LASERSIGHT INC /DE
Form 10-K
March 23, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2003

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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)

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	N/A

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, par value $.001

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_____ No__X__

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing sale price on June 30, 2004 was approximately $279,871. Shares of common stock held by each officer and director and by each person who has voting power of 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive

determination for other purposes.

Number of shares of common stock outstanding as of December 31, 2003: 27,841,941. Due to cancellation of old common stock, per the confirmed bankruptcy re-organization plan, as of June 30, 2004 there are 9,997,195 shares of common stock outstanding.

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The information in this Annual Report on Form 10-K contains forward looking-statements, as indicated by words such as "anticipates," "expects," "believes," "estimates," "intends," "projects," and "likely," by statements of the Company's plans, intentions and objectives, or by any statements as to future economic performance. Forward-looking statements involve risks and uncertainties that could cause the Company's actual results to differ materially from those described in such forward-looking statements. See "Risk Factors and Uncertainties--Financial and Liquidity Risks--We have experienced significant losses and operating cash flow deficits.." We can not be certain that we will be able to achieve or sustain profitability or positive operating cash flow in the future. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 7 under the caption "Risk Factors and Uncertainties" as well as those discussed elsewhere in this Report. All references to "LaserSight(R)" "we," "our" and "us" in this Report refer to LaserSight Incorporated and its subsidiaries unless the context otherwise requires.

PART I

ITEM 1. BUSINESS

PRESENT SITUATION - CHINA TRANSACTION AND LIQUIDITY ISSUES

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 continued business operations as Debtor-in-possession. These claims are reflected in the December 31, 2003 balance sheet as "liabilities subject to compromise." 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 ("Heller") and GE Healthcare Financial Services, Inc., as successor-in-interest to Heller (collectively "GE"). $110,000 of bankruptcy related professional fees for legal services were paid for in 2003.

The company operated as a debtor-in-possession from September 5, 2003 through June 10, 2004 when a final bankruptcy order was obtained. As a result of the bankruptcy re-structuring, the company expects to record credits for debt forgiveness of approximately $15.6 during the three months ended June 30, 2004. The credits are for accounts payable, accrued expenses, accrued warranty, and deposits. On April 28, 2004, the Plan was confirmed by the Bankruptcy Court. The effective date of the Plan was June 30, 2004.

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 upon the resolution of a creditor objection to claim in January 2005.

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

On August 30, 2004, the Company signed a three year amended note with GE for $2,149,249. The note was effective June 30, 2004 and bears 9% interest. In the amendment, GE provided a waiver of the Company's failure to comply with all covenants. In exchange for the amendment and waiver, the Company will pay a $50,000 commitment fee, a $100,000 termination fee, attorney fees of $126,078 and an audit fee of $8,151. All fees were added to the principal balance. Revised covenants became effective that adjusted the minimum level of net worth to $750,000, minimum tangible net worth to $1.0 million and minimum quarterly net revenue to $1.0 million. GE was issued warrants to purchase 100,000 common shares, at $0.25 per share, or $0.40 per share if the remaining $1 million of DIP financing is converted.

The New Industries Investment Consultants (HK), Ltd. ("NIIC" or the "China Group") provided $2 million of DIP financing, of which $750,000 was funded at December 31, 2003. On June 30, 2004, $1 million of the total was converted to 6,850,000 common shares. The remaining $1 million note bears interest of 9%, with interest only payments due monthly. It is a three year balloon note. The China Group has the option to convert the note to an additional 2,500,000 common shares. This note is subject to any GE liens on Company assets.

In June of 2004, as of 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

In June 2004, $8.4 million of accounts and notes receivable were written off against the allowance for doubtful accounts.

The Company has incurred significant losses and negative cash flows from operations in each of the years in the three-year period ended December 31, 2003 and has an accumulated deficit of approximately $123 million at December 31, 2003. 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 the continued development efforts

to expand clinical approvals of the Company's excimer laser and other products.

Outlined below are some of the additional factors that led up to the Chapter 11 filing.

As previously announced, the Company had been in continuous negotiations with New Industries Investment Consultants (HK), Ltd. ("NIIC")or the "China Group" to secure immediate cash payments for purchase of Company products, to further define the terms of a long-term strategy for the Company in China, and to

outline a framework for additional product purchases. The Company reached an agreement with NIIC on June 20, 2003. That agreement called for NIIC to proceed with further purchases in order to meet the $10,000,000 purchase requirement from the August 2002 agreement and purchase additional product above and beyond the original purchase requirement if the Company was making substantial progress with regard to it's restructured business plan. While the Company sold products to NIIC during the second and third quarters of 2003, and NIIC made advance payments on those purchases, sales levels were well below those contemplated in the original agreements.

On June 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 was negotiating with GE for a modification and restructuring of its defaulted loans, and these negotiations had progressed to the "term sheet" stage by early August of 2003.

As previously announced, in August of 2002, the Company and Shenzhen New Industries Medical Development Co. ("NIMD") entered into a strategic relationship, including the purchase of at least $10 million worth of the Company's products during a twelve-month period ending in August of 2003, to distribute the Company's products in mainland China, Hong Kong, Macao and Taiwan, and a $2 million equity investment in the Company by NIIC, an affiliate of NIMD. NIIC's was in the form of the purchase of Convertible Preferred Stock, the Series H Stock that, subject to certain restrictions, was convertible into approximately 40% of the Company's Common Stock.

At the beginning of 2003, the Company did not have cash available to construct machines under the strategic relationship and requested a modification of the arrangement that would include prepayment by NIMD. NIMD purchased through prepayment some additional product, but resisted further purchases by prepayment without certain cost reductions and changes in operations. Prior to the execution of the agreement, NIMD had purchased approximately $4.5 million worth of the Company's products. Thereafter NIMD prepaid for $2.2 million worth of product, for a total of $6.7 million of the original $10 million envisioned in the strategic relationship.

The Company also announced that Francis E. O'Donnell, Jr., M.D., and David Peroni resigned from their positions as members of LSI's Board of Directors and that Dr. O'Donnell had resigned as Chairman of the Board of Directors. Xianding Weng was elected Chairman of the Board. Mr. Weng had been a director since October 2002 and founded NIIC in Shenzhen, China in 1993, serving as its President and Chief Executive Officer.

On August 22, 2003 the Company announced that Mr. Michael R. Farris would no longer serve as Chief Executive Officer and President and as a Director. Danghui ("David") Liu, Ph. D., Vice President of Product Development and Technical Marketing, was named Interim CEO. In May 2004 Mr. Liu was named

President and CEO.

In September 2003 the Company announced that it had failed to timely file its second quarter SEC Form 10-Q due on August 14, 2003. The Company did file a Form 12b-25 on August 14, 2003 advising that it was still working to put together the necessary data to file the quarterly report.

As a late filer, the Company had a fifth character "E" added to its security trading symbol to denote securities delinquent in their required filings. Securities so denoted are removed from the OTCBB after the applicable 30-day grace period expires. Since the Company was removed from OTCBB, it has been traded in the over-the-counter (OTC) market via the "Pink Sheets". See "Recent Developments - NASDAQ Stock Market Listing."

The Company had entered into new discussions related to the payment terms of its License and Royalty Agreement covering its keratome products. The licensors issued a third notice of default to the Company on May 6, 2003 and served legal action against the Company on August 12, 2003 for the entire balance of approximately $3.3 million under the License Agreement. The Company continued its discussions, but the lack of resolution of these issues made things difficult to continue to operate without the protection a bankruptcy petition would provide.

The Company has 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.

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. Consolidated financial statements filed with this report include substantial charges recorded during the second of 2003 necessary to reflect the diminution of asset carrying values due to Chapter 11-related filing and the Company's re-focus of its products to core product lines.

OVERVIEW

We develop, manufacture and market quality product technologies for laser refractive surgery and other areas of vision correction. Our products include precision microspot scanning excimer laser systems used to perform procedures that correct common refractive vision disorders such as nearsightedness (myopia), farsightedness (hyperopia) and astigmatism, software for custom ablation planning and programming, diagnostic products for precision measurements of the eye, and other products for use in refractive vision correction procedures. We believe that our precision microspot scanning lasers have significant technological advantages and produce smoother and more precise ablation areas than older, broad-beam laser systems and other scanning systems offered by many of our competitors.

We have over nine years of experience in the manufacture, sale and service of precision microspot scanning laser systems for refractive vision correction procedures. Since 1994, we have sold our scanning laser systems commercially in over 30 countries worldwide with an installed base of approximately 400 scanning laser systems, including over 200 of our most advanced laser systems, the LaserScan LSX(R) and the AstraScan. In November 1999, the Food and Drug Administration (FDA) approved our LaserScan LSX scanning laser system for commercial sale in the U.S. for the treatment of

nearsightedness of up to -6.0 diopters using photorefractive keratectomy (PRK). In September 2001, the FDA approved our LaserScan LSX precision microspot scanning system for the laser in-situ keratomileusis ("LASIK") treatment of myopia with and without astigmatism up to a manifest refraction spherical equivalent ("MRSE") of -6.0 diopters with maximum refractive astigmatism approved for up to 4.5 diopters. Currently, all of our laser systems delivered into the U.S. and international markets operate at a pulse repetition rate of 200 Hz, or pulses per second, and in December 2002 we received FDA approval to advance our laser pulse repetition rate to 200 Hz, which we believe is the fastest pulse repetition rate available in our industry. Our AstraScan laser system incorporates the same precision microspot scanning features of our LaserScan LSX along with an advanced eye tracking system, improved lighting and a redesigned "delivery arm" on the laser to make the microscope and joystick more functional. Available now as an upgrade in many international markets, the

AstraScan features will need FDA approval before they can be sold in the U.S. In the U.S. market we are not currently pursuing FDA approval.

Our family of products for custom refractive treatments (often referred to as custom ablations) includes the AstraMax(R) diagnostic workstation designed to provide precise diagnostic measurements of the eye for many refractive purposes, including generating data needed to plan custom ablation procedures, our AstraPro(R) custom ablation planning software that utilizes advanced levels of diagnostic measurements from our AstraMax diagnostic workstation to complete the planning of custom ablation treatments, and Corneal Interactive Programmed Topographic Ablation ("CIPTA"). The AstraMax integrated diagnostic workstation was first shown in October 2000 at the Annual Meeting of the American Academy of Ophthalmology and was commercially launched during the second quarter of 2002. We completed international product performance testing of our AstraPro custom ablation planning software in early 2003 and have released it for international distribution. Our AstraPro custom ablation planning software is currently the subject of litigation. See "Item 3. Legal Proceedings--Italian Distributor."

Operating Segments. We have operated in the following operating segments: refractive products, patent services and health care services. In late 2001, we decided to discontinue the health care services operations and in 2003 we decided to discontinue our keratomes product line, part of the refractive product segment, historically the revenue was not significant in keratomes, and re-focus our marketing sales efforts to the international market, mainly China. Our principal wholly owned subsidiaries during 2003 included: LaserSight Technologies, Inc. ("LST") and LaserSight Patents, Inc. ("LaserSight Patents"). Both of these units were part of the Chapter 11 petition described earlier.

Our refractive products segment, primarily including our laser vision correction products and services of LaserSight Technologies, develops, manufactures and markets ophthalmic lasers with a galvanometric scanning system for use in performing refractive surgery. We recently introduced for sale the AstraScan laser system, both as a new laser product and as an upgrade to our LaserScan LSX laser system. The AstraScan uses a 0.6 millimeter precision microspot scanning laser beam to ablate microscopic layers of corneal tissue to reshape the cornea and to correct the eye's point of focus in persons with nearsightedness, farsightedness and astigmatism. Our patent services segment, consisting primarily of patents licensed by us, included a patent related to the use of excimer lasers to ablate biological tissue until the patent was sold in March 2001 and a license to a patent related to the use of scanning lasers. The health care services segment consisted of The Farris Group ("TFG") until we decided in late 2001 to discontinue its operations. TFG's financial results were

accounted for as a discontinued operation for the year ended December 31, 2001. TFG provided health care and vision care consulting services to hospitals, managed care companies and physicians. For information regarding our export sales and operating revenues, operating profit (loss) and identifiable assets by industry segment, see Note 15 of the Notes to Consolidated Financial Statements.

Organization and History. LaserSight was incorporated in Delaware in 1987, but was inactive until 1991. In April 1993, we acquired LaserSight Centers Incorporated in a stock-for-stock exchange, with additional shares issued in March 1997 pursuant to an amended purchase agreement. In February 1994, we acquired TFG. In July 1994, LaserSight was reorganized as a holding company. In October 1995, we acquired MEC Health Care, Inc. ("MEC"). In July 1996, our LSI Acquisition, Inc. ("LSIA") subsidiary acquired the assets of the Northern New Jersey Eye Institute, P.A. On December 30, 1997, we sold MEC and LSIA in connection with a transaction that was effective as of December 1, 1997. Late in 2000, we abandoned the LaserSight Centers mobile laser strategy due to industry conditions and our increased focus on development and commercialization of our refractive products. In December 2001, we decided to discontinue the operations

of TFG as described in Note 3 of the Notes to Consolidated Financial Statements. In September 2003 we filed a Chapter 11 bankruptcy petition, discontinued our keratomes and cosmetic product lines due to cash flow problems, these items never generated significant revenues, and re-focused our marketing and sales efforts to the international market, mainly China. Our principal offices and mailing address are 6848 Stapoint Court, Winter Park, Florida 32792, our telephone number is (407) 678-9900 and our address on the World Wide Web is www.lase.com. .

INDUSTRY OVERVIEW

REFRACTIVE VISION CORRECTION

Laser vision correction is a surgical procedure for correcting vision disorders such as nearsightedness, farsightedness and astigmatism using an excimer laser. This procedure uses ultraviolet laser energy to ablate, or remove, tissue from the cornea and sculpt the cornea into a predetermined shape. Because the excimer laser is a cold laser, it is possible to ablate precise amounts of corneal tissue without causing thermal damage to surrounding tissue. The goal of laser vision correction is to achieve patient vision levels that eliminate or significantly reduce a person's reliance on corrective eyewear. The first laser vision correction procedure on a human eye was conducted in 1985 and the first human eye was treated with the excimer laser in the U.S. in 1987.

There are currently two principal methods for performing laser vision correction with excimer laser systems: PRK and LASIK.

Photorefractive Keratectomy (PRK)

In PRK, the refractive surgeon prepares the eye by gently removing the surface layer of the cornea called the epithelium. The surgeon then applies the excimer laser beam, reshaping the curvature of the cornea. Following PRK, a patient typically experiences blurred vision and discomfort until the epithelium heals. It generally takes one month, but may take up to six months, for the full benefit of PRK to be realized. PRK has been used commercially since 1988.

Laser in-situ Keratomileusis (LASIK)

LASIK was commercially adopted internationally in 1994 and in the U.S. in 1996. Immediately prior to a LASIK procedure, the refractive surgeon uses a surgical instrument called a keratome to create a thin, hinged flap of corneal tissue. Patients do not feel or see the cutting of the corneal flap, which takes only a few seconds. The flap is folded back, the laser beam is directed to the exposed corneal surface, the flap is placed back and the flap and interface are rinsed with buffered saline solution. Once the procedure is completed, surgeons generally wait two to three minutes to ensure the corneal flap has fully re-adhered. At this point, patients can blink normally and the corneal flap remains secured in position by the natural suction within the cornea. Since the surface layer of the cornea remains intact during LASIK, the patient experiences virtually no discomfort. The LASIK procedure often results in a higher degree of patient satisfaction due to an immediate improvement in visual acuity and generally involves less post-operative discomfort than PRK.

Laser Epithelial Keratomileusis (LASEK)

Laser refractive surgical procedures have undergone a transition from PRK to the LASIK procedure that has become the procedure of choice for most patients and surgeons. With the anticipated transition to custom ablations,

refractive surgeons have expressed concern over the possibility of induced refractive error related to the LASIK flap. A newly developed technique, LASEK, is now being considered as an alternative to LASIK when performing custom ablations. During the LASEK procedure a thin epithelial flap is formed using alcohol, the flap is lifted up and repositioned after photorefractive ablation. The LASEK procedure is said to result in less pain and discomfort than the PRK procedure. Healing and recovery of vision is slower than LASIK, but not as long as PRK.

Custom Ablation

Most laser system manufacturers are attempting to offer a custom ablation solution. Custom ablation is believed to offer higher quality clinical outcomes for patients due to the fact that a specific ablation profile is planned for each eye. Higher quality outcomes are expected to be a significant selling point with surgeons. Custom procedures typically involve gathering diagnostic data from the surfaces of the eye, converting the data into an individualized laser ablation plan based on the specific diagnostic data of each eye, and performing the refractive surgery based on the ablation plan. We believe small spot, high repetition rate scanning lasers are the best suited to perform custom ablation procedures.

REFRACTIVE VISION CORRECTION MARKET

The worldwide market for products and services to correct common refractive vision disorders such as nearsightedness, farsightedness and astigmatism is large and growing. Industry sources estimate that 50% of the U.S. population, or approximately 140 million people, presently wear eyeglasses or contact lenses. There are approximately 14,000 practicing ophthalmologists in the U.S., of whom approximately 4,000 reportedly perform refractive laser vision correction procedures on a regular basis.

Many, but not all, manufacturers of excimer laser systems seek to share in the anticipated growth in procedure volume by receiving a fee for each procedure performed by a refractive surgeon using laser systems manufactured by them. The per procedure fees charged by these manufacturers vary. See

"Business-Competition."

DEVELOPMENT OF EXCIMER LASER SYSTEM, DIAGNOSTIC AND KERATOME TECHNOLOGY

Excimer Laser Systems

The excimer laser systems utilized for laser vision correction have evolved over time with improvements in laser and beam delivery technology and the recent introduction of custom ablation. Until recently, broad beam laser systems, which were initially developed during the late 1980's, were the only systems approved by the FDA for commercial use in the U.S. As a result, broad beam laser systems were reported to represent over 90% of the installed laser systems in the U.S. in 1999. This market penetration has declined through 2003 where current reports represent that about 59% of the installed laser systems in the U.S. are broad beam laser systems. This downward trend appears to be continuing as the newer scanning laser systems obtain the broader range of treatment approvals originally held by the older broad beam systems.

