.1 million of impaired intangibles, leaving approximately $500,000 of un-impaired intangibles.

Accordingly, the Company expects future amortization amounts to be minimal, although the Company will continue to review the carrying values for further impairments on a periodic basis.

Loss From Operations. The operating loss for the three months ended September 30, 2004 was $337,000 compared to the operating loss of $8.9 million for the same period in 2003. This decrease in the loss from operations was primarily due to reductions in warranty costs, in 2003 $4.6 million was expensed due to allowed claims in bankruptcy, and cost reductions to the sales and marketing, customer support, administration, and professional services departments.

Other Income and Expenses. Interest and other income for the three months ended September 30, 2004 was $275,000, an increase of $265,000 over the comparable period in 2003. Interest and other income were earned from the investment of cash and cash equivalents and the proceeds from a shareholder derivative lawsuit. During the three months ended September 30, 2004, interest expense increased by $132,000, or 224%, from $59,000 to $190,000 as a result of increased borrowings and penalties and fees as part of our re-structuring.

Income Taxes. During the three months ended September 30, 2004 and 2003, we had no income tax expense.

Net Loss. Net loss for the three months ended September 30, 2004, was $251,000 compared to a net loss of $8.9 million for the comparable period in 2003. The decrease in net loss for the three months ended September 30, 2004 can be primarily attributed to reductions in warranty costs and license fees.

Loss Per Share. The loss per basic and diluted share was $0.03 for the three months ended September 30, 2004 and $0.34 for the comparable period in 2003. However, as previously announced the Company canceled all of the common and preferred stock outstanding, including options and warrants, at September 30, 2004. On September 30, 2004 the Company issued 9,997,195 new common shares.

Nine Months Ended September 30, 2004, Compared to Nine Months Ended September 30, 2003

Revenues. Net revenues for the nine months ended September 30, 2004 decreased by $1.4 million, or 23%, to $4.6 million from $6.0 million for the comparable period in 2003.

During the nine months ended September 30, 2004, refractive products revenues decreased $1.4 million, or 26%, to $3.9 million from $5.3 million for the comparable period in 2003. This revenue decrease was primarily the result of higher excimer laser unit sales offset by lower parts revenue. During the nine months ended September 30, 2004, excimer laser system sales accounted for approximately $3.0 million in revenues compared to $2.3 million in revenues over the same period in 2003. During the nine months ended September 30, 2004, 14 laser systems were sold compared to 11 laser systems sold during the comparable period in 2003. During the nine months ended September 30, 2004, parts revenues decreased $1.9 million to $0.5 million from $2.4 million for the comparable period in 2003.

Net revenues from patent services for the nine months ended September 30, 2004 remained the same at $704,000 for the comparable period in 2003.

Geographically, China has become our most significant market with $3.7 million in revenue during the nine months ended September 30, 2004, from $3.9 million for the comparable period in 2003. We expect China to continue as our most significant market.

Cost of Revenues; Gross Profit. For the nine months ended September 30,

2004 and 2003, gross profit margins were 44% and (13%), respectively. The gross margin increase during the nine months ended September 30, 2004 was primarily attributable to a charge of $3.6 million which was recorded for inventory obsolescence reserve during the three months ended June 30,2003. The Company's reorganization plan, as confirmed by the bankruptcy court, called for a refocus of the Company's products lines and the reduction of keratome and other obsolete inventory.



Research, Development and Regulatory Expenses. Research, development and regulatory expenses for the nine months ended September 30, 2004 decreased approximately $219,000, or 62%, to $135,000 from $355,000 for the comparable period in 2003. While decreasing our expenses, we continued to develop our AstraMax diagnostic workstation.

Other General and Administrative Expenses. Other general and administrative expenses for the nine months ended September 30, 2004 decreased $5.5 million, or 71%, to $2.2 million from $8.0 million for the comparable period in 2003. This decrease was primarily due to a decrease of approximately $4.5 million related to cost reductions to the sales and marketing, customer support, administration, and professional services departments, a $0.2 reduction in depreciation expense and a reduction of $0.8 million in bad debt expense.