Improvements in excimer laser technology during the early 1990's have made it possible to develop refractive excimer laser systems that have significantly narrower laser beams (less than one millimeter in diameter) that use reduced amounts of laser energy (10 mj) at higher pulse repetition rates (up to 300 Hz) to achieve corneal ablations. LaserSight was the leader in the development of precision microspot scanning technology and the first company to commercialize it. This new generation of narrow beam scanning excimer laser

systems incorporated scanning mirrors and computer control to shape the ablation profile, making it unnecessary to utilize mechanical elements to size and shape the laser beam to attain the desired results. Techniques incorporated into scanning laser technology, such as purposeful overlapping of laser pulses and random scanning patterns, can lead to overall improved clinical results as evidenced by smoother ablations, the elimination of corneal ridges and central islands, and the reduction in the incidence of glare, halos, loss or reduction of night vision and contrast sensitivity. Narrow beam scanning excimer laser systems are currently the most flexible laser vision correction platforms available as they can be adapted to expansions in treatment modalities and the incorporation of new technologies such as higher laser pulse repetition rate, active eye tracking and custom ablation through software and minor hardware upgrades.

Diagnostic and Custom Ablation Products

One of the most important tools ophthalmologists have at their disposal is corneal topography. With a corneal topographer the ophthalmologist can literally see the refractive problems that might be present in the cornea. Corneal topography is used not only for screening all patients before refractive surgery like LASIK, but also for fitting contacts, adjusting post-surgical corneal transplants, and diagnosing refractive disorders and diseases.

Of currently available technology, corneal topography provides the most detailed information about the curvature of the cornea. This information is useful to evaluate and correct astigmatism, monitor corneal disease, and detect irregularities in the corneal shape. This diagnostic procedure is essential for patients being considered for refractive vision correction procedures (such as LASIK) and may even be necessary in the follow-up of some patients who have undergone refractive surgical procedures.

Topography instruments have undergone significant changes in technology and functionality since they were first introduced. The technology has progressed from stationary placido-based topography in early generation topographers to scanning slit technology and now to the multi-camera-based technology in our AstraMax.

We believe our AstraMax diagnostic workstation is the next-generation topography instrument. The AstraMax uses a unique, patented three-video camera imaging system to achieve high-precision elevation measurements of the cornea. Utilizing a patented checkered polar grid and other proprietary features, the AstraMax obtains, in a single examination, a series of critical measurements of the cornea and eye including posterior and anterior corneal topography (elevation), thickness of the cornea (pachymetry) and the diameter of the pupil under conditions of both low lighting (scotopic) and normal lighting (photopic). The precision elevation measurements result in elevation maps of the highest available quality.

The custom treatments using our excimer laser system demonstrate efficacy, safety, predictability and stability, and such results have been published in peer-reviewed journals and presented at major ophthalmology venues throughout the world.

Keratomes

Keratomes used to cut the thin corneal flap during the LASIK procedure are similar in design to those used to perform earlier non-laser surgical refractive techniques such as automated lamellar keratoplasty ("ALK"). Over the last few years there have been numerous entrants into the keratome market, including most excimer laser manufacturing companies.

Advances in laser technology have made it possible to create the LASIK flap by utilizing a laser rather than the conventional keratome. In this technique, an infrared laser and special software are utilized to focally photodisrupt the cornea at a pre-programmed depth and position. The laser photodisrupts the corneal tissue at the predetermined depth forming plasma bubbles of water and carbon dioxide at that plane. These bubbles coalesce to create a separation that will become the stromal bed and flap interface. Finally, the laser cuts the edge of the flap circumferentially in a vertical direction from the depth of the interface up through the epithelium, leaving a hinge. We do not make or sell this technology. The Company terminated its keratomes product line in September of 2003.

RECENT DEVELOPMENTS

NASDAQ STOCK MARKET LISTING

Our common stock was listed on The NASDAQ National Market. Because of the lengthy period during which our common stock traded below $1.00 per share, it no longer met the listing requirements for the National Market, and on August 15, 2002, NASDAQ approved our application to transfer our listing to the Small Cap Market via an exception from the minimum bid price requirement. While we failed to meet this requirement as of February 10, 2003, we were granted a temporary exception from this standard subject to meeting certain conditions. The exception required that on or before April 15, 2003, we were to file a definitive proxy statement with the Securities and Exchange Commission evidencing our intent to seek shareholder approval for the implementation of a

reverse stock split. Other requirements included that, on or before May 30, 2003, we demonstrated a closing bid price of at least $1.00 per share and, immediately thereafter, a closing bid price of at least $1.00 per share for a minimum of ten consecutive trading days. In addition, we must have been able to demonstrate compliance with the following maintenance requirements for continued listing on the Small Cap Market:

- stockholders' equity of $2.5 million;
- at least 500,000 shares of common stock publicly held;
- market value of publicly held shares of at least $1.0 million;
- shareholders (round lot holders) of at least 300; and
- at least two registered and active market makers.

We asked for an extension to May 1, 2003 to file the definitive proxy statement. On April 25, 2003, we asked for a further extension, but because we did not timely meet the requirements, our request for an extension was denied. As a result, Listing Qualification Panel determined that our securities would be delisted from Small Cap Market effective April 30, 2003. Our common stock was then listed in the OTC Bulletin Board ("OTCBB"). The Company failed to file its second quarter SEC Form 10-Q due on August 14, 2003. The Company did file a Form 12b-25 on August 14, 2003 advising that the Company would not file the quarterly report timely. The Company plans on filing all past due SEC filings in March 2005.

LSI traded on the NASDAQ Small Cap Market through April 29, 2003 as LASE and LASEC (March 5, 2003 - April 29, 2003). On April 30, 2003, it commenced trading on OTCBB as LASE. The OTCBB symbol was changed on August 27, 2003 to LASEE due to the late filing status of the company. The Company commenced trading on the "Pink Sheets" on September 27, 2003 with the symbol LASEQ (Q indicates bankruptcy). This is a conditional listing due to the bankruptcy filing by the company. As mentioned above, the existing common and preferred shares, including options and warrants, were cancelled on June 30, 2004, pursuant to our re-organization plan. New common shares of 9,997,195 were issued on June 30, 2004 and commenced trading via the "Pink Sheets" under the symbol LRST.

The delisting of our common stock from the Nasdaq Small Cap Market will result in decreased liquidity of our outstanding shares of common stock (and a resulting inability of our stockholders to sell our common stock or obtain accurate quotations as to their market value), and, consequently, will reduce the price at which our shares trade. The delisting of our common stock may also deter broker-dealers from making a market in or otherwise generating interest in our common stock and may adversely affect our ability to attract investors in our common stock. Furthermore, our ability to raise additional capital may be severely impaired. As a result of these factors, the value of our common stock may decline significantly, and our stockholders may lose some or all of their investment in our common stock.

CHINA BACKGROUND

We have been in a continuous partnership with New Industries Investment Group ("NII"). Further background on China, and NII follows:

Shenzhen New Industries Medical Development Co., Ltd. ("NIMD") (previously defined on page 4) was founded and incorporated by the Medical Investment Department of its parent company, NII in the People's Republic of China in 1995. It specializes in marketing and distribution of LASIK surgery devices and equipment, as well as in investment and operation of LASIK clinical

centers in the Chinese market.

NIMD became the exclusive distributor in China for LaserSight in September of 2002. NIMD purchased more than $7.5 million 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 50 PRK/LASIK refractive surgery centers in joint ventures with the most prestigious hospitals and medical institutes in China as its strategic partners. NIMD is now the largest business in Mainland China in terms of its 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 NIIC, and NIIC's CEO). NIMD, with NIIC, is a pioneer in laser refractive surgery industry in China.

NII, NIMD and NIIC are collectively referred to as the China Group.

Product-Related Developments

Our LaserScan LSX and AstraScan excimer laser systems are based on patented precision microspot scanning technology rather than broad beam technology. Subject to satisfactorily addressing our serious liquidity and financing needs, we believe we are well-positioned to become a significant provider of excimer laser systems, diagnostic products and other related products as a result of our technology and the following recent developments:

- Reissuance of Scanning Patent. In January 2002, the U.S. Patent and Trademark Office reissued LaserSight's scanning patent U.S. Patent No. 5,520,679, (the "679 Scanning Patent") as U.S. Patent No. RE 37,504 (the "504 Scanning Patent"), thereby completing the reissue process. See "--Intellectual Property." See "License of Scanning Patent" below.

- License of Scanning Patent. During 2002, we licensed the `504 Scanning Patent on a non-exclusive basis to two other parties for total payments of $2.6 million in cash. One such agreement, with Alcon, also provides that LaserSight and Alcon will cooperate in the future enforcement of the patent and share in the funds generated by such future enforcement. See "Reissuance of Scanning Patent" above.

- Custom Ablation We commercially launched the AstraMax product during 2002. The AstraMax can be utilized as a stand-alone diagnostic unit or as part of our CustomEyes approach to custom ablation planning. We believe that the AstraMax integrated diagnostic workstation is the first product to integrate precision diagnostic measurements such as anterior corneal elevation, corneal thickness, and measurements of photopic and scotopic pupil size into a single instrument. The precision measurements from the AstraMax integrated workstation will be utilized in our AstraPro software for planning custom ablations. International clinical testing of our internally developed AstraPro planning software has been

completed for previously untreated eyes, and the product was released for international distribution in early 2003. Any custom ablation software will require both clinical trials and FDA approval prior to sale in the U.S. Currently, we do not have any on-going efforts pursuing US trials or approvals.

Products

Excimer Lasers

LaserSight was the first company to develop an advanced precision microspot scanning excimer laser system. The LaserScan LSX and AstraScan (for international use) excimer laser systems have evolved from the patented optical scanning system incorporated in the Compak-200 Mini-Excimer laser system, introduced internationally in 1994. Since the introduction of the Compak-200 laser system, we have offered several generations of our scanning laser, each incorporating enhancements and new features. We have sold our precision microspot scanning excimer laser systems in over 30 countries with an installed base of approximately 400 scanning laser systems. The AstraScan model incorporates the same precision microspot scanning features along with an advanced eye tracking system, improved lighting and a redesigned "delivery arm" on the laser to make the microscope and joystick more functional and allow for keratome placement. The AstraScan features will need FDA approval before they can be sold in the U.S. Currently, we do not have any on-going efforts pursuing US trials or approvals. Throughout the evolution of our precision microspot scanning excimer laser systems, the core concept of utilizing our proprietary precision microspot scanning software to ablate corneal tissue with a low energy, microspot laser beam at a rapid pulse repetition rate has remained the underlying basis for our technology platform.

In November 1999, the LaserScan LSX was approved by the FDA for sale in the U.S., and we began commercial shipments to U.S. customers in March 2000. In September 2001, our PMA Supplement for the LASIK treatment of myopia and myopia with astigmatism was approved by the FDA, thereby increasing the range of indications that can be treated in the U.S. using the LaserScan LSX. We believe that the "SFR" technology, described below, incorporated into our LaserScan LSX offers advantages over competitive scanning laser systems. We believe that the incorporation of the smallest spot size (S), the lowest laser fluence (F) and highest repetition rate (R), together with techniques like the patented purposeful overlapping of laser pulses and random scanning patterns used by our patented precision microspot scanning technology, can lead to smoother ablations, the elimination of surgical anomalies associated with broad beam laser systems such as rings, ridges and central islands, and reductions in the

incidence of glare, halos and loss of night vision. We also believe that our patented SFR technology is capable of providing the highest resolution and accuracy in corneal ablations needed for custom ablation treatments. The key benefits of our laser systems include the following:

- PRECISION MICROSPOT SCANNING LASER. The AstraScan uses patented precision microspot scanning to deliver a high resolution, 0.6 millimeter low-energy "flying spot," in a proprietary, randomized pattern. They are true precision-scanning software-controlled lasers that use a pair of galvanometer controlled mirrors to reflect and scan the laser beam directly onto the corneal surface, without the mechanical elements used by broad beam excimer laser systems.

- LOWER FLUENCE. The accuracy and resolution of ablations produced by a refractive laser system is directly related to its laser fluence. When low laser fluence is delivered in a smaller laser spot, the ability of a laser system to accurately produce a predetermined laser ablation pattern is increased. Our lasers operate with a fluence of 89 mj/cm2 and have a beam size of 0.6 to 0.8 mm. Many competitive laser systems operate with fluences up to 200 mj/ cm2 and have larger laser spots.

- HIGHER PULSE REPETITION RATE. Our lasers currently operate at a pulse repetition rate of 200 Hz. Many competitive laser systems currently operate at lower pulse repetitions, often 50 Hz or less.

- EYE TRACKING. Proper alignment of the refractive correction is important in all laser vision correction procedures, and is essential in order to perform custom ablations. Our advanced adaptive eye tracking system maintains alignment of the refractive correction relative to the visual axis of the eye. The LaserSight advanced adaptive eye tracker is a high speed, synchronous, "active" system that is capable of following even small, involuntary eye movements. Our advanced adaptive eye tracking system is currently available only on international versions of the AstraScan.

- FLEXIBLE PLATFORM. Custom ablations have resulted in increased patient satisfaction in international clinical use, and we believe the ability to perform custom ablations will generally result in improved visual quality, more predictable results and less post-operative regression relative to other refractive surgery techniques. We also believe that custom ablation will be the technique most preferred by refractive surgeons for correction of irregular astigmatism, decentered ablations and other surgically induced corneal irregularities. When programmed by custom ablation software tools like AstraPro, our laser is able to perform custom ablations.

- ADVANCED DESIGN AND ERGONOMICS. Our laser's relatively light weight and compact design allows it to fit into small spaces, and its wheels enable it to be easily moved around in a multi-surgeon practice.

DIAGNOSTIC AND CUSTOM ABLATION PRODUCTS

Our CustomEyes family of diagnostic instruments and custom ablation planning tools includes the AstraMax integrated diagnostic workstation and CIPTA and AstraPro custom ablation planning software.

ASTRAMAX. The AstraMax is an integrated diagnostic workstation that obtains precision diagnostic measurements such as corneal elevation, corneal thickness, and measurements of photopic and scotopic pupil size. Prior to the AstraMax these measurements would have to be taken utilizing two or more

instruments. In addition to its value as a stand-alone system, the precision diagnostic measurements provided by the AstraMax integrated workstation will be utilized in our AstraPro software for planning custom ablations.

We believe the primary benefits of the AstraMax system include:

- Multiple Cameras - The AstraMax has three cameras allowing for the truest rendering of corneal data to date. Three cameras capture corneal data with greater precision and accuracy. In laser vision correction, height and depth data are essential to perform an accurate laser surgery with reliable accurate results..

- Scotopic and Photopic Pupilometry - The AstraMax is the only topographer that offers a full range of measurements including scotopic and photopic pupil size. We believe the quality of the patient's vision is partly dependent on the size of the ablation zone equaling or exceeding the size of the scotopic pupil, something no other topographer measures.

The technology incorporated into our AstraMax integrated workstation is covered by six U.S. patents assigned to LaserSight, licenses to related technologies and a number of patent applications currently undergoing examination in the U.S. and internationally.

ASTRAPRO. We have completed the international product performance testing of our AstraPro custom ablation planning software, and it became commercially available in early 2003. We believe our CustomEyes approach to custom ablations will represent a new standard of eye care that goes beyond conventional laser vision correction by individualizing the laser treatment utilizing a patient-specific set of diagnostic criteria intended to correct both refractive error and optical aberrations.

For custom ablation treatments, the diagnostic data from the AstraMax will be exported to our AstraPro custom ablation planning software where the data will be used initially to plan custom ablation profiles intended to correct visual anomalies that may have been induced by prior refractive procedures and improve the overall quality of a patient's vision. LaserSight's approach to custom ablation is somewhat different from other competitors in that our focus has been on developing diagnostic and planning tools and techniques that improve the qualitative aspect of visual performance. Because wavefront devices have tended to focus on detecting and correcting for spherical aberrations that may be present in a patient's eye, correction of such visual defects addresses only visual acuity, or the quantitative aspect, of visual performance. Such treatments do not address the qualitative aspect of visual performance, or how well a patient is seeing under a variety of conditions.

Our approach to custom ablation treatment uses precise measurements of corneal elevation, corneal thickness and pupil size to plan a custom ablation intended to improve visual performance by post-operatively retaining the natural prolate shape of the patient's cornea.

KERATOME PRODUCTS

Our MicroShape family of keratome products was discontinued in September of 2003.

GROWTH STRATEGY

Our goal, subject to our ability to obtain adequate financing, is to become a significant provider of excimer laser systems, diagnostic and custom ablation products and other products for the refractive vision correction industry, focusing on China. We believe that our more than nine years of experience in the manufacture, sales and service of excimer laser systems, our significant penetration of international markets and the advanced technology of our laser systems diagnostic instruments, ablation planning software provide us with a strong platform for future growth as we continue to penetrate the international markets for refractive surgical lasers and instruments.

The following are the key elements of our growth strategy:

- EXPAND MARKET SHARE IN INTERNATIONAL EXCIMER LASER MARKET, MAINLY IN CHINA. We believe that our AstraScan precision microspot scanning excimer laser systems represent a significant technological advancement over the other scanning laser systems currently being marketed internationally, as our precision microspot scanning lasers can provide more precise corneal ablations, reduced visual side effects, enhanced visual acuity and shorter procedure times. . We also believe that the availability of AstraPro and AstraMax provides a custom ablation solution internationally that will improve our sales opportunities.

- ESTABLISH STRONG POSITION IN CUSTOM ABLATION MARKET. By combining the capabilities of our laser system with the AstraMax and AstraPro, we believe we will be in a position to benefit from a viable custom ablation package in the international market in the near future.

SALES AND MARKETING

We sell our excimer laser systems, diagnostic products, and related products through independent sales representatives and distributors. Since 1994, we have marketed our laser systems commercially in over 30 countries worldwide and currently have an installed base of approximately 400 scanning lasers, including over 200 of our LaserScan LSX laser systems.

EXCIMER LASER SYSTEMS

Following receipt of FDA approval of the LaserScan LSX in November 1999, we began to commercially market our excimer laser systems in the U.S. During 2002, we stopped laser sales efforts in the U.S. pending further FDA approvals.

Laser system sales in international markets are generally to hospitals, corporate centers or established and licensed ophthalmologists. Internationally we marketed our excimer laser systems in Canada, Europe, Asia, South and Central America, and the Middle East, with particular focus in China. We currently employ a sales manager who is responsible for sales in international markets, both directly and through our independent distributors and representatives within their respective territories.

All of our distributors and representatives were selected based on their experience and knowledge of their respective ophthalmic equipment market.

In addition, the selection of international distributors and representatives was also based on their ability to offer technical support. Distributor and representative agreements provided for either exclusive territories, with continuing exclusivity dependent upon achievement of mutually agreed levels of annual sales, or non-exclusive agreements without sales minimums. Our new China distributor was responsible for generating sales representing 86% of our consolidated revenues in 2003. We have a concentration of credit risk, with the majority of our sales to one customer.

In conjunction with our sales activities, we participate in a limited number of foreign ophthalmology meetings, exhibits and seminars.

DIAGNOSTIC AND CUSTOM ABLATION PRODUCTS

We currently employ one person responsible for the sales of our AstraMax products, in addition to our laser system China distributor. We plan to offer bundled packages including, for example, a laser system with an AstraMax.

KERATOME PRODUCTS

In 2001, all marketing and manufacturing arrangements with Becton Dickinson were ended. See "Risk Factors and Uncertainties--Industry and Competitive Risks--We cannot assure you that our keratome product will achieve market acceptance." Accordingly, we discontinued our keratomes product line in September of 2003.

MANUFACTURING

EXCIMER LASER SYSTEMS

Manufacturing Facilities. Our manufacturing operations primarily consist of assembly, inspection and testing of parts and system components to assure performance and quality. We acquire components of our laser system and assemble them into a complete unit from components that include both "off-the-shelf" materials and assemblies and key components that are produced by others to our design and specifications. We conduct a series of final system integration and acceptance tests prior to shipping a completed system. The proprietary computer software that operates the scanning system in our laser systems was developed internally.

During 2002, we consolidated all excimer laser system manufacturing operations in Winter Park, Florida and closed our manufacturing facility in San Jose, Costa Rica. In October 1996, we received certification under ISO 9002, an international system of quality assurance, for our manufacturing and quality assurance activities in Florida facility. Since that time we have maintained our ISO 9002 certification through a series of periodic surveillance audits and have also been certified at our facility to ISO 9001 quality system standards.

Availability of Components. We purchase the vast majority of components for our laser systems from commercial suppliers. These include both standard, "off-the-shelf" items, as well as components produced to our designs and specifications. While most components are acquired from single sources, we believe that in many cases there are multiple sources available to us in the

event a supplier is unable or unwilling to perform. Since we need an

uninterrupted supply of components to produce our laser systems, we are dependent upon these suppliers to provide us with a continuous supply of integral components and sub-assemblies. Our current production is focused on products for the China group. See "--Present Situation--China Transaction and Liquidity Issues."

We contracted with TUI Lasertechnik und Laserintegration GmbH, Munich, Germany, in 1996 to develop an improved performance laser head based on their innovative technology and our performance specification and laser lifetime requirements. We began to incorporate this new laser head into our products, notably the LaserScan LSX, in the fourth quarter of 1997. Currently, TUI is a single source for the laser heads used in the LaserScan LSX. Currently, SensoMotoric Instruments GmbH, Teltow, Germany, is a single source for the eye tracker boards used in the both the LaserScan LSX and the AstraScan. See "Concentration of Supplier Issues".

DIAGNOSTIC AND CUSTOM ABLATION PRODUCTS

Our AstraMax integrated diagnostic workstation is being manufactured in our Winter Park, Florida, manufacturing facility. These manufacturing operations also primarily consist of assembly, inspection and testing of parts and system components to assure performance and quality. We acquire components of the AstraMax and assemble them into a complete unit from components that include both "off-the-shelf" materials and assemblies and components that are produced by others to our design and specifications. We conduct a series of final system integration and acceptance tests prior to shipping a completed system. The proprietary computer software that operates the diagnostic workstation was developed and is maintained internally.

The AstraPro software was distributed from Winter Park, Florida beginning in early 2003. The CIPTA software that is being distributed under an agreement with Ligi Technologie Medicali, Taranto, Italy, was developed by that company. Any custom ablation software will require clinical trials and FDA approval prior to sale in the U.S.

COMPETITION

EXCIMER LASER SYSTEMS

The vision correction industry is subject to intense, increasing competition. We operate in this highly competitive environment that has numerous well-established U.S. and foreign companies with substantial market shares, as well as smaller companies. Many of our competitors are substantially larger, better financed, better known, and have existing products and distribution systems in the U.S. marketplace.

We believe competition in the excimer laser system market is primarily based on product reliability, safety and effectiveness, technology, price, regulatory approvals, operating costs, warranty coverage and customer service capabilities. We believe that safety and effectiveness, technology, price, dependability, warranty coverage and customer service capabilities are among the most significant competitive factors, and we believe that we compete favorably with respect to these factors.

Currently, six manufacturers, VISX, Alcon, Nidek, Bausch & Lomb, WaveLight and LaserSight, have excimer laser systems with the required FDA approval to commercially sell the systems in the U.S. At present, the laser systems manufactured by our competitors in the U.S. market have FDA approval to perform a wider range of treatments than our laser system, including higher degrees of nearsightedness and in the case of VISX and Alcon, farsightedness. While regulatory approvals play a significant role with respect to the U.S.

market, competition from new entrants may be prevalent in other countries where regulatory barriers are lower.

In addition to conventional vision correction treatments such as eyeglasses and contact lenses, we also compete against other surgical alternatives for correcting refractive vision disorders such as surgically implantable rings, which have received FDA approval, as well as implantable intraocular lenses, a holmium laser system and a conductive keratoplasty system (using radio frequency waves), both developed for the treatment of farsightedness, which have also been approved by the FDA.

DIAGNOSTIC AND CUSTOM ABLATION PRODUCTS

The topography market is segmented into higher priced (Bausch & Lomb's Orbscan) and lower priced markets (manufactured by Humphrey, Tomey and others). We are primarily competing against the Orbscan. Our AstraMax instrument also competes against another class of instruments based on wavefront technology for use in planning custom ablation treatments. The target market for higher-priced topographers is refractive surgeons, general ophthalmologists and optometrists. Sales for the AstraMax have been targeted mostly to refractive surgeons. The market has shown acceptance of new technology, and is being fueled by the need to obtain more accurate corneal height data in an effort to provide consistent and accurate results in LASIK surgery as well as screen out poor candidates for the procedure.

We believe the AstraMax competes well against the features offered by the Orbscan and provides the additional benefits described earlier that should position the AstraMax as the next generation in corneal topography.

KERATOME PRODUCTS

The Company discontinued its keratomes product line in September of 2003.

INTELLECTUAL PROPERTY

There are a number of U.S. and foreign patents or patent rights relating to the broad categories of laser devices, use of laser devices in refractive surgical procedures, and delivery systems for using laser devices in refractive surgical procedures. We maintain a portfolio of what we believe to be strategically important patents, patent applications, and licenses. Our patents, patent applications and licenses generally relate to the following areas of technology: UV and infrared-wavelength laser ablation for refractive surgery, our precision microspot laser scanning system, harmonic conversion techniques for solid state lasers, calibration of refractive lasers, eye tracking, treatment of glaucoma and other retinal abnormalities, keratometer design, enhanced techniques for corneal topography, techniques for treatment of nearsightedness and farsightedness, techniques to optimize clinical outcomes of refractive procedures, and keratome design. We monitor intellectual property rights in our industry on an ongoing basis and take action, as we deem appropriate, including protecting our intellectual property rights and securing additional patent or license rights.

Among the more significant of our intellectual properties are our `504 Scanning Patent, solid-state laser-related, and keratometer patents. In May

1996, we were granted the original '679 Scanning Patent relating to an ophthalmic surgery method utilizing a non-contact scanning laser. In 1998 we petitioned the U.S. Patent and Trademark Office for reissue of this patent, and in January 2002 the U.S. Patent and Trademark Office reissued the `679 Scanning

Patent as the `504 Scanning Patent. Prior to reissue, the original '679 Scanning Patent included one independent claim and 23 total claims. The reissue application added nine new independent claims, and a total of 67 additional claims to better encompass the breadth of technology to which we are entitled. The 23 original claims remain essentially unchanged. The fundamental teachings of the original '679 Scanning Patent cover a refractive laser system using an excimer laser with low energy and a high laser pulse repetition rate to ablate corneal tissue with small pulses delivered to the corneal surface in an overlapping pattern. Through the reissue process, we were able to broaden several elements of the `679 Scanning Patent's original claims by removing certain restrictive elements. In 2001 and 2002, we received a total of $7.6 million in licensing fees for the `504 Scanning Patent; no monies were received in 2003.

Our U.S. Patent No. 5,144,630 relates to a solid-state laser operating at multi-wavelengths using harmonic frequency conversion techniques. This is the technology incorporated into our developmental solid-state system that can produce both infrared and ultraviolet wavelengths.

Two of our U.S. patents, No. 5,847,804 and No. 5,953,100, cover a multi-camera corneal analysis system that is the underlying technology for our AstraMax diagnostic workstation. This state-of-the-art multi-camera (stereo) technology provides the precise corneal height measurements that will be critical for the planning of custom ablation treatments when these treatments are commercially available.

In January 2003, we received U.S. Patent No. 6,505,936, our first U.S. Patent related to the AstraPro custom ablation planning and programming software.

A number of our competitors, including VISX and Alcon, have asserted broad intellectual property rights in technology related to excimer laser systems and related products, and intellectual property lawsuits are sometimes a competitive factor in our industry. We believe that we own or have a license to all intellectual property necessary for commercialization of our products.

Patent Segment. Prior to 2001, we generated royalty income pursuant to license agreements with respect to certain of our intellectual property rights, primarily the Blum Patent and related license agreements we acquired from International Business Machines Corporation (IBM) in August 1997. These patents (IBM Patents), the Blum Patent and U.S. Patent No. 4,925,523 (Braren Patent) relate to the use of ultraviolet light for the removal of organic tissue and may be used in laser vision correction, as well as for non-ophthalmic applications, and are the fundamental blocking patents that underlie the technology of ultraviolet laser refractive surgery. Under the license agreements with VISX and Alcon that we acquired from IBM, VISX and Alcon were each obligated to pay a royalty to us on all excimer laser systems they manufacture, sell or lease in the U.S., excluding those systems manufactured in the U.S. and sold into a country where a foreign counterpart to the IBM Patents exists.

We purchased the Blum and Braren patents from IBM in August 1997 for

$14.9 million. Shortly thereafter, we granted an exclusive paid-up license in the cardiovascular field in exchange for a payment of $4.0 million. In February 1998, we entered into an agreement with Nidek pursuant to which we retained all of the IBM Patent rights within the U.S. and sold to Nidek, for $7.5 million, the foreign counterparts to those patents. We also granted Nidek a non-exclusive license to utilize the IBM Patents in the U.S. In addition, Nidek granted us an exclusive license to the foreign counterparts to the IBM Patents in the non-ophthalmic, non-vascular and non-cardiovascular fields. From our 1997 purchase of the IBM Patents until March 2001,we realized over $5.0 million in royalty revenues from licenses to the patent.

In March 2001, we entered into a business arrangement with Alcon regarding the Blum Patent. As part of the arrangement, we sold the Blum Patent to Alcon for $6.5 million and assigned to Alcon certain licenses to the Blum Patent. We retained a non-exclusive royalty free license under the Blum Patent and at the time retained the license to the Blum Patent that was granted to VISX. LaserSight and Alcon will share in royalties received from any future licenses of the Blum Patent and we will also receive a portion of any recovery from parties found to be infringing the Blum Patent. Including the transaction with Alcon, we will have received a total of approximately $24.0 million from the Blum Patent and will continue to benefit from a royalty free license in the U.S.

In May 2001 as part of our Settlement and License Agreement with VISX we sold them a fully paid-up license to the Blum Patent.

Other Intellectual Property. We believe that our other intellectual property rights are valuable assets of our business. For example, our U.S. Patent Nos. 5,841,511 and 6,213,605 cover the checkered polar grid utilized in our AstraMax diagnostic workstation, and our U.S. Patent Nos. 6,234,631 and 6,428,168 cover the combination of advanced corneal topography and wavefront aberration measurement into a single instrument and relate to future plans for our AstraMax diagnostic workstation. We entered into an agreement with a subsidiary of TLC in October 1998 that grants us an exclusive license under U.S. Patent No. 5,630,810 (TLC Patent) relating to a treatment method for preventing the formation of central islands during laser surgery. Central islands are a problem generally associated with laser refractive surgery performed with broad beam laser systems used to ablate corneal tissue. We have agreed to pay TLC for the term of the exclusive license 20% of the aggregate net royalties we receive in the future from licensing the TLC patent and other patents currently owned by us. We owe TLC 20% of the net proceeds of this license, or approximately $0.8 million. The amount was offset against a laser receivable owed to us by TLC. The TLC exclusive license was eliminated in bankruptcy in 2004.

THE EXTENT OF PROTECTION THAT MAY BE AFFORDED TO US BY OUR PATENTS, OR WHETHER ANY CLAIM EMBODIED IN OUR PATENTS WILL BE CHALLENGED OR FOUND TO BE INVALID OR UNENFORCEABLE, CANNOT BE DETERMINED AT THIS TIME. OUR PATENTS AND OTHER PENDING APPLICATIONS MAY NOT AFFORD A SIGNIFICANT ADVANTAGE OR PRODUCT PROTECTION TO US.

We maintain an internal program that encourages development of patentable ideas. As of December 31, 2003, we have approximately five U.S. patent applications undergoing prosecution at the U.S. Patent and Trademark Office and a number of counterparts to these applications filed internationally. Our patent applications generally relate to the use of laser devices in refractive surgical procedures, delivery systems and other technology related to the use of laser devices in refractive surgical procedures, diagnostic devices

for eye measurements.

In the U.S., our trademarks include LaserSight(R), LaserSight Technologies, Inc.(R), LSX(R), LaserScan LSX(R), MicroShape(R), UltraShaper(R), UltraEdge(R), UniShaper(R) AstraPro(R), AstraMax(R) and AccuTrack(R).

REGULATION

MEDICAL DEVICE REGULATION

The FDA regulates the manufacture, use and distribution of medical devices in the U.S. Our products are regulated as medical devices by the FDA under the Federal Food, Drug, and Cosmetic Act. In order to sell such medical devices in the U.S., a company must file a 510(k) premarket notice or obtain

premarket approval after filing a PMA application. Noncompliance with applicable FDA regulatory requirements can result in one or more of the following:

- fines;
- injunctions;
- civil penalties;
- recall or seizure of products;
- total or partial suspension of production;
- denial or withdrawal of premarket clearance or approval of devices;
- exclusion from government contracts; and
- criminal prosecution.

Medical devices are classified by the FDA as Class I, Class II or Class III based upon the level of risk presented by the device and whether the device is substantially equivalent to an already legally marketed Class I or II device. Class III devices are subject to the most stringent regulatory review and cannot be marketed in the U.S. until the FDA approves a PMA for the device.

Class III Devices. A PMA application must be filed if a proposed device is not substantially equivalent to a legally marketed Class I or Class II device, or if it is a Class III device for which the FDA requires PMAs. The process of obtaining approval of a PMA application is lengthy, expensive and uncertain. It may require the submission of extensive clinical data and supporting information to the FDA. Human clinical studies may be conducted only under an FDA-approved protocol and must be conducted in accordance with FDA regulations. In addition to the results of clinical trials, the PMA application includes other information relevant to the safety and efficacy of the device; a description of the facilities and controls used in the manufacturing of the device, and proposed labeling. After the FDA accepts a PMA application for filing and reviews the application, a public meeting may be held before an FDA advisory panel comprised of experts in the field.

After the PMA is reviewed and discussed, the panel issues a favorable or unfavorable recommendation to the FDA. Although the FDA is not bound by the panel's recommendations, it historically has given them significant weight. If the FDA's evaluation of the PMA application is favorable, the FDA typically issues an "approvable letter" requiring the applicant's agreement to comply with specific conditions (such as specific labeling language) or to supply specific additional data (such as post-approval patient follow-up data) or other information in order to secure final approval. Once the approvable letter is

satisfied, the FDA will issue approval for certain indications that may be more limited than those originally sought by the manufacturer. The PMA approval can include post-approval conditions that the FDA believes necessary to ensure the safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale and distribution. Failure to comply with the conditions of approval can result in enforcement action, including withdrawal of the approval. Products manufactured and distributed pursuant to a PMA will be subject to extensive, ongoing regulation by the FDA. The FDA review of a PMA application generally takes one to two years from the date such application is accepted for filing but may take significantly longer. The review time is often significantly extended by FDA requests for additional information, including additional clinical trials or clarification of information previously provided.

Modifications to a device subject to a PMA generally require approval by the FDA of PMA supplements or new PMAs. We believe that our excimer laser systems require a PMA or a PMA supplement for each of the surgical procedures that they are intended to perform. The FDA may grant a PMA with respect to a

particular procedure only when it is satisfied that the use of the device for that particular procedure is safe and effective. In granting a PMA, the FDA may restrict the types of patients who may be treated and the ranges of treatment.

FDA regulations authorize any interested person to petition for administrative review of the FDA's decision to approve a PMA application. Challenges to an FDA approval have been rare. We are not aware that any challenge has been asserted against us and do not believe any PMA application has ever been revoked by the agency based on such a challenge.