Selling-Related Expenses and allowed warranty claims. Selling-related expenses consist of those items directly related to sales activities, including commissions on sales, royalty or license fees, warranty expenses, and costs of shipping and installation. Commissions and royalties, in particular, can vary significantly from sale to sale or period to period depending on the location and terms of each sale. Selling-related expenses for the nine months ended September 30, 2004 decreased $9.0 million, or 95%, to $0.5 million from $9.2 million during the comparable period in 2003. This decrease was primarily attributable to a $4.2 million decrease in costs of license fees, a decrease of $4.6 million of warranty expense primarily related to the terms on our excimer laser system sales and a decrease of $0.2 of shipping expenses related to the cost of shipping our finished products.

Amortization of Intangibles. Costs relating to the amortization of intangibles for the nine months ended September 30, 2004 decreased $213,000, or 89%, to $25,000 from $238,000 during the comparable period in 2003. Items directly related to the amortization of intangible assets are acquired technologies, patents and license agreements. During 2003, as a result of bankruptcy related re-structuring costs the Company wrote off approximately $4.1 million of impaired intangibles, leaving approximately $500,000 of un-impaired intangibles. Accordingly, the Company expects future amortization amounts to be minimal, although the Company will continue to review the carrying values for further impairments on a periodic basis.

Impairment of Patents. In the second quarter of 2003 the Company recorded an impairment loss of approximately $4.1 million related to Keratome, acquired technology and diagnostic patents. Management decided to write-off the assets due to a lack of a potential market for its acquired technology.

Loss From Operations. The operating income for the nine months ended September 30, 2004 was $0.9 million compared to the operating loss of $22.3 million for the same period in 2003. This decrease in the loss from operations was primarily due to the reductions in warranty claims and license fees, inventory write offs and patent impairment charges.

Other Income and Expenses. Interest and other income for the nine months ended September 30, 2004 was $331,000, an increase of $282,000 over the comparable period in 2003. Interest and other income were earned from the investment of cash and cash equivalents and proceeds from a shareholder derivative lawsuit. During the nine months ended September 30, 2004, interest expense increased by $187,000, or 87%, from $215,000 to $419,000 as a result of increased borrowings and related loan cost.

Income Taxes. For the nine months ended September 30, 2004, we had no income tax expense. For the nine months ended September 30, 2003, income tax benefit amounted to approximately $58,000, which was related to a refund the Company received from a settlement with the IRS on its 1995 return.

Net Income (Loss). Net income for the nine months ended September 30, 2004, was $14.3 million compared to a net loss of $22.4 million for the comparable period in 2003. The decrease in net loss for the nine months ended September 30, 2004 can be attributed to reductions in warranty expense, license fees, inventory write offs and patent impairment charges offset by the gain on extinguishment of debt.



Loss Attributable to Common Shareholders. For the nine months ended September 30, 2003, the Company's loss attributablIe to common shareholders was impacted by the accretion of the value of the conversion discount on the Series H Preferred Stock. This discount was fully accreted as of December 31,2003. The Series H Preferred Stock was cancelled as part of the Company's re-organization plan in bankruptcy.

Income (Loss) Per Share. The income (loss) per basic and diluted share was $0.66 and $0.42, respectively, for the nine months ended September 30, 2004 and ($0.88) for the comparable period in 2003. As a result of the September 5, 2003 chapter 11 petition, the company cancelled all of its outstanding common and preferred shares, including options and warrants. On September 30, 2004 the Company issued 9,997,195 new common shares.

Inflation and Currency Fluctuation

Inflation and currency fluctuations have not previously had a material impact upon the results of operations and are not expected to have a material impact in the near future.