The QSR/GMP ("Quality System Regulations", "Good Manufacturing Processes") regulations impose certain procedural and documentation requirements upon us with respect to our manufacturing, design controls and quality assurance activities. Our facilities will be subject to ongoing inspections by the FDA, and compliance with QSR/GMP regulations is required for us to continue marketing our laser products in the U.S. In addition, our suppliers of significant components or sub-assemblies must meet quality requirements established and monitored by LaserSight, and some may also be subject to FDA regulation.

During 1994, we began the clinical studies required for approval and commercialization of our laser scanning system in the U.S. In April 1998, we filed a PMA application for PRK treatment of nearsightedness using our scanning laser system. We received notification from the FDA that our laser system had received PMA approval for PRK treatment of low to moderate nearsightedness in November 1999.

We also began a clinical trial of our scanning laser system for LASIK treatment of nearsightedness and nearsightedness astigmatism in Canada in late 1998 and received Device License Approval from the Canadian Medical Devices Bureau in mid-1999.

In September 2001, we received FDA approval for the LASIK treatment of myopia with and without astigmatism for correction of manifest spherical equivalent refractive error of up to -6 diopters with up to -4.5 diopters of astigmatism. We also received FDA approval to increase our laser pulse rate to 200 Hz.

In December 2002, we received FDA approval to increase our laser pulse rate from 200 Hz to 300 Hz.

Class I or II Devices. Devices deemed to pose relatively less risk are placed in either Class I or II, which requires the manufacturer to submit a 510(k) premarket notification, unless an exemption applies. The premarket notification must demonstrate that the proposed device is "substantially equivalent" to a "predicate device" that is either in Class I or II, or is a "pre-amendment" Class III device that was in commercial distribution before May 28, 1976, for which the FDA does not require PMA approval. Our AstraMax diagnostic workstation was classified by the FDA as Class I exempt, which does not require FDA market clearance.

After the FDA has issued a determination of equivalency for a device, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) notice. The FDA requires each manufacturer to make this determination in the first instance, but the FDA can review any such decision. If the FDA disagrees with a manufacturer's decision not to submit a new 510(k), the agency may retroactively require the manufacturer to submit a premarket notification. The FDA also can require the manufacturer to cease marketing and/or recall the

modified device until receipt of the necessary 510(k).

Other Regulatory Requirements. Labeling and promotional activities are subject to scrutiny by the FDA and by the Federal Trade Commission. Current FDA enforcement policy prohibits manufacturers from marketing and advertising their approved medical devices for unapproved or off-label uses. The scope of this prohibition has been the subject of litigation. The only materials related to unapproved devices that may be disseminated by companies are peer-reviewed articles. Our lasers are also subject to the Radiation Control for Health and Safety Act administered by the Center for Devices and Radiological Health of the FDA. The law requires laser manufacturers to file new product and annual reports and to maintain quality control, product testing and sales records. In addition, laser manufacturers must incorporate specified design and operating features in lasers sold to end-users and comply with labeling and certification requirements. Various warning labels must be affixed to the laser depending on the class of the product under the performance standard. The manufacture, sale and use of our products is also subject to numerous federal, state and local government laws and regulations relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances.

International Regulatory Requirements. The manufacture, sale and use of our products are also subject to regulation in countries other than the U.S. During November 1996 we completed all requirements necessary to obtain authority to apply the CE Mark to our LaserScan 2000 System, an earlier generation of excimer laser system we sold in international markets. In September 1998, we received similar certification to apply the CE Mark to our LaserScan LSX excimer laser system. In June 2002, the AstraMax was CE Marked. The CE Mark, certifying that the LaserScan Models 2000, LaserScan LSX and AstraMax meet all requirements of the European Community's medical directives, provides our products with marketing access in all member countries of the EU. All countries in the EU require the CE Mark certification of compliance with the EU Medical Directives as the standard for regulatory approval for sale of excimer laser systems.

The EU Medical Directives include requirements under EU laws regarding the placement of various categories of medical devices on the EU market. This includes a "directive" that an approved "Notified Body" will review technical and medical requirements for a particular device. All clinical testing of medical devices in the EU must be done under the Declaration of Helsinki, which means that companies must have ethics committee approval prior to commencement of testing, must obtain informed consent from each patient tested, and the studies must be monitored and audited. Patient records must be maintained for 15 years. Companies must also comply with the Medical Device Vigilance reporting requirements. In obtaining the CE Mark for our excimer laser system, we demonstrated that we satisfied all engineering and electro-mechanical requirements of the EU by having our manufacturing processes and controls evaluated by a Notified Body (Semko) for compliance with EN46001, ISO 9002 and ISO 9001 requirements, and conducted a clinical study in France to confirm the safety and efficacy of the excimer laser system on patients.

Research and Development

We continue, on a limited basis, to research and develop new laser products, laser systems, product upgrades enhancements, and ancillary product lines. In March 2000, we acquired the intellectual property that we have developed into the AstraMax that was commercialized during the second quarter of 2002. We believe the AstraMax has assisted us in developing our custom ablation treatment plan capabilities.

While the risk of failure of these specific activities may be significant, we believe that if developed, these products could provide us with a leading edge technology that would further differentiate our products from other companies in the industry. There is no assurance that any of these research and development efforts will be successful.

Employees

As of December 31, 2003, we had 23 full-time employees. All of the employees are located in Winter Park, Florida. Eleven are in manufacturing, three are in engineering, four are in customer service/sales and five are in administration. None of our employees is a member of a labor union or subject to a collective bargaining agreement. LaserSight generally considers its employee relations to be good. We plan on adding field service staff during 2004 and occasionally use independent contractors in this area.

Item 2. Properties

Our principal offices, including executive offices and administrative, marketing and laboratory facilities, and manufacturing facilities are located in approximately 15,600 square feet of space that we have leased in Winter Park, Florida. The lease expires January 31, 2006. Monthly lease payments are $15,116 and the Company is also responsible for taxes. In our opinion, the property used in our operations is generally in good condition and is adequate for the purposes for which we utilize them.

Item 3. Legal Proceedings

Jarstad. In January 2002, a customer filed a lawsuit in the Superior Court of the State of Washington in and for the County of King. The lawsuit was subsequently remanded to federal court. The lawsuit names LaserSight

Technologies and an unaffiliated finance company as defendants. The lawsuit alleged various claims related to LaserSight Technologies' sale of a laser system to the plaintiff including breach of contract, breach of express warranty, breach of implied warranty, fraudulent inducement, negligent misrepresentation, unjust enrichment, violation of the consumer protection act and product liability. Plaintiffs requested damages to be determined at trial, reimbursement for leasing fees, prejudgment and post-judgment interest, attorneys' fees and costs and other equitable relief. In this matter, a settlement agreement has been signed by the parties. The terms of the settlement did not require us to make any cash payments. We agreed to service and calibrate the plaintiff's laser as well as provide certain software and equipment upgrades at either no cost to plaintiff or at prices that were negotiated in connection with the settlement, if and when such upgrades are available in the U.S.

Distributors. In October 2001, three entities that previously served as distributors for LaserSight's excimer laser system in the United States, Balance, Inc. d/b/a Bal-Tech Medical, Sun Medical, Inc. and Surgical Lasers, Inc., filed a lawsuit in the Circuit Court of the Ninth Judicial Circuit, Orange County, Florida. The lawsuit named LaserSight Technologies, Mr. Michael Farris, former Chief Executive Officer, and James Spivey, LaserSight Technologies' former Vice President of Sales, as defendants. The lawsuit alleged various claims related to LaserSight Technologies termination of the distribution arrangements with the plaintiffs including breach of contract, breach of the covenant of good faith and fair dealing, tortuous interference with business relationships, fraudulent misrepresentation, conversion and unjust enrichment. Plaintiffs requested actual damages in excess of $5.0 million, punitive damages, prejudgment interest, attorneys' fees and costs and other equitable relief. We filed a motion to dismiss that was denied. We then filed an answer and counterclaim. The plaintiffs had answered the counterclaim and had moved to strike some of our affirmative defenses, and we had moved to strike portions of

the plaintiff's answer. To date, limited discovery had occurred. In March 2003, one of the three entities agreed to dismiss their claims with prejudice. Management believed that LaserSight Technologies had satisfied its obligations under the distribution agreements, and that the allegations against LaserSight Technologies, Mr. Farris and Mr. Spivey were without merit. As a result of the September 2003 Chapter 11 petition, and subsequent re-structuring, claims such as these have been resolved with the issuance of a portion of the 9,997,195 new common shares.

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.

VISX, Incorporated. On May 25, 2001, LaserSight settled the patent infringement action filed by VISX against LaserSight in November 1999 in the United States District Court for the District of Delaware. In connection with the resolution of this litigation LaserSight and VISX entered into a Settlement and License Agreement pursuant to which LaserSight received a license to patents held by VISX that related to refractive excimer lasers, including United States Patents Nos. 4,718,418 and B1 5,108,388 and agreed to pay a royalty for each procedure performed in the United States using a LaserSight refractive laser. As part of the agreement, VISX purchased a fully paid up license to U.S. Patent No. 4,784,135 (the Blum Patent). The amount of the royalty that we are required to pay VISX and the amount that VISX paid us for the fully paid-up license to the Blum Patent are confidential. A copy of the Settlement and License Agreement has been filed as Exhibit 10.62 to our Form 10-Q for the period ended June 30, 2001. The parties filed a stipulated order dismissing the patent infringement action on June 1, 2001.

Former Shareholder of MRF (d/b/a TFG). On May 14, 2001, a motion for summary judgment was granted in favor of Michael R. Farris, former Chief Executive Officer, in connection with a lawsuit that was filed on November 12, 1999 in the U.S. District Court for the Eastern District of Missouri on behalf of a former shareholder of TFG, a wholly owned subsidiary of LaserSight. The lawsuit named Mr. Farris, LaserSight's former chief executive officer, as the sole defendant and alleged fraud and breach of fiduciary duty by Mr. Farris in connection with the redemption by TFG of the former shareholder's capital stock in TFG. At the time of the redemption, which redemption occurred prior to LaserSight's acquisition of TFG, Mr. Farris was the president and chief executive officer of TFG. LaserSight's Board of Directors authorized LaserSight to retain and, to the fullest extent permitted by the Delaware General Corporation Law, pay the fees of counsel to defend Mr. Farris, TFG and LaserSight in the litigation so long as a court had not determined that Mr. Farris failed to act in good faith and in a manner Mr. Farris reasonably believed to be in the best interest of TFG at the time of the redemption. The plaintiff appealed the U.S. District Court's order granting summary judgment in favor of Mr. Farris to the United States Court of Appeals for the 8th Circuit. The appeal was heard in January 2002; on March 13, 2002 the 8th Circuit reversed the District Court with respect to the starting date of the statute of limitations related to an allegation of fraud committed by a fiduciary. We had

agreed to the terms of a settlement with the plaintiff. The terms of the settlement require three payments totaling $140,000. The first payment of $50,000 was paid in October 2002, the second payment of $45,000 was due in September 2003, and the third payment of $45,000 was due in March 2004. All of the payments are to be made without interest unless there were to be a default in payment in which event interest would accrue at 9%. During 2002, we recorded settlement expense of $140,000 related to this settlement. This creditor did not file a proof of claim in the bankruptcy case and accordingly the claim was discharged in bankruptcy.

Lambda Physik, Inc. On January 20, 2000, a lawsuit was filed in the Circuit Court of Broward County, Florida on behalf of Lambda Physik, Inc. ("Lambda") against LaserSight. The action alleged that we breached an agreement we entered into with Lambda for the purchase of lasers from Lambda. Lambda requested approximately $1.9 million in damages, plus interest, costs and attorney's fees. After no activity for over a year, the plaintiff filed a motion in July 2002 to have the court set a trial date, which they set for December

2002. Subsequently, the plaintiff filed a motion for continuance of the trial to allow the parties an opportunity to settle the dispute. In October 2002, the court entered an order continuing the trial and would reschedule only upon the filing of a new notice for trial by either party. We believe that the allegations made by the plaintiff are without merit. Management believes that we have satisfied our obligations under the agreement and that this action will not have material adverse effect on our financial condition or results from operations. This action was eliminated in bankruptcy confirmation.

Kremer. On November 16, 2000, a lawsuit was filed in the United States District Court for the Eastern District of Pennsylvania on behalf of Frederic B. Kremer, M.D. and Eyes of the Future, P.C. The action alleged that LaserSight was in breach of certain terms and conditions of an agreement it entered into with Dr. Kremer relating to LaserSight's purchase of a patent from Dr. Kremer. Dr. Kremer requested equitable relief in the form of a declaratory judgment as well as damages in excess of $1.6 million, plus interest, costs and attorney's fees. The parties reached a verbal agreement to have this case dismissed without prejudice and agreed not to commence any proceedings for 180 days after entry of the order of dismissal for any claim or cause of action that had been or could have been asserted in this matter. A stipulated order of dismissal was prepared but was filed. The parties agreed to postpone discovery and attempted to agree on the final form of a settlement. The terms of the settlement agreement, as currently contemplated, do not require us to make any cash payments. LaserSight believes that the allegations made by the plaintiff were without merit. Management believes that LaserSight has satisfied its obligations under the agreement and that this action will not have material adverse effect on our financial condition or results from operations. This action was eliminated in bankruptcy.

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.

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

None

PART II

Item 5. Market for Company's Common Equity and Related Stockholder Matters

Our common stock traded on The NASDAQ Stock Market(R) under the symbol LASEC until April 29, 2003. This was a conditional listing on the NASDAQ SmallCap Market where the fifth character "C" was appended to LaserSight's symbol. Effective with the open of business on March 5, 2003, the trading symbol for LaserSight's securities was changed from LASE to LASEC. On April 30, 2003 the common stock was delisted by NASDAQ and commenced trading on OTC Bulletin Board as LASE. This OTCBB symbol was changed on August 27, 2003 to LASEE due to the late filing status of the Company. The Company was dropped from the OTCBB and commenced trading on the "Pink Sheets" on September 27, 2003 with the symbol LASEQ ("Q" indicates bankruptcy). As mentioned previously, the existing outstanding common and preferred shares, including options and warrants, were cancelled by action of the US Bankruptcy Court on June 30, 2004. New common

shares of 9,997,195 were issued on June 30, 2004 and commenced trading via the "Pink Sheets" under the symbol LRST. The following table sets forth, for the fiscal quarters indicated, the high and low sale prices for our common stock on the various markets indicated above.

2002:	High	Low
First Quarter	$0.81	$0.45
Second Quarter	0.63	0.07
Third Quarter	0.44	0.04
Fourth Quarter.....	0.33	0.16
2003:		
First Quarter	0.29	0.04
Second Quarter	0.29	0.07
Third Quarter	0.29	0.01
Fourth Quarter.....	0.16	0.001

On June 30, 2004, the closing sale price for our common stock on the "Pink Sheets" was $0.01 per share. As of June 30, 2004, LaserSight had 9,997,195 shares of common stock outstanding held by approximately 500 stockholders of record and, to our knowledge, approximately 3,000 total stockholders, including stockholders of record and stockholders in "street name." Of these 9,997,195 shares approximately 1,134,000 shares representing approximately 350 creditors' shares were yet to be issued pending final bankruptcy court allocation.

We have never declared or paid any cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. Our current policy is to retain all available funds and any future earnings to provide funds for the operation and expansion of our business. Any determination in the future to pay dividends will depend upon our financial condition, capital requirements, results of operations and other factors deemed relevant by our board of directors, including any contractual or statutory restrictions on our ability to pay dividends.

Possible Dilutive Issuances of Common Stock

Each of the following issuances of common stock may depress the market price of the common stock. See "Management's Discussion and Analysis - Risk Factors and Uncertainties - Common Stock Risks--The Significant Number of Shares Eligible for Future Sale and Dilutive Stock Issuances may Adversely Affect Our Stock Price." All warrants and options outstanding prior to filing Chapter 11 were cancelled on June 30, 2004.

GE Warrants. In connection with our March 2001 loan agreement with GE Healthcare Financial Services, Inc., as successor-in-interest to Heller Healthcare Finance, Inc. ("GE"), we issued GE warrants to purchase a total of 243,750 shares of common stock at an exercise price of $3.15 per share. The warrants expired in March 2004. In connection our with August 2004 Amended loan Agreement with GE, we issued GE warrants to purchase a total of 100,000 shares of common stock at an exercise price of $ 0.25 per share, or $0.40 per share if the remaining $ 1 million of DIP financing is converted to common stock. The warrant expires June 30, 2008.

China Transaction. In connection with our bankruptcy re-structuring, NIIC will initially control 7,210,000 or 72% of the newly issued 9,997,195 common shares. Under certain circumstances their control could increase to approximately 74% with the conversion of $1 million DIP Financing to 2,500,000 common shares.

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein. The summary financial information as of and for each of the years in the five-year period ended December 31, 2003 is derived from our consolidated financial statements for such years.

(In thousands, except for per share amounts)

	2003	2002	2001	2000	1999
Net sales	$6,437	$10,502	$17,419	$33,697	$21,374
Gross profit (loss)	(715)	4,753	10,034	18,892	11,753
Loss from operations	(23,530)	(13,258)	(22,761)	(21,922)	(14,390)
Loss from continuing operations	(23,516)	(13,569)	(22,663)	(21,021)	(13,712)
Net loss	(23,516)	(13,569)	(26,190)	(21,430)	(14,424)
Conversion discount on preferred stock	(1,582)	(354)	--	--	--
Dividends and accretion Of preferred stock	--	--	--	--	--
Loss attributable to common stockholders	(25,098)	(13,923)	(26,190)	(21,430)	(14,424)
Basic loss per common share	(0.90)	(0.51)	(1.04)	(1.02)	(0.89)
Diluted loss per share	(0.90)	(0.51)	(1.04)	(1.02)	(0.89)
Working capital	(14,761)	2,940	13,864	20,680	21,648
Total assets	4,975	23,108	36,310	51,876	49,379

Long-term obligations	750	--	2,926	110	100
Stockholders' equity (deficit)	(19,582)	3,898	15,472	37,335	39,578

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of LaserSight's consolidated results of operations and consolidated financial position should be read in conjunction with the Selected Consolidated Financial Data and LaserSight's consolidated financial statements, including the notes thereto, appearing elsewhere in this report. 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 auditors have indicated that our recurring losses from operations and net capital deficiency raises substantial doubt about our ability to continue as a going concern. Our auditors' reports included an explanatory paragraph regarding our ability to continue as a going concern because we have incurred significant losses and negative cash flows from operations for several years and our ability to raise or generate enough cash to survive is questionable. See "Liquidity and Capital Resources" and "Risk Factors and Uncertainties-We have experienced significant losses and operating cash flow deficits and we expect that operating cash flow deficits will continue and absent further financing or significant improvement in sales, potentially result in our inability to continue operations."

All references to years are to LaserSight's fiscal years ended December 31, 2003, 2002 and 2001, unless otherwise indicated.

Executive Summary

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 continued business operations as Debtor-in-possession. These claims are reflected in the December 31, 2003 balance sheet as "liabilities subject to compromise." 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 ("Heller") and GE Healthcare Financial Services, Inc., as successor-in-interest to Heller ("GE").

The company operated as a debtor-in-possession from September 5, 2003 through June 10, 2004 when a final bankruptcy order was obtained. As a result of the bankruptcy re-structuring, the company expects to record credits for debt forgiveness of approximately $15.6 million during the three months ended June 30, 2004. On April 28, 2004, the Plan was confirmed by the Bankruptcy Court. The effective date of the Plan was June 30, 2004.

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 treasuy 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.

On August 30, 2004, the Company signed a three year amended note with GE for $2,149,249. The note was effective June 30, 2004 and bears 9% interest. In the amendment, GE provided a waiver of the Company's failure to comply with all covenants. In exchange for the amendment and waiver, the Company will pay a $50,000 commitment fee, a $100,000 termination fee, attorney fees of $126,078 and an audit fee of $8,151. All fees were added to the principal balance. Revised covenants became effective that adjusted the minimum level of net worth to $750,000, minimum tangible net worth to $1.0 million and minimum quarterly net revenue to $1.0 million. GE was issued warrants to purchase 100,000 common shares, at $0.25 per share, or $0.40 per share if the China Group converts it's remaining $1 million of DIP financing.

The China Group provided $2 million of DIP financing, of which $750,000 was funded at December 31, 2003. On June 30, 2004, $1 million of the total was converted to 6,850,000 common shares. The remaining $1 million note bears interest of 9%, with interest only payments due monthly. It is a three year balloon note. The China Group has the option to convert the note to an additional 2,500,000 common shares. This note is subject to any GE liens on Company assets.

In June of 2004, as of 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

In June 2004, $8.4 million of accounts and notes receivable were written off against the allowance for doubtful accounts.

Overview

LaserSight's loss attributable to common stockholders for 2003 was $25,098,059, or $0.90 per basic and diluted common share, on net sales of $6,437,177 while the net loss for 2002 was $13,922,580, or $0.51 per basic and diluted common share, on net sales of $10,502,135. The net losses are primarily attributable to a decline in sales of our excimer laser systems, warranty charges and write offs of inventory and accounts receivable and notes receivable.

LaserSight is principally engaged in the manufacture and supply of microspot scanning excimer laser systems, software for custom ablation planning and programming, diagnostic products for precision measurements of the eye, 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 400 scanning laser systems outside the U.S., including over 200 of our LaserScan LSX laser systems.

China Transaction

In July 2002, the Company signed a non-binding letter of intent with a company based in the People's Republic of China that specializes in advanced medical treatment services, medical device distribution and medical project investment. Definitive agreements relating to the China transaction were executed on August 15, 2002, establishing a strategic relationship that included the commitment to purchase at least $10.0 million worth of our products during the 12-month period ending August 15, 2003, distribution of our products in mainland China, Hong Kong, Macao and Taiwan, and a $2.0 million investment in LaserSight. The investment was completed in October 2002 by issuance, in exchange for the $2.0 million payment, of Series H convertible preferred stock that, subject to certain restrictions, could be converted into 18,561,294 shares of our common stock and result in the purchaser holding approximately 40% of our common stock. The products purchased were paid by irrevocable letters of credit, confirmed by a U.S. bank and payable upon our shipment of products and presentation of shipping documents. The Company started shipping products under this agreement in August 2002. Through December 31, 2003, approximately $3.4 million worth of products were sold under these agreements. Our current product production and shipments are focused on satisfying our delivery requirements with respect to the China group. Additional production will depend on the future

availability of cash. A new agreement was signed with the China group in February 2004, where they agreed to purchase $12 million of lasers and products for the next twelve months. The new agreement allows for two one-year extensions. The Series H convertible preferred stock was converted into 360,000 shares of common stock on June 30, 2004. See Note 18 to the Notes to Consolidated Financial Statements.

For information regarding our export sales and operating revenues, operating profit (loss) and identifiable assets by industry segment, see Note 15 of the Notes to Consolidated Financial Statements.

Results of Operations

The following table sets forth, for the periods indicated, information derived from our consolidated statements of operations 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. The percentages presented below have been reclassified to include in results from operations the gain on the sale of patent and litigation settlement expenses.

	As a Percentage of Net Sales Year Ended December 31,			Percentage Increase Over Prior Peri Year Ended Decemb	
	2003	2002	2001	2002 to 2003	20
Statements of Operations Data:					
Net revenues:					
Refractive products	85.4%	89.5%	75.1%	(41.5)%	
Patent services	14.6	10.5	2.2	(14.8)	
Gain on sale of patent	--	--	22.7	--	
Net revenues	100.0	100.0	100.0	(38.7)	
Gross profit (1)	(11.1)	45.3	57.6	(115.0)	
Research, development and regulatory expenses (2)	5.5	12.6	18.8	(73.3)	

Other general and administrative Expenses	138.6	122.0	136.4	(30.4)	
Impairment of patents	63.7	--	--	--	
Selling-related expenses (3)	70.8	31.2	26.8	39.0	
Allowed warranty claims	72.1	--	--	--	
Amortization of intangibles	3.8	4.4	2.9	(46.4)	
Litigation settlement expense	--	1.3	3.4	--	
Loss from operations	(365.6)	(126.2)	(130.7)	79.4	

1. As a percentage of net revenues, the gross profit for refractive products only for each of the three years ended December 31, 2003, 2002 and 2001 was (30)%, 39% and 44%, respectively.

2. As a percentage of refractive product net revenues, research, development and regulatory expenses for each of the three years ended December 31, 2003, 2002 and 2001 was 6%, 14% and 25%, respectively.

3. As a percentage of refractive product net revenues, selling-related expenses for each of the three years ended December 31, 2003, 2002 and 2001 was 83%, 35% and 36%, respectively.

Quarterly Results of Operations

The following table sets forth selected items from our quarterly financial results (in thousands, except for per share amounts).

	2002				200	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr
Net sales	1,973	1,896	2,750	3,883	2,321	1,830
Gross profit	581	854	1,333	1,985	975	(2,709)
Loss from continuing operations	(5,079)	(4,400)	(2,452)	(1,638)	(2,382)	(11,059)
Net loss	(5,079)	(4,400)	(2,452)	(1,638)	(2,411)	(11,091)
Loss attributable to common shareholders	(5,079)	(4,400)	(2,452)	(1,992)	(2,895)	(11,575)
Loss per common share-basic and diluted	(0.19)	(0.16)	(0.09)	(0.07)	(0.10)	(0.42)
Weighted average shares outstanding	26,488	27,003	27,842	27,842	27,988	27,842

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues. Net revenues for the year ended December 31, 2003 decreased by $4.1 million, or 39%, to $6.4 million from $10.5 million in 2002.

During the year ended December 31, 2003, refractive products revenues decreased $3.9 million, or 42%, to $5.5 million from $9.4 million in 2002. This revenue decrease was primarily the result of decreased sales of our excimer laser systems and parts. During the year ended December 31, 2003, excimer laser system sales accounted for approximately $3.4 million in revenues compared to $6.4 million in revenues in 2002. During the year ended December 31, 2003, 11 laser systems were sold compared to 28 laser systems sold during 2002. Of this $2.3 million reduction in laser system sales, approximately $0.4 million was off set by higher average selling prices, which increased approximately 12% from 2002.

Net revenues from patent services for the year ended December 31, 2003 decreased by approximately $0.2 million, or 15%, to $.9 million from $1.1 million in 2002.

Geographically, China continued as our most significant market during 2003, with $4.4 million in revenue. U.S. revenues continued to decline, as we awaited FDA approval for the treatment of hyperopia with or without astigmatism and reduced our focus on U.S. sales.

Cost of Revenues; Gross Profit. For the year ended December 31, 2003 and 2002, gross profit margins were (11%) and 45%, respectively. The gross margin decrease during the year ended December 31, 2003 was primarily attributable to a $3.6 million inventory obsolescence reserve and decreased sales and higher average costs of the our excimer laser system components, causing direct overhead to be a higher percentage of sales. 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 year ended December 31, 2003 decreased approximately $1.0 million, or 73%, to $0.4 million from $1.3 million in 2002. While decreasing our expenses, we continued to develop our AstraMax diagnostic workstation and excimer laser systems. If we have sufficient funds, we expect research and development expenses in 2004 to be at levels similar to the latter half of 2003. We expect regulatory expenses will be lower than 2003 as a result of our decision to delay further spending in the pursuit of various FDA approvals, including pre-market approval supplements, and the possible development of additional pre-market approval supplements and future protocols for submission to the FDA. The FDA has recently instituted a fee structure that will increase the cost of pursuing new or supplemental approvals.

Other General and Administrative Expenses. Other general and administrative expenses for the year ended December 31, 2003 decreased $3.9 million, or 30%, to $8.9 million from $12.8 million in 2001. This decrease was primarily due to cost reductions associated with the sales and marketing, customer support and professional services departments of $2.6 million and a $0.5 million in depreciation. Conversely, we incurred approximately $0.8 million in severance costs during 2003 related to staffing reductions.

Selling-Related Expenses including 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 year ended December 31, 2003 increased $6.3 million, or 190%, to $9.2 million from $3.3 million during 2002. This increase was primarily attributable to a $3.5 million increase in license fees resulting from a default in our keratome license agreement and an increase of $4.6 million of warranty expense related to allowed claims filed in Chapter 11, offset by lower shipping charges due to fewer units being sold.

Amortization of Intangibles. During the year ended December 31, 2003, costs relating to the amortization of intangible assets decreased $214,000, or 46%, to $247,000 from $460,000 in 2002. Items directly related to the amortization of intangible assets are acquired technologies, patents and license agreements. The reduction is a result of impairment expenses on patents because of our product re-focus in our re-organization plan.

Impairment of patents. Impairment of patents for the year ended December 31, 2003 was $4.1 million. 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 loss for the year ended December 31, 2003 was $23.5 million compared to the operating loss of $13.1 million in 2002. This increase in the loss from operations was primarily due to reserves and impairment expenses attributable to our bankruptcy re-organization plan.

Other Income and Expenses. Interest and other income for the year ended December 31, 2003 was $306,000, similar to $276,000 million from 2002. Interest and other income was earned from the investment of cash and cash equivalents and the collection of long-term receivables related to laser system sales and receipt of $253,000 proceeds of a shareholder derivative lawsuit. Interest expense for the year ended December 31, 2003 was $350,000, a decrease of $236,000 over 2002 as a result of reduced loan waiver and commitment fees in our loan transaction with GE.

Income Taxes. For the years ended December 31, 2003 and 2002, LaserSight had no income tax expense. In 2003 we received an IRS refund of $58,000 for tax year 1995.

Net Loss. Net loss for the year ended December 31, 2003, was $23.5 million compared to a net loss of $13.6 million in 2002. The increase in net loss for the year ended December 31, 2003 can be attributed as of the significant restructuring charges incurred as a result of the Chapter 11 filing.

Loss Per Share. The loss per basic and diluted share was $0.90 for the year ended December 31, 2003 and $0.50 for in 2002.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues. Net revenues for the year ended December 31, 2002 decreased

by $6.9 million, or 40%, to $10.5 million from $17.4 million in 2001.

During the year ended December 31, 2002, refractive products revenues decreased by $3.7 million, or 28%, to $9.4 million from $13.1 million in 2001. This revenue decrease was primarily the result of decreased sales of our excimer laser systems. During the year ended December 31, 2002, excimer laser system sales accounted for approximately $6.4 million in revenues compared to $11.4 million in revenues in 2001. During the year ended December 31, 2002, 28 laser systems were sold compared to 46 laser systems sold during 2001. Of this $5.0 million reduction in laser system sales, approximately $0.5 million resulted from lower average selling prices, which decreased approximately 8% from 2001.

Net revenues from patent services for the year ended December 31, 2002 increased by approximately $0.7 million, or 181%, to $1.1 million from $0.4 million in 2001, due to non-exclusive license agreements we entered into in late 2001 and early 2002. Revenues in 2001 also included a one-time net gain, after expenses associated with the sale, of $4.0 million from the sale of U.S. Patent No. 4,784,135 (Blum Patent) in March 2001. The patent was sold for $6.5 million and, prior to the sale, had a book value of approximately $2.4 million.

Geographically, China became our most significant market during 2002, with $4.7 million in revenue ($2.7 million of which resulted from the China transaction beginning in August 2002). U.S. revenues continued to decline, approximately $2.8 million lower than 2001 levels, as we awaited FDA approval for the treatment of hyperopia with or without astigmatism.

Cost of Revenues; Gross Profit. For the years ended December 31, 2002 and 2001, gross profit margins were 45% and 58%, respectively. The gross margin decrease during the year ended December 31, 2002 was primarily attributable to the gain on the sale of the Blum Patent in 2001 and decreased sales and lower average selling prices of the our excimer laser system, causing overhead to be a higher percentage of sales. Excluding the gain on the sale of patent, the gross profit margin was 45% in 2001. The decreased number of laser sales resulted in a decrease in general overhead expenses of $0.8 million from 2001.

Research, Development and Regulatory Expenses. Research, development and regulatory expenses for the year ended December 31, 2002 decreased approximately $2.0 million, or 60%, to $1.3 million from $3.3 million in 2001. While decreasing our expenses, we continued to develop our AstraMax diagnostic workstation and excimer laser systems and continued to pursue protocols in our effort to attain and expand our FDA approvals for our refractive products.

Other General and Administrative Expenses. Other general and administrative expenses for the year ended December 31, 2002 decreased $10.9 million, or 46%, to $12.8 million from $23.8 million in 2001. This decrease was primarily due to a decrease in expenses incurred at our refractive products subsidiary of approximately $11.0 million that resulted from cost reductions associated with the sales and marketing, customer support and professional services departments of $4.7 million, $1.9 million in cost reductions in other departments, $0.8 million in reduced bad debt expense, $0.7 million of reductions in our European operation and a reduction of $2.9 million in legal fees related to patent issues and litigation. The patent litigation, which accounted for a significant portion of those legal fees, was settled in May 2001, and we have experienced a significant decrease in our legal expenses in 2002. Conversely, we incurred approximately $0.7 million in severance costs during 2002 related to staffing reductions.

Selling-Related Expenses. 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 year ended December 31, 2002 decreased $1.4 million, or 30%, to $3.3 million from $4.7 million during 2001. This decrease was primarily attributable to a $0.5 million decrease in sales commissions resulting from lower sales and a higher percentage of sales to distributors net of commissions, and a decrease of $0.9 million of warranty expense primarily related to decreased laser system sales and the terms on those sales.

Amortization of Intangibles. During the year ended December 31, 2002, costs relating to the amortization of intangible assets decreased $43,000, or 9%, to $460,000 from $503,000 in 2001. This decrease was due to the sale of a patent in March 2001 that had an unamortized book value of approximately $2.4 million. Items directly related to the amortization of intangible assets are acquired technologies, patents and license agreements.

Litigation Settlement Expense. During the year ended December 31, 2002, litigation settlement expenses include $140,000 related to the settlement of litigation with a former shareholder of TFG, while 2001 includes approximately $0.6 million in payments related to the May 2001 settlement of patent litigation.

Loss From Operations. The operating loss for the year ended December 31, 2002 was $13.3 million compared to the operating loss of $22.8 million in 2001. This decrease in the loss from operations was primarily due to reductions in operating expenses that more than offset the decrease in sales and related margins of our excimer laser systems.

Other Income and Expenses. Interest and dividend income for the year ended December 31, 2002 was $0.3 million, a decrease of $0.3 million from 2001. Interest and dividend income was earned from the investment of cash and cash equivalents and the collection of long-term receivables related to laser system sales. Interest expense for the year ended December 31, 2002 was $0.6 million, an increase of $0.1 million over 2001 as a result of our loan transaction with GE in March 2001.

Income Taxes. For the years ended December 31,2002 and 2001, LaserSight had no income tax expense.

Discontinued Operations. Costs related to the discontinued operations of the health care services segment were $3.5 million during the year ended December 31, 2001. There were no such costs during 2002.

Net Loss. Net loss for the year ended December 31, 2002, was $13.6 million compared to a net loss of $26.2 million in 2001. The decrease in net loss for the year ended December 31, 2002 can be attributed to the significant reductions in our operating expenses partially offset by the decrease in sales of our excimer laser systems and the gain generated by the sale of the Blum Patent in March 2001.

Loss Per Share. The loss per basic and diluted share was $0.51 for the

year ended December 31, 2002 and $1.04 for in 2001. Since the beginning of 2001, the weighted average shares of common stock outstanding increased primarily due to the conversion of preferred stock during May and October 2002 and the issuance of common stock related to our July 2001 financing.

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 June 10, 2004, when a final bankruptcy release was obtained. As a result of the bankruptcy re-structuring, the Company expects to record credits for debt forgiveness of approximately $15.6 during the three months ended June 30, 2004. Additionally, the Company recognized re-structuring charges of approximately $7.6 million during 2003 for patent impairments 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 on June 30,2004 with approximately $0.7 million in unsecured liabilities, $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. NIIC converted $1.0 million of the DIP financing for additional equity.

With the new revenues being generated from NIIC 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.

The risks and uncertainties regarding management's expectations are also described under the heading "Risk Factors and Uncertainties--Financial and Liquidity Risks."

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.

We have actively sought additional funds through the possible sale of certain Company assets which would provide temporary relief from our current liquidity pressures.

On March 12, 2001, the Company 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 is payable monthly and the loan was required to be repaid on March 12, 2003. As of December 31, 2003, the outstanding principal on our term loan is approximately $1.8 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. See "Industry and Competitive Risks--We do not intend to continue actively marketing our LaserScan LSX laser system in the U.S. until we receive additional FDA approvals."

Borrowings under the loans are collateralized by substantially all of the Company's assets. The term loan and credit facility require 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 was to expire 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 June 20, 2003 LSI announced that it had been advised by 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 during the June 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 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 NIIC converts their DIP loan to equity. The warrant expires June 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. See "Risk Factors and Uncertainties--Industry and Competitive Risks--"

Effect of Recent Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." This statement nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits Restructuring." Statement No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than the date of an entity's commitment to an exit plan. The Company will be required to implement Statement No. 146 on January 1, 2003. The adoption of Statement No. 146 did not have a material effect on the Company's consolidated financial statements.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123." Statement No. 148 amends Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-base employee compensation. In addition, Statement No. 148 amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

In November 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 did not have a material impact on our financial position or results of operations.

In December 2003, the FASB revised Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" which it had originally issued in January 2003. As revised, FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. As revised, application of

FIN 46 is required for interests in special-purpose entities for periods ending after December 15, 2003. Application for all other types of entities covered by FIN 46 is required in financial statements for periods ending after March 15, 2004. The adoption of FIN 46 as revised, is not expected to have a material impact on our financial position or results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, although certain aspects have been delayed pending further clarifications. We do not expect the adoption of SFAS 150 to have a material impact on our financial position or results of operations.

In December 2003, the SEC issued Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition" which codifies, revises and rescinds certain sections of SAB No. 101, "Revenue Recognition", in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material effect on our financial position or results of operations.

Contractual Obligations

Contractual obligations represent future cash commitments and liabilities under agreements with third parties, and exclude contingent liabilities which we cannot reasonably predict future payment. The following chart represents our contractual obligations, aggregated by type, as of December 31, 2003:

Contractual obligations	Payments due by period				
	Total	Less that 1 year	2-3 years	3-5 years	O 5 y
GE Debt Obligations	1,843,313	1,843,313	-	-	
DIP Financing Obligation	750,000	750,000	-	-	
Operating Lease Obligations	636,000	367,000	269,000	-	
	3,229,313	2,960,313	269,000	0	

Off-Balance Sheet Arrangements

We have no other long-term debt commitments and no off-balance sheet financing vehicles.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Certain of our accounting policies require higher degrees of judgment than others in their application. These include revenue recognition, estimating product warranty reserves, the allowance for doubtful accounts, inventory obsolescence reserves and impairment of long-lived assets. In addition, Note 2 to the Consolidated Financial Statements includes further discussion of our significant accounting policies.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

We derive our revenue from primarily two sources: (i) product revenue and (ii) royalty revenue. The Company recognizes revenue on its products upon shipment, provided that the persuasive evidence of an arrangement is in place, the price is fixed or determinable, collectibility is reasonably assured, and title and risk of ownership have been transferred. Transfer of title and risk of ownership occurs when the product is shipped to the customer, as there are no customer acceptance provisions in our sales agreements. Should management determine that customer acceptance provisions are modified for certain future transactions, revenue recognition in future reporting periods could be affected. Royalty revenue from the license of patents owned is recognized in the period earned. When we issue paid-up licenses, the revenue is recognized over the remaining life of the patent licensed on a straight-line basis. Revenues in multiple element arrangements are allocated to each element based upon the relative fair values of each element, based upon published list prices in accordance with Emerging Issues Task Force (EITF) 00-21, "Revenue Arrangements with Multiple Deliverables." We recognize revenue from sales of our topography software in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition" as amended by SOP 98-9, "Modification of SOP 97-2 with Respect to Certain Transactions." In addition to the criteria listed above, revenue is recognized when the arrangement does not require significant customization or modification of the software.

Product Warranty Reserves

We provide for the estimated costs of product warranties at the time revenue is recognized. Our estimate of costs to service the warranty obligations is based on historical experience, including the types of service/parts required to repair our products, the frequency of warranty calls, and the component cost

of the raw materials and overhead. Management believes that the warranty reserve is appropriate; however, to the extent we experience increased warranty claim activity or increased costs associated with servicing those claims, revisions to the estimated warranty liability would be required. All pre-petition warranty obligations were nullified in bankruptcy.

Allowance for Doubtful Accounts

We must make estimates of the uncollectibility of our accounts and notes receivable balances. We estimate losses based on the overall economic climate in the countries where our customers reside, customer credit-worthiness, and an analysis of the circumstances associated with specific accounts which are past due. Our accounts and notes receivable balance was $8.5 million, net of allowance for doubtful accounts of $8.4 million, as of December 31, 2003. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We continually evaluate the adequacy of our allowance for doubtful accounts.

We sold products to customers, at times extending credit for such sales. Exposure to losses on receivables is principally dependent on each customer's financial condition and their ability to generate revenue from our products. We monitor our exposure for credit losses and maintain allowances for anticipated losses.

The increases in the provision for bad debts relates to establishing allowances for uncollectible receivables from prior period sales. The increases are the result of events and circumstances that could not realistically be foreseen at the time sales were completed. In addition, during our recent period of declining revenues, the relationship between the bad debts that resulted from these events compared to lower revenues is magnified. Such events and circumstances include FDA approvals on our laser system that took longer than anticipated, economic downturns in certain countries or regions of the world and the terrorist attacks that affected personal spending decisions, the business levels of many of our customers and our filing of Chapter 11 in September 2003. Some of these items are always possible, and have been disclosed by the Company in times past as risk factors. Others could not be foreseen without the benefit of hindsight.

We anticipate collection at the time of shipment of each of our products for two main reasons. First, our laser system is a revenue-producing product for our customers; the more it's used, the more revenue physicians can generate. Second, our laser system provides for periodic passwords to customers who have payment plans. Therefore, if a customer owes us money and wants to use his system, the customer will need to pay the amount owed in order to use the laser system beyond a designated period of time. This control has been successfully used in many cases to ensure payment. However, in some cases, magnified by the economic other factors facing us and some of our customers over the last couple of years, the inability to use the laser was not enough incentive to force payment.

In response, we have implemented certain changes over the course of the last year in response to the world events and in an effort to improve the collectibility of our sales, which are primarily in international markets. The

changes generally involve significantly higher down payments prior to shipping and shorter payment terms for the balance of the sales price of laser systems. Therefore, the Company expects its bad debt levels to be reduced in the future while revenues are anticipated to increase. The increased revenues are resulting from the NIMD transaction. The payment for these sales was covered under irrevocable letters of credit, providing for payment upon the presentation of shipping documents.

Inventory Obsolescence Reserves

We maintain reserves for our estimated obsolete inventory. The reserves are equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by us, additional inventory write-downs may be required.

Impairment of Long-Lived Assets

We review long-lived assets and certain intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates of such cash flows and fair value could affect the evaluations.

Seasonality, Backlog and Customer Payment Terms

Based on our historical activity, we do not believe that seasonal fluctuations have a material impact on our financial performance.

To date, we have been able to ship laser units as orders are received. As a result, order backlog is not a meaningful factor in our business.

Sales to the NIMD group are secured by letters of credit and payable upon shipment of products and presentation of shipping documents. In international markets, unless a letter of credit or other acceptable security has been obtained, we generally require a down payment or deposit from our laser system customers.

Risk Factors and Uncertainties

The business, results of operations and financial condition of LaserSight and the market price of our common stock may be adversely affected by a variety of factors, including the ones noted below:

Financial and Liquidity Risks

We have experienced significant losses and operating cash flow deficits and we expect that operating cash flow deficits will continue.

We continue to be challenged by our 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. Although the Chapter 11 re-organization in September of 2003 and resultant re-structuring will relieve the Company of substantial debt, we need to increase sales to NIMD and to other customers, and/or decrease expenses further, before we will reach profitability or positive cash flow. Our future working capital requirements and our ability to continue operations are based on various factors and assumptions, which 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 being unable to generate additional sales or collect new and outstanding accounts receivable. Any such adverse developments may also result in the incurrence of unforeseen expenses or LaserSight being unable to control expected expenses and overhead. If we fail to generate additional sales and collect new and outstanding accounts receivable or incur unforeseen expenses or fail to control our expected expenses and overhead, we will be unable to continue operations in the absence of obtaining additional sources of capital.

The timing of the conversion of our current assets into cash is not totally in our control. For example, we cannot dictate the timing of the collection of our accounts receivable with our customers, and converting our inventory into cash is dependent on our ability to generate new sales with our products and collect the sales price in a timely manner. While to date we have been able to negotiate limited payment terms with our suppliers and other creditors, there is no assurance that we can continue to do so.

We experienced significant net losses and deficits in cash flow from operations for the years ended December 31, 2003, 2002 and 2001, as set forth in the following table. We cannot be certain that we will be able to achieve or sustain profitability or positive operating cash flow in the future.

	Year Ended December 31,		
	2001	2002	2003
Net loss	$26.2 million	$13.6 million	$23.5 million
Deficit in cash flow from operations	$17.7 million	$2.7 million	$1.0 million

In the longer term, our expectations are based on additional factors including: the success of our sales efforts in China, where our efforts will initially be primarily focused, increases in accounts receivable and inventory purchases when sales increase, AstraMax diagnostic workstations and AstroPro diagnostic software, and the absence of unanticipated product development and marketing costs. These factors and assumptions are subject to substantial uncertainty and risks beyond our control, and no assurances can be given that these expectations will prove correct. These risks and uncertainties include:

- the willingness of trade creditors to continue to extend credit to LaserSight;
- reductions and cancellations in orders;
- our ability to fulfill orders in light of our current financial condition;
- our ability to sell products and collect accounts receivables at or above the level of management's expectations;

- the occurrence of unforeseen expenses and our ability to control expected expenses and overhead;
- the occurrence of property and casualty losses which are uninsured or that generate insurance proceeds that cannot be collected in a short time frame;
- our ability to improve pricing and terms of international sales;
- the loss of, or failure to obtain additional, customers; and
- changes in pricing by our competitors.

With respect to management's expectations regarding LaserSight's ability to continue operations for the future period and the risks and uncertainties relating to those expectations, readers are encouraged to review the discussions under the captions "--If our uncollectible receivables exceed

our reserves we will incur additional unanticipated expenses, and we may experience difficulty collecting restructured receivables with extended payment terms," "--Industry and Competitive Risks--" "--Additional Company and Business Risks--Required per procedure fees payable to VISX under our license agreement may exceed per procedure fees collected by us," and "--Our supply of certain critical components and systems may be interrupted because of our reliance on a limited number of suppliers." These risks and uncertainties can affect LaserSight's ability to continue operations for the future period in the absence of obtaining additional capital resources

If we fail to meet the financial covenants in our loan with GE, we will not have enough available cash to pay the amount owed.

Under the original terms of our term loan with GE, we were required to pay GE approximately $2.1 million in March 2003. On March 12, 2003, the due date was extended 30 days 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 we had agreed to increase our monthly principal payments to $45,000 beginning in April 2003. Revised covenants became effective 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. On June 20, 2003, the Company had been advised by 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 executed a new agreement with GE on August 28, 2003 providing for an extension of its loans through January 2005. On August 30, 2004 the Company signed a three-year note expiring on June 30, 2007. The note bears annual 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 NIIC converts their DIP loan to equity. The warrant expires June 30, 2008.

If our uncollectible receivables exceed our reserves we will incur additional unanticipated expenses, and we may experience difficulty collecting restructured receivables with extended payment terms.

Although we monitor the status of our receivables and maintain a reserve for estimated losses, we cannot be certain that our reserves for estimated losses, which were approximately $8.4 million at December 31, 2003,

will be sufficient to cover the amount of our actual write-offs over time. At December 31, 2003, our net trade accounts and notes receivable totaled approximately $8.5 million. Actual write-offs that exceed amounts reserved could have a material adverse effect on our consolidated financial condition and results of operations. The amount of any loss that we may have to recognize in connection with our inability to collect receivables is principally dependent on our customers' ongoing financial condition, their ability to generate revenues from our laser systems, and our ability to obtain and enforce legal judgments against delinquent customers. As a result of the Chapter 11 filing on September 5, 2003, the Company lost the ability to vigorously collect on these accounts receivable and accordingly further increased the reserves for estimated losses as part of the re-structuring costs recorded in the second quarter. The portion of the re-structuring costs attributable to our reserves for estimated losses was approximately $3.5 million. Additionally, as a result of the Chapter 11 petition and resultant re-structuring, a significant portion of the approximately $1.6 million of accrued commissions was eliminated. The Company hired a collection agency in 2004 with no success.

Our ability to evaluate the financial condition and revenue-generating ability of our prospective customers located outside of the U.S. and our ability to obtain and enforce legal judgments against customers located outside of the U.S. is generally more limited than for our customers located in the U.S. Our agreements with our international customers typically provide that the contracts are governed by Florida law. We have not determined whether or to what extent courts or administrative agencies located in foreign countries would enforce our right to collect such receivables or to recover laser systems from customers in the event of a customer's payment default. When a customer is not paying according to established terms, we attempt to communicate and understand the underlying causes and work with the customer to resolve any issues we can control or influence. Since the September 5, 2003 bankruptcy petition, we have been unable to resolve some customer's issues and were unable to collect our receivable, either on the original schedule or under restructured terms. We evaluate our legal and other alternatives based on existing facts and circumstances. In most cases, we have concluded that the account should be written off as uncollectible based on the economic condition in the region and our understanding of the customer's business and related items. The reserves and write-offs are generally the result of events and circumstances that could not realistically be foreseen at the time sales were completed. In addition, during our recent period of declining revenues, the relationship between the bad debts that resulted from these events compared to lower revenues is magnified. Events and circumstances that impact our bad debt expense include FDA approvals on our laser system that took and are taking longer than anticipated, economic downturns in certain countries or regions of the world, including the U.S. and South and Central America, and the terrorist attacks that affected personal spending decisions of consumers, and thus the business levels of many of our customers. Accounts written off during the year ended December 31, 2003 and 2002 totaled approximately 92% and 22%, respectively, of ending receivables for each period. International revenues represented 96% and 83% of total revenues during the year ended December 31, 2003 and 2002.

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Industry and Competitive Risks

The following Industry and Competitive Risks relate primarily to the longer term.

We do not intend to continue actively marketing our LaserScan LSX laser system in the U.S. until we receive additional FDA approvals.

We received the FDA approval necessary for the commercial marketing and sale of our LaserScan LSX excimer laser system in the U.S. in late 1999 and commercial shipments to customers in the U.S. began in March 2000. To date, our LaserScan LSX laser system and per procedure fee business model have not achieved a level of market acceptance sufficient to provide our cash flows from operations to fund our business. Our excimer laser system has not been approved by the FDA for use in the U.S. for as wide a range of treatments as have many of our competitors' lasers. Because of the limited treatment ranges many physicians have resisted purchasing our excimer laser. As a result of our current liquidity and capital resource issues, we have decided to focus on international markets, primarily China, with our LaserScan LSX laser system and other select international markets with a custom ablation product line, and not to continue actively marketing our laser system in the U.S.

The current level of per procedure fees payable to us by existing refractive surgeon customers in the U.S. may not continue to be accepted by the marketplace or may exceed those charged by our competitors. If our competitors reduce or do not charge per procedure fees to users of their systems, we could be forced to reduce or eliminate the fees charged under this business model, which could significantly reduce our revenues. We are not aware of the existence

of a current trend toward reducing or eliminating per procedure fees. In the spring of 2000 industry leader VISX reduced the per-procedure fees it was charging the users of its laser system, and shortly thereafter, Alcon announced that it too would be reducing its licensing fee. Since that time, to our knowledge there has been no trend to further reduce or eliminate per procedure fees. See also "--Additional Company and Business Risks--Required per procedure fees payable to VISX under our license agreement may exceed per procedure fees collected by us."

We have discontinued our keratome products marketing.

Keratomes are surgical devices used to create a corneal flap needed to perform a laser vision correction procedure called Laser In-Situ Keratomileusis, or LASIK. Once the corneal flapped is created, it is then flipped back, the excimer laser beam is directed to the exposed corneal surface, and the flap is placed back and re-adhered to the surface of the eye.

In light of our lack of successful commercially introducing or achieving broad market acceptance of our UltraShaper durable keratome or our other keratome products, the Company elected to discontinue this product line in September of 2003 as part of the re-focus of the business to core products. As a result the Company will record substantial additions to its inventory reserves as part of its re-structuring costs. As of June 30, 2003 the Company added an additional amount of approximately $3.6 million to such inventory reserves, which are classified as cost of revenues. See also "--Additional Company and Business Risks--Required minimum payments under our keratome license agreement may exceed our gross profits from sales of our keratome products."

The vision correction industry currently consists of a few established providers with significant market shares and we are encountering difficulties competing in this highly competitive environment.

The vision correction industry is subject to intense, increasing competition, and we do not know if we will be able to compete successfully against our current and future competitors. Many of our competitors have established products, distribution capabilities and customer service networks in the U.S. marketplace, are substantially larger and have greater brand recognition and greater financial and other resources than we do. VISX, the historical industry leader for excimer laser system sales in the U.S., sold laser systems that performed a significant majority of the laser vision correction procedures performed in the U.S. from 1999 through 2003. Similarly, Bausch & Lomb sold a significant majority of the keratomes used by refractive surgeons in the U.S. from 1999 through 2003. Alcon, one of the largest ophthalmic companies in the world, and its narrow beam laser technology platform also competes directly with our precision beam, scanning microspot LaserScan LSX excimer laser system. In addition, Alcon, as a result of its acquisition of Summit Autonomous Inc., is able to sell its narrow beam laser systems under a royalty-free license to certain VISX patents without incurring the expense and uncertainty associated with intellectual property litigation with VISX. Alcon also has the ability to leverage the sale of its laser systems with its other ophthalmic products, and has placed a significant number of its lasers systems in the U.S. Competitors are using our weak financial condition to dissuade potential customers from purchasing our laser.

Many of our competitors received earlier regulatory approvals and may have a competitive advantage over us due to the subsequent expansion of their regulatory approvals and their substantial experience in the U.S. market.

We received the FDA approval necessary for the commercial sale of our LaserScan LSX excimer laser system in the U.S. in November 1999, and commercial shipments to customers in the U.S. began in March 2000. Our direct competitors include large corporations such as VISX and Alcon, each of whom received FDA approval of excimer laser systems more than three years prior to our approval and has substantial experience manufacturing, marketing and servicing laser systems in the U.S. In addition to VISX and Alcon, Nidek, WaveLight and Bausch & Lomb have also received FDA approval for their laser systems.

In the U.S., a manufacturer of excimer laser vision correction systems gains a competitive advantage by having its systems approved by the FDA for a wider range of treatments for refractive errors such as nearsightedness, farsightedness or astigmatism. A laser that has been approved for a wider range of treatments is more attractive because it enlarges the pool of laser correction candidates to whom laser correction procedures can be marketed.

Our LaserScan LSX is currently approved in the U.S. for the LASIK treatment of nearsightedness with and without astigmatism for a range of treatment of refractive errors up to -6.0 diopters MRSE with or without a refractive astigmatism up to 4.5 diopters and for the Photorefractive Keratectomy, or PRK, treatment of low to moderate nearsightedness (up to -6.0 diopters) without astigmatism. Additionally, we have received FDA approval to operate our laser systems at a repetition rate of 300 pulses per second, three times the originally approved rate. We do not intend to sell our laser systems in the U.S. until future cash flows permit us to file FDA supplements.

Competitors' earlier receipt of LASIK and farsightedness-specific FDA regulatory approvals have given them a significant competitive advantages that

have impeded our ability to successfully sell our LaserScan LSX system in the U.S.

We depend upon our ability to establish and maintain strategic relationships.

We believe that our ability to establish and maintain strategic relationships will have a significant impact on our ability to meet our business objectives. These strategic relationships are critical to our future success because we believe that these relationships will help us to:

- extend the reach of our products to a larger number of refractive surgeons;
- develop and deploy new products;
- further enhance the LaserSight brand; and
- generate additional revenue.

Entering into strategic relationships is complicated because some of our current and future strategic partners may decide to compete with us in some or all of our markets. In addition, we may not be able to establish relationships with key participants in our industry if they have relationships with our competitors, or if we have relationships with their competitors. Moreover, some potential strategic partners have resisted, and may continue to resist, working with us until our products and services have achieved widespread market acceptance. Once we have established strategic relationships, we will depend on our partners' ability to generate increased acceptance and use of our products and services. To date, we have established only a limited number of strategic relationships, and many of these relationships are in the early stages

of development. There can be no assurance as to the terms, timing or consummation of any future strategic relationships. If we lose any of these strategic relationships or fail to establish additional relationships, or if our strategic relationships fail to benefit us as expected, we may not be able to execute our business plan, and our business will suffer.

Because the sale of our products is dependent on the continued market acceptance of laser-based refractive eye surgery using the LASIK procedure, the lack of broad market acceptance would hurt our business.

We believe that whether we achieve profitability and growth will depend, in part, upon the continued acceptance of laser vision correction using the LASIK procedure in China, the U.S. and in other countries. We believe that if we achieve profitability and growth as a result of our focus in China, we can increase our level of activity in the U.S. and other countries. We cannot be certain that laser vision correction will continue to be accepted by either the refractive surgeons or the public at large as an alternative to existing methods of treating refractive vision disorders. The acceptance of laser vision correction and, specifically, the LASIK procedure may be adversely affected by:

- possible concerns relating to safety and efficacy, including the predictability, stability and quality of results;
- the public's general resistance to surgery;
- the effectiveness and lower cost of alternative methods of correcting refractive vision disorders;
- the lack of long-term follow-up data;

- the possibility of unknown side effects;
- the lack of third-party reimbursement for the procedures;
- the cost of the procedure; and
- unfavorable publicity involving patient outcomes from the use of laser vision correction.

Unfavorable side effects and potential complications that may result from the use of laser vision correction systems manufactured by any manufacturer may broadly affect market acceptance of laser-based vision correction surgery. Any adverse consequences resulting from procedures performed with a competitor's systems or an unapproved laser system could adversely affect consumer acceptance of laser vision correction in general. In addition, because laser vision correction is an elective procedure that is not typically covered by insurance and involves more significant immediate expense than eyeglasses or contact lenses, adverse changes in economy may cause consumers to reassess their spending choices and to select lower-cost alternatives for their vision correction needs. Any such shift in spending patterns could reduce the volume of LASIK procedures performed that would, in turn, reduce the number of laser systems sold and our revenues from per procedure fees.

The failure of laser vision correction to achieve continued market acceptance would limit our ability to market our products which in turn would limit our ability to generate revenues from the sale of our products. If we are unable to generate revenue from the sale of our products, we may not be able to continue our business operations, even if laser vision correction achieves and sustains market acceptance.

New products or technologies could erode demand for our products or make them obsolete, and our business could be harmed if we cannot keep pace with advances in technology.

In addition to competing with eyeglasses and contact lenses, excimer laser vision correction competes or may compete with newer technologies such as intraocular lenses, intracorneal inlays, corneal rings and surgical techniques using different or more advanced types of lasers. Two products that may become competitive within the near term are implantable contact lenses and corneal

rings, which have been approved by the FDA. Both of these products require procedures with lens implants, and their ultimate market acceptance is unknown at this time. To the extent that any of these or other new technologies are perceived to be clinically superior or economically more attractive than currently marketed excimer laser vision correction procedures or techniques, they could erode demand for our excimer laser, and cause a reduction in selling prices of such products or render such products obsolete. In addition, if one or more competing technologies achieves broader market acceptance or renders laser vision correction procedures obsolete, our ability to generate revenues form the sale of our products would be limited. If we are unable to generate revenue from the sale of our products, we may not be able to continue our business operations.

As is typical in the case of new and rapidly evolving industries, the demand and market for recently introduced products and technologies is uncertain, and we cannot be certain that our LaserScan LSX and AstraScan XL laser systems or future new products and enhancements will be accepted in the marketplace. In addition, announcements or the anticipation of announcements of new products, whether for sale in the near future or at some later date, may

cause customers to defer purchasing our existing products.

If we cannot adapt to changing technologies, our products may become obsolete, and our business could suffer. Our success will depend, in part, on our ability to continue to enhance our existing products, develop new technology that addresses the increasingly sophisticated needs of our customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively or adapting our proprietary technology to evolving customer requirements or emerging industry standards.

Additional Company and Business Risks

The following Additional Company and Business Risks relate primarily to the longer term.

The loss of key personnel could adversely affect our business.

Our ability to maintain our competitive position depends in part upon the continued contributions of our executive officers and other key employees. A loss of one or more such officers or key employees would result in a diversion of financial and human resources in connection with recruiting and retaining a replacement for such officers or key employees. Such a diversion of resources could prevent us from successfully executing our business plan, and our business will suffer. We do not carry "key person" life insurance on any officer or key employee.

During 2001 we reduced our staff by 59 positions representing approximately $2.5 million in annual salaries and wages. During 2002, we further reduced our staff by an additional 46 positions representing approximately $2.5 million in annual salaries and wages. During the summer of 2003 the Company further reduced our staff to 23 personnel. The resultant departures are consistent with its overall reductions in positions and are not material to its present operations. Our staff reductions may have a negative impact on our ability to attract and retain personnel. If we fail to attract and retain qualified individuals for necessary positions, we could be prevented from successfully executing our business plan, and our business will suffer.

We have moved all international manufacturing operations from Costa Rica to the U.S. and must continue to comply with stringent regulation of our manufacturing operations.

We moved the manufacturing location of our laser systems for sale in international markets to our U.S. location from our manufacturing facility in Costa Rica in 2002. We cannot assure you that we will not encounter difficulties in increasing our production capacity for our laser systems at our Florida facility, including problems involving production delays, quality control or assurance, component supply and lack of qualified personnel. Any products manufactured or distributed by us pursuant to FDA clearances or approvals are subject to extensive regulation by the FDA, including record-keeping requirements and reporting of adverse experience with the use of the product. Our manufacturing facilities are subject to periodic inspection by the FDA, certain state agencies and international regulatory agencies. We require that our key suppliers comply with recognized standards as well as our own quality

standards, and we regularly test the components and sub-assemblies supplied to us. Any failure by us or our suppliers to comply with applicable regulatory requirements, including the FDA's quality systems/good manufacturing practice (QSR/GMP) regulations, could cause production and distribution of our products to be delayed or prohibited, either of which could impair our ability to generate revenues form the sale of our products. If we are unable to generate revenues from the sale of our products we may not be able to continue our business operations.

Required per procedure fees payable to VISX under our license agreement may exceed per procedure fees collected by us.

In addition to the risk that our refractive lasers will not be accepted in the marketplace, we are required to pay VISX a royalty for each procedure performed in the U.S. using our refractive lasers. The required per procedure fees we are required to pay to VISX may exceed the per procedure fees we are able to charge and/or collect from refractive surgeons. If the per procedure fees we are required to pay to VISX exceed the per procedure fees we are able to charge and/or collect from refractive surgeons, we would have to pay the VISX per procedure fees out of our limited available cash reserves. During each of the years 2002 and 2003, the per procedure fees we are required to pay VISX did not exceed per procedure fees collected by us.

Our failure to timely obtain or expand regulatory approvals for our products and to comply with regulatory requirements could adversely affect our business.

Our excimer laser systems, diagnostic and custom ablation products are subject to strict governmental regulations that materially affect our ability to manufacture and market these products and directly impact our overall business prospects. FDA regulations impose design and performance standards, labeling and reporting requirements, and submission conditions in advance of marketing for all medical laser products in the U.S. New product introductions, expanded treatment types and levels for approved products, and significant design or manufacturing modifications require a premarket clearance or approval by the FDA prior to commercialization in the U.S. The FDA approval process, which is lengthy and uncertain, requires supporting clinical studies and substantial commitments of financial and management resources. Failure to obtain or maintain regulatory approvals and clearances in the U.S. and other countries, or significant delays in obtaining these approvals and clearances, could prevent us from marketing our products for either approved or expanded indications or treatments, which could substantially decrease our future revenues.

Additionally, product and procedure labeling and all forms of promotional activities are subject to examination by the FDA, and current FDA enforcement policy prohibits the marketing by manufacturers of approved medical devices for unapproved uses. Noncompliance with these requirements may result in warning letters, fines, injunctions, recall or seizure of products, suspension of manufacturing, denial or withdrawal of PMAs, and criminal prosecution. Laser products marketed in foreign countries are often subject to local laws governing health product development processes, which may impose additional costs for overseas product development. Future legislative or administrative requirements, in the U.S. or elsewhere, may adversely affect our ability to obtain or retain regulatory approval for our products. The failure to obtain approvals for new or additional uses on a timely basis could prevent us from generating revenues from the sale of our products, and if we are unable to generate revenues from the

sale of our products we may not be able to continue our business operations. Accordingly, the Company has re-focused its marketing effort to the international market, primarily China.

Our business depends on our intellectual property rights, and if we are unable to protect them, our competitive position may be adversely affected.

Our business plan is predicated on our proprietary systems and technology, including our precision beam scanning microspot technology laser systems. We protect our proprietary rights through a combination of patent, trademark, trade secret and copyright law, confidentiality agreements and technical measures. We generally enter into non-disclosure agreements with our employees and consultants and limit access to our trade secrets and technology. We cannot assure you that the steps we have taken will prevent misappropriation of our intellectual property. Misappropriation of our intellectual property would have a material adverse effect on our competitive position. In addition, we may have to engage in litigation or other legal proceedings in the future to enforce or protect our intellectual property rights or to defend against claims of invalidity. These legal proceedings may consume considerable resources, including management time and attention, which would be diverted from the operation of our business, and the outcome of any such legal proceeding is inherently uncertain.

We are aware that certain competitors are developing products that may potentially infringe patents owned or licensed exclusively by us. In order to protect our rights in these patents, we may find it necessary to assert and pursue infringement claims against such third parties. We could incur substantial costs and diversion of management resources litigating such infringement claims and we cannot assure you that we will be successful in resolving such claims or that the resolution of any such dispute will be on terms that are favorable to us. See "--Patent infringement allegations may impair our ability to manufacture and market our products".

Patent infringement allegations may impair our ability to manufacture and market our products.

There are a number of U.S. and foreign patents covering methods and apparatus for performing corneal surgery that we do not own or have the right to use. If we were found to infringe a patent in a particular market, we and our customers may be enjoined from manufacturing, marketing, selling and using the infringing product in the market and may be liable for damages for any past infringement of such rights. In order to continue using such rights, we would be required to obtain a license, which may require us to make royalty, per procedure or other fee payments. We cannot be certain if we or our customers

will be successful in securing licenses, or that if we obtain licenses, such licenses will be available on acceptable terms. Alternatively, we might be required to redesign the infringing aspects of these products. Any redesign efforts that we undertake could be expensive and might require regulatory review. Furthermore, the redesign efforts could delay the reintroduction of these products into certain markets, or may be so significant as to be impractical. If redesign efforts were impractical, we could be prevented from manufacturing and selling the infringing products. If we are prevented from

selling the infringing products we may not be able to continue our business operations.

Litigation involving patents is common in our industry. While we do not believe our laser systems infringe on any valid and enforceable patents that we do not own or have a license to, we cannot assure you that one or more of our other competitors or other persons will not assert that our products infringe their intellectual property, or that we will not in the future be deemed to infringe one or more patents owned by them or some other party. We could incur substantial costs and diversion of management resources defending any infringement claims. Furthermore, a party making a claim against us could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief that could effectively block our ability to market one or more of our products. In addition, we cannot assure you that licenses for any intellectual property of third parties that might be required for our products will be available on commercially reasonable terms, or at all.

In February of 2003, an Italian court issued an order restraining our LaserSight Technologies subsidiary 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 retained Italian legal counsel to defend us in this litigation, and the Italian court revoked the restraining order and ruled that LIGI must pay our attorney's fees in connection with our defense of the restraining order. 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. Since the Chapter 11 filing does not apply to foreign courts, this action is still pending.

We are subject to certain risks associated with our international sales.

Our international sales accounted for 96% and 83% of our total revenues during the years ended December 31, 2003 and 2002, respectively. In the future, we expect that international sales, especially to China, will represent a higher percentage of our total sales. We are presently focusing our sales efforts on international sales in China.

International sales of our products may be limited or disrupted by:

- the imposition of government controls;
- export license requirements;
- economic or political instability;
- trade restrictions;
- difficulties in obtaining or maintaining export licenses;
- health concerns in China and other areas;
- changes in tariffs; and
- difficulties in staffing and managing international operations.

Our sales have historically been and are expected to continue to be denominated in U.S. dollars. The European Economic Union's conversion to a common currency, the euro, is not expected to have a material impact on our

business. However, due to our significant export sales, we are subject to exchange rate fluctuations in the U.S. dollar, which could increase the

effective price in local currencies of our products. This could result in reduced sales, longer payment cycles and greater difficulty in collecting receivables relating to our international sales.

Our supply of certain critical components and systems may be interrupted because of our reliance on a limited number of suppliers.

We currently purchase certain components used in the production, operation and maintenance of our laser systems from a limited number of suppliers, and certain key components are provided by a single vendor. We do not have long-term contracts with providers of some key laser system components, including TUI Lasertechnik und Laserintegration GmbH, which currently is a single source supplier for the laser heads used in our LaserScan LSX excimer laser system. Currently, SensoMotoric Instruments GmbH, Teltow, Germany, is a single source supplier for the eye tracker boards used in our excimer laser systems. If any of our key suppliers ceases providing us with products of acceptable quality and quantity at a competitive price and in a timely fashion, we would have to locate and contract with a substitute supplier and, in some cases, such substitute supplier would need to be qualified by the FDA. If substitute suppliers cannot be located and qualified in a timely manner or could not provide required products on commercially reasonable terms, our ability to manufacture, sell and generate revenues from our products would be impaired.

Unlawful tampering of our system configurations could result in reduced revenues and additional expenses.

We include a procedure counting mechanism on LaserScan LSX lasers manufactured for sale and use in the U.S. Users of our LaserScan LSX excimer laser system could tamper with the software or hardware configuration of the system so as to alter or eliminate the procedure counting mechanism that facilitates the collection of per procedure fees. Unauthorized tampering with our procedure counting mechanism by users could result in us being required to pay per procedure fees to VISX that we were not able to collect from users. If we are unable to prevent such tampering, our license agreement with VISX could be terminated after all applicable notice and cure periods have expired.

Inadequacy or unavailability of insurance may expose us to substantial product liability claims.

Our business exposes us to potential product liability risks and possible adverse publicity that are inherent in the development, testing, manufacture, marketing and sale of medical devices for human use. These risks increase with respect to our products that receive regulatory approval for commercialization. We have agreed in the past, and we will likely agree in the future, to indemnify certain medical institutions and personnel who conduct and participate in our clinical studies. While we maintain product liability insurance, we cannot be certain that any such liability will be covered by our insurance or that damages will not exceed the limits of our coverage. Even if a claim is covered by insurance, the costs of defending a product liability, malpractice, negligence or other action, and the assessment of damages in excess of insurance coverage limits in the event of a successful product liability claim, may exceed the amount of our operating reserves. Further, product liability insurance may not continue to be available, either at existing or increased levels of coverage, on commercially reasonable terms.

Our auditors' reports for the year ended December 31, 2002 and 2003 include an explanatory paragraph regarding our ability to continue as a going concern.

Our auditors' reports included an explanatory paragraph regarding our ability to continue as a going concern because we have incurred significant losses and negative cash flows from operations for several years and our ability to raise or generate enough cash to survive is questionable. The going concern opinion has been used by competitors in an attempt to negatively impact our sales and has resulted in shorter payment terms to meet the demands of some of our vendors.

Common Stock Risks

Variations in our sales and operating results may cause our stock price to fluctuate.

Our operating results have fluctuated in the past, and may continue to fluctuate in the future, as a result of a variety of factors, many of which are outside of our control. For example, historically a significant portion of our laser system orders for a particular quarter have been received and shipped near the end of the quarter. As a result, our operating results for any quarter often depend on the timing of the receipt of orders and the subsequent shipment of our laser systems. Other factors that may cause our operating results or stock price to fluctuate include:

- our significant liquidity and capital resource issues;
- the addition or loss of significant customers;
- reductions, cancellations or fulfillment of major orders;
- changes in pricing by us or our competitors;
- timing of regulatory approvals and the introduction or delays in shipment of new products;
- the relative mix of our business; and
- increased competition.

As a result of these fluctuations, we believe that period-to-period comparisons of our operating results cannot be relied upon as indicators of future performance. In some quarters our operating results may fall below the expectations of securities analysts and investors due to any of the factors described above or other uncertainties. As a result of the Chapter 11 petition, the Company cancelled all outstanding common and preferred stock, including options and warrants. New common stock of 9,997,195 shares was issued on June 30, 2004. The stock is presently trading on the "Pink Sheets" under the symbol LRST.

We are no longer listed on the NASDAQ Small Cap Market - now traded on the "Pink Sheets"; the market price of our common stock may continue to experience extreme fluctuations due to market conditions that are unrelated to our operating performance.

The stock market, and in particular the securities of technology companies like us, could experience extreme price and volume fluctuations unrelated to our operating performance. Our stock price has historically been volatile. Factors such as announcements of technological innovations or new products by us or our competitors, changes in domestic or foreign governmental regulations or regulatory approval processes, developments or disputes relating to patent or proprietary rights, public concern as to the safety and efficacy of

refractive vision correction procedures, and changes in reports and recommendations of securities analysts, have and may continue to have a significant impact on the market price of our common stock.

Because of the lengthy period during which our common stock traded below $1.00 per share, it no longer met the listing requirements for the NASDAQ National Market and on August 15, 2002, NASDAQ approved our application to transfer our listing to the NASDAQ Small Cap Market via an exception from the minimum bid price requirement. While we failed to meet this requirement as of February 10, 2003, we were granted a temporary exception from this standard subject to meeting certain conditions. The exception required that on or before April 15, 2003, we were to file a definitive proxy statement with the Securities and Exchange Commission and NASDAQ evidencing our intent to seek shareholder approval for the implementation of a reverse stock split. Other requirements included that, on or before May 30, 2003, we demonstrate a closing bid price of at least $1.00 per share and, immediately thereafter, a closing bid of at least $1.00 per share for a minimum of ten consecutive trading days. NASDAQ could require a minimum closing bid price of at least $1.00 for more than 10 days. In addition, we must have been able to demonstrate compliance with the following maintenance requirements for continued listing on the NASDAQ Small Cap Market:

- stockholders' equity of $2.5 million
- at least 500,000 shares of common stock publicly held
- market value of publicly held shares of at least $1.0 million
- shareholders (round lot holders) of at least 300, and
- at least two registered and active market makers

We asked for an extension to May 1, 2003 to file the definitive proxy. On April 25, 2003, we again asked for a further extension. But because we did not timely meet the requirements, our request for an extension was denied. As a result, NASDAQ's Listing Qualification Panel determined that our securities would be delisted from NASDAQ's Small Cap Market effective April 30, 2003. Our common stock was then listed in the OTC Bulletin Board. The Company failed to file its second quarter SEC Form 10-Q due on August 14, 2003. The Company did file a Form 12b-25 on August 14, 2003 advising that the Company would not file the quarterly report timely.

LSI traded on NASDAQ through April 29, 2003 as LASE and LASEC (March 5, 2003 - April 29, 2003). On April 30, 2003 it commenced trading on OTC Bulletin Board as LASE. The OTCBB symbol was changed on August 27, 2003 to LASEE due to the late filing status of the company. The Company was dropped from the OTC Bulletin Board and commenced trading on the "Pink Sheets" on Sep 27, 2003 with the symbol LASEQ. (Q indicates bankruptcy) This is a conditional listing due to the bankruptcy filing by the company. As mentioned above, the existing common and preferred shares, including options and warrants, we cancelled pursuant to the Company's re-organization plan. New common shares of 9,997,195 were issued on June 30, 2004 and commenced trading via the "Pink Sheets" under the symbol LRST.

The delisting of our common stock from the NASDAQ Small Cap Stock Market will result in decreased liquidity of our outstanding shares of common stock (and a resulting inability of our stockholders to sell our common stock or obtain accurate quotations as to their market value), and, consequently, will reduce the price at which our shares trade. The delisting of our common stock may also deter broker-dealers from making a market in or otherwise generating interest in our common stock and may adversely affect our ability to attract investors in our common stock. Furthermore, our ability to raise additional capital may be severely impaired. As a result of these factors, the value of our

common stock may decline significantly, and our stockholders may lose some or all of their investment in our common stock.

The significant number of shares eligible for future sale and dilutive stock issuances may adversely affect our stock price.

Sales, or the possibility of sales, of substantial amounts of our common stock in the public market could adversely affect the market price of our common stock. Substantially all of our 27,841,941 shares of common stock outstanding at December 31, 2003 were freely tradable without restriction or further registration under the Securities Act of 1933, except to the extent such shares are held by "affiliates" as that term is defined in Rule 144 under the Securities Act or subject only to the satisfaction of a prospectus delivery requirement. An additional 9,280,647 shares of preferred stock, convertible into 18,561,294 shares of common stock, were issued in October 2002 upon the funding of the equity investment portion of the China Transaction. We had agreed to register the shares of common stock under the Securities Act of 1933, and, once registered, the shares would be available for sale.

Other shares of common stock that we may issue in the future in connection with financings or pursuant to outstanding warrants or agreements would also adversely affect the market price of our common stock and cause significant dilution in our earnings per share and net book value per share.

As mentioned previously, as part of the Chapter 11 re-structuring, all of the above mentioned common and preferred shares, including options and warrants, were cancelled pursuant to the Company's re-organization. On June 30, 2004 the company issued 9,997,195 new common shares.

The terms of the NIIC transaction will in all probability prevent or discourage an acquisition or change of control of LaserSight.

As a result of the Chapter 11 petition, and subsequent re-structuring, NIIC will initially control 7,210,000 or 72% of the newly issued 9,997,195 common shares. Under certain circumstances their control could increase to approximately 74%.

Risks Relating to Intangibles

Amortization and charges relating to our significant intangible assets could adversely affect our stock price and reported net income or loss.

Of our total assets at December 31, 2003, approximately $0.5 million, or 15%, were intangible assets. Any reduction in net income or increase in net loss resulting from the amortization of intangible assets resulting from future acquisitions by us may have an adverse impact upon the market price of our common stock. In addition, in the event of a sale of LaserSight or our assets, we cannot be certain that the value of such intangible assets would be recovered.

In accordance with FASB Statement No. 144, we review intangible assets for impairment whenever events or changes in circumstances, including a history of operating or cash flow losses, indicate that the carrying amount of an asset may not be recoverable. If we determine that an intangible asset is impaired, a non-cash impairment charge would be recognized. Accordingly, the Company

believes the Chapter 11 petition has caused and impairment of the carrying

values of some of our intangibles. In that regard, during the second quarter of 2003, the Company recorded approximately $4.1 million of re-structuring losses attributable to impairment of intangibles.

Other Risks

The following relates to risks on both a short and longer-term basis:

The risks described above are not the only risks facing LaserSight. There may be additional risks and uncertainties not presently known to us or that we have deemed immaterial, which could also negatively impact our business operations. If any of the foregoing risks actually occur, it could have a material adverse effect on our business, financial condition and results of operations. In that event, the trading price of our common stock could further decline, and you may lose all or part of your investment.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company believes that its exposure to market risk for changes in interest and currency rates is not significant. The Company's investments are limited to highly liquid instruments - generally cash and cash equivalents. All of the Company's transactions with international customers and suppliers are denominated in U.S. dollars.

Item 8. Financial Statements and Supplemental Data

Consolidated financial statements prepared in accordance with Regulation S-X are listed in Item 15 of Part IV of this Report, are attached to this Report and incorporated in this Item 8 by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On May 12, 2004, the Board of Directors authorized the engagement of Moore Stephens Lovelace, P.A. to serve as independent public accountants for the fiscal year ended December 31, 2003. KPMG LLP (KPMG) had been engaged as independent public accountants for the Company for the most recent fiscal year until their resignation on March 16, 2004. That determination was a decision of KPMG LLP and was not recommended or approved by the audit committee of the board of directors of the Registrant.

KPMG LLP's most recent audit report was on the consolidated financial statements of the Registrant as of and for the year ended December 31, 2002. The audit reports of KPMG LLP on the consolidated financial statements of the Registrant as of and for the years ended December 31, 2002 and 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG LLP's reports on the consolidated financial statements of the registrant as of and for the years ended December 31, 2002 and 2001, contained a separate paragraph stating, "The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, 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 in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty."

During the Registrant's two fiscal years ended December 31, 2002 and 2001, and during the subsequent period preceding the date of KPMG LLP's resignation, there were no disagreements with KPMG LLP on any matter of accounting principles or

practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to their satisfaction, would have caused them to make reference in connection with their report to the subject matter of the disagreement. No other event has occurred with respect to the Registrant and KPMG LLP for which disclosure would be required pursuant to paragraph (a)(1)(v) of Item 304 of Regulation S-K.

KPMG LLP did not issue an audit report on the financial statements of the Registrant as of and for the year ended December 31, 2003, or for any subsequent period preceding the date of KPMG LLP's resignation, as the Registrant has not filed any financial statement subsequent to March 31, 2003. KPMG LLP did review the Registrant's financial statements included in its Form 10-Q for the quarterly period ended March 31, 2003.

Item 9A. Controls and Procedures

Based on their evaluation within 90 days prior to the filing date of this Annual Report on Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended, are effective for gathering, analyzing, and disclosing the information we are required to disclose in our reports filed under the Act.

There were no significant changes in our internal controls or in other factors that could significantly affect those controls since the date of last evaluation of those internal controls.

PART III

Item 10. Directors and Executive Officers

The Company's executive officers and directors are set forth below. The terms of all incumbent directors expire at the next scheduled Annual Meeting of the Company's stockholders (the "Annual Meeting") or at such later time as their successors have been duly elected and qualified.

Name	Age	Title	Director Since
Danghui ("David") Liu	42	President and Chief Executive Officer	N/A
Guy W. Numann	72	Director	2000

Xian Ding Weng	42	Chairman of the Board	2002
Stephen Shi	48	Director	2002
Ying Zhi Gu	55	Director	2002
Dorothy M. Cipolla	48	Chief Financial Officer	N/A

Mr. Liu has served as President and Chief Executive Officer of LaserSight since August 2003. He was previously the Vice President of Technical Marketing from September 2002 until 2003. He was Director R&D for Diagnostic products from March 2000 until January 2002.

Mr. Numann is retired from Harris Corporation where he served as president of the company's Communication Sector from 1989 until his retirement in 1997. From 1984 to 1989 Mr. Numann served as senior vice president and group executive for the Communication Sector. Mr. Numann currently serves as a member of Rensselaer Polytechnic Institute's School of Engineering Advisory Board.

Mr. Weng founded New Industries Investment Co., Ltd., (NIIC) in Shenzhen, China in 1993. He has been President and Chief Executive Officer of NIIC for nine years. Mr. Weng has also been the Chairman of the Board of Venture Capital Ltd., Medical Development Ltd. and Consultant Ltd., subsidiaries of NIIC.

Mr. Shi has served as a professional manager of New Industries Investment Co., Ltd. since 1997. In NII group, Mr. Shi currently is Chief Operating Officer of Venture Capital Ltd. Mr. Shi has also been Chief Executive Officer of Shenzhen New Industries Medical Development Co., Ltd. since March 2002.

Ms. Gu has been President of Y.F.K. Import and Export Corporation, a privately held medical equipment distributor/consulting firm specializing in ophthalmology and dermatology, since 1986. She has also been the Vice President of Finance in NBM Publishing, Inc., a privately held publishing company, since 1989.

Ms. Cipolla has served as Chief Financial Officer and Secretary of LaserSight since March 2004. Prior to joining LaserSight, she has served in various financial management positions. From 1994 to 1999, she was Chief Financial Officer and Treasurer of Network Six, Inc., a NASDAQ listed professional services firm. From 1999 to 2002, Mrs. Cipolla was Vice President of Finance with Goliath Networks, Inc., a privately held network consulting company. From 2002 to 2003, Ms. Cipolla was Department Controller of Alliant Energy Corporation, a regulated utility.

Code of Ethics for Chief Executive Officer and Senior Financial Officers

The Company is developing a code of ethics for the CEO and Senior Financial Officers (Code of Ethics) which is required to be signed by each such officers, and is maintained on file by the Company.

Audit Committee and Audit Committee Financial Expert

Two members of the Company's Board of Directors, Guy Numann and Ying Gu, currently serve as the audit committee. The Audit Committee does not currently have a member designated as the financial expert.

Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires LaserSight's officers and directors, and persons who own more than 10% of the outstanding common stock, to file reports of ownership and changes in ownership of such securities with the SEC. Officers, directors and over-10% beneficial owners are required to furnish LaserSight with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of the forms furnished to LaserSight, and/or written representations from certain reporting persons that no other reports were required, LaserSight believes that all Section 16(a) filing requirements applicable to its officers, directors and over-10% beneficial owners during or with respect to the year ended December 31, 2003 were met.

Item 11. Executive Compensation

The following table sets forth summary information concerning the compensation paid or earned for services rendered to LaserSight in all capacities during 2001, 2002 and 2003 for LaserSight's Chief Executive Officer, each of LaserSight's other executive officers serving at December 31, 2003 whose total annual salary and bonus for 2003 exceeded $100,000 and former executive

officers for which disclosure is required. No restricted stock or stock appreciation rights were granted and no payouts under any long-term incentive plan were made to any of the named executive officers in 2001, 2002 or 2003. We use the term "named executive officers" to refer collectively to these individuals later in this Form 10-K.

Summary Compensation Table

		Annual Compensation			L Co
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation	S U Opt
Michael R. Farris	2003	$216,814	--	--	
Former President and CEO	2002	262,765	--	$25,000 (1)	
	2001	278,553	--	--	
Jack T. Holladay, M.D. Former	2003	83,333	--	--	
Medical Director	2002	200,000	--	--	
	2001	200,000	--	--	
Gregory L. Wilson Former	2003	134,127	--	--	
Chief Financial Officer	2002	192,400	--	7,215 (2)	
	2001	185,185	--	--	
Danghui Liu	2003	153,958	25,800	--	

Interim President and CEO, COO	2002	105,540	--	--
	2001	110,040	166	--
Richard K. Davis	2003	127,917	--	--
Vice President, Engineering	2002	130,000	--	--
	2001	130,000	--	--

(1) Consists of a one-time award approved by the board of directors in October 2002.

(2) Consists of retroactive pay during 2002 to compensate for a voluntary pay reduction taken during 2001.

(3) Mr. Farris resigned on August 22, 2003. All options were expired after 30 days.

(4) Dr. Holladay resigned on September 4, 2003. All options expired after 30 days.

(5) Mr. Wilson resigned on April 5, 2003. All options expired after 30 days.

(6) Forgiveness of $15,000 in personal debt on corporate credit card.

(7) Consists of relocation reimbursement and travel allowance paid.

No Options / SARs were granted during 2003. On June 30, 2004, all Outstanding Options were cancelled per the Company's re-organization plan.

The following table sets forth certain information relating to options held by the named executive officers at December 31, 2003:

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)(1)	Number of Securities Underlying Unexercised Options/SARs at Year-End (#)(1) Exercisable/ Unexercisable
Michael R. Farris	--	--	-- (3)
Jack T. Holladay, M.D.	--	--	-- (4)
Gregory L. Wilson	--	--	-- (5)
Danghui Liu	--	--	35,000 / 0
Richard K. Davis	--	--	170,000 / 10,000

SAR

(1) No Options / SARs have been issued by LaserSight in 2003.

(2) Based on the $0.01 closing price of the common stock on The NASDAQ Stock Market on December 31, 2003 when such price exceeds the exercise price for an option.

(3) Mr. Farris resigned on August 22, 2003. All options expired after 30 days.

(4) Dr. Holladay resigned on September 4, 2003. All options expired after 30 days.

(5) Mr. Wilson resigned on April 5, 2003. All options expired after 30 days.

Compensation of Directors

Each non-employee director receives a fee of $500 for each board or committee meeting attended. Effective October 25, 2002, members of the Audit Committee receive $1,000 per meeting and the chairman of the Audit Committee receives $1,500 per meeting. In addition, during 2002, each non-employee director was granted an option under LaserSight's Non-Employee Directors Stock Option Plan to purchase 15,000 shares of common stock and each committee chairman and the Chairman of Board was granted an additional option to purchase 5,000 shares. Directors who are also full-time employees of LaserSight received no additional cash compensation for services as directors.

Employment Agreements

When the Company filed for Chapter 11 protection on September 5, 2003 all employment agreements in effect prior to that time were canceled. At

December 31, 2003 there were no employment contracts in effect.

Relocation Agreements

When the Company filed for Chapter 11 protection on September 5, 2003 all relocation agreements in effect prior to that time were canceled. At December 31, 2003 there were no relocation agreements in effect.

Compensation Committee Interlocks and Insider Participation

During 2003, the role of the Compensation Committee was performed by the board of directors as a whole.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding ownership of LaserSight's voting securities, as of December 31, 2003:

o each person known to LaserSight to own beneficially more than 5% of LaserSight's outstanding voting securities; o each of LaserSight's directors; o each of LaserSight's executive officers named in the summary