Liquidity and Capital Resources

On September 5, 2003 the company filed for Chapter 11 bankruptcy protection and reorganization. Under Chapter 11, certain claims against the Company in existence prior to the filing of the petitions for relief are stayed while the Company continues business operations as Debtor-in-possession. The Company operated in this manner from September 5, 2003 through September 10, 2004, when a final bankruptcy release was obtained. As a result of the bankruptcy re-structuring, the Company recorded credits for debt forgiveness of approximately $15.6 during the three months ended June 30, 2004 for patent impairments, accounts receivable and inventory write offs. Additionally, the Company recognized re-structuring charges of approximately $7.0 million during 2003. The Company cancelled all of its outstanding common and preferred stock, including warrants and options, and issued 9,997,195 new common shares on September 30, 2004. The Company emerged from bankruptcy with approximately $0.7 million in unsecured liabilities, approximately $2.1 million in secured debt to GE, approximately $5.3 million in deferred revenue and approximately $1.0 million of DIP financing provided by NIIC. NIIC converted $1.0 million of the

DIP financing for additional equity.

With the new revenues being generated from the China Group and projected sales to other customers, management expects that LaserSight's cash and cash equivalent balances and funds from operations (which are principally the result of sales and collection of accounts receivable) will be sufficient to meet its anticipated operating cash requirements for the next several months. This expectation is based upon assumptions regarding cash flows and results of operations over the next several months and is subject to substantial uncertainty and risks beyond our control. If these assumptions prove incorrect, the duration of the time period during which LaserSight could continue operations could be materially shorter. We continue to face liquidity and capital resource issues relative to the timing of the successful completion of new sales compared to our ongoing payment obligations. To continue our operations, we will need to generate increased revenues, collect them and reduce our expenditures relative to our recent history. While we are working to achieve these improved results, we cannot assure you that we will be able to generate increased revenues and collections to offset required cash expenditures.

Our expectations regarding future working capital requirements and our ability to continue operations are based on various factors and assumptions that are subject to substantial uncertainty and risks beyond our control, and no assurances can be given that these expectations will prove correct. The occurrence of adverse developments related to these risks and uncertainties or others could result in LaserSight incurring unforeseen expenses, being unable to generate additional sales, to collect new and outstanding accounts receivable, to control expected expenses and overhead, or to negotiate payment terms with creditors, and we would likely be unable to continue operations.

On March 12, 2001, we established a $3.0 million term loan and $10.0 million revolving credit facility with GE. We borrowed $3.0 million under the term loan at an annual rate equal to two and one-half percent (2.5%) above the prime rate. Interest was payable monthly and the loan was required to be repaid



on March 12, 2003. As of September 30, 2004, the outstanding principal on our term loan is approximately $1.9 million. Under our credit facility, we had the option to borrow amounts at an annual rate equal to one and one-quarter percent (1.25%) above the prime rate for short-term working capital needs or such other purposes as approved by GE. Borrowings were limited to 85% of eligible accounts receivable related to U.S. sales. Eligible accounts receivable were to be primarily based on future U.S. sales, which did not increase as a result of our decision to not actively market our laser in the U.S. until we receive additional FDA approvals.

Borrowings under the loans are secured by substantially all of the Company's assets. The term loan and credit facility required us to meet certain covenants, including the maintenance of a minimum net worth. The terms of the loans originally extended to March 12, 2003. In addition to the costs and fees associated with the transaction, we issued to GE a warrant to purchase 243,750 shares of common stock at an exercise price of $3.15 per share. The warrant expired on March 12, 2004. On August 15, 2002, GE provided a waiver of our prior defaults under our loan agreement pending the funding of the equity portion of the NIMD transaction. Upon receipt of the equity investment in October 2002, revised covenants became effective that decreased the required minimum level of net worth to $2.1 million, decreased minimum tangible net worth to negative $2.8 million and decreased required minimum quarterly revenues during the last two quarters of 2002 and the first quarter of 2003. In exchange for the waiver and revised covenants, the Company paid $150,000 in principal to GE upon the receipt

of the equity investment in October 2002 and agreed to increase other monthly principal payments to $60,000 in October 2002 and to $40,000 during each of November and December 2002 and January 2003, with the remaining principal due on March 12, 2003.

On March 12, 2003, our loan agreement with GE was extended by 30 days from March 12, 2003 to April 11, 2003. On March 31, 2003, our loan agreement with GE was amended again. In addition to the amendment, GE waived our failure to comply with the net revenue covenant for the fourth quarter of 2002. In exchange for the amendment and waiver, we paid approximately $9,250 in fees to GE and agreed to increase our monthly principal payments to $45,000 beginning in April 2003. Revised covenants became effective on March 31, 2003 that decreased the minimum level of net worth to $1.0 million, minimum tangible net worth to negative $4.0 million and minimum quarterly net revenue during 2003 to $2.0 million. We agreed to work in good faith with GE to adjust these covenants by May 31, 2003 based on our first quarter 2003 financial results and our ongoing efforts to obtain additional cash infusion. As discussed above, On September 20, 2003 the Company announced that it had been advised by GE that its loans were in default due to an adverse material change in the financial condition and business operations of the Company. The Company continued to negotiate with GE during September and July of 2003, until a new agreement was executed on August 28, 2003 providing for an extension of the loans through January 2005.

On August 30, 2004 the Company signed a three-year note expiring on September 30, 2007. The note bears interest of 9%. Certain covenants were modified as follows: net worth $750,000, tangible net worth $1,000,000 and minimum quarterly revenues of $1,000,000. GE was issued a warrant to purchase 100,000 shares of common stock at $0.25 per share, or $0.40 per share if the China Group converts their DIP loan to equity. The warrant expires on September 30, 2008.

There can be no assurance as to the correctness of the other assumptions underlying our business plan or our expectations regarding our working capital requirements or our ability to continue operations.

Our ability to continue operations is based on factors including the success of our sales efforts in China and in other foreign countries where our efforts will initially be primarily focused, increases in accounts receivable and inventory purchases when sales increase, the uncertain impact of the market introduction of our AstraMax diagnostic workstations, and the absence of unanticipated product development and marketing costs.



ITEM 3. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carry out a variety of on-going procedures, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. While our Chief Executive Officer and Chief Financial Officer were unable to reach a conclusion regarding the effectiveness of our disclosure controls and procedures as of September 30, 2004, they have concluded that such controls and procedures are currently effective at the reasonable assurance level.

## PART II - OTHER INFORMATION

### ITEM 1 LEGAL PROCEEDINGS

Certain legal proceedings against LaserSight are described in Item 3 (Legal Proceedings) of LaserSight's Form 10-K for the year ended December 31, 2003.

### ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On September 5, 2003 the company filed a Chapter 11 bankruptcy petition. As a result of this petition, the company canceled all common and preferred shares, including options and warrants. On September 30, 2004 the Company issued 9,997,195 new common shares.

### ITEM 3 DEFAULTS UPON SENIOR SECURITIES

On September 5, 2003 the Company filed a Chapter 11 bankruptcy petition. As described on Part I, Item 2, the Company had been in default under its loan agreements with GE. The company had been in continuous negotiations with GE during the term of the bankruptcy and on August 30, 2004 the Company signed a three-year note expiring on June 30, 2007. The note bears interest of 9%. Certain covenants were modified as follows: net worth $750,000, tangible net worth $1,000,000 and minimum quarterly revenues of $1,000,000. GE was issued a warrant to purchase 100,000 shares of common stock at $0.25 per share, or $0.40 per share if the China Group converts their DIP loan to equity. The warrant expires on June 30, 2008. The Company is currently not in compliance with certain covenants of the loan agreements. Accordingly all amounts have been classified as short term obligations

### ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

### ITEM 5 OTHER INFORMATION

Not applicable.

### ITEM 6 EXHIBITS



| Exhibit Number | Description |
|---|---|

| | |
|---|---|
| 11 | Statement of Computation of Loss Per Share (Included in Financial Statements in Part I, Item 1 hereof) |
| 31.1 | Certifications of CEO pursuant to Rule 13a-14(a) |
| 31.2 | Certifications of CFO pursuant to 13a-14(a) |
| 32 | Certifications of CEO and CFO pursuant to Section 1350 |

SIGNATURES

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

LaserSight Incorporated

Dated: March 22, 2005 By: /s/ Danghui ("David") Liu

Danghui ("David") Liu, President,
Chief Executive Officer and Director

Dated: March 22, 2005 By: /s/ Dorothy M. Cipolla

Dorothy M. Cipolla,
Chief Financial Officer



INDEX TO EXHIBITS

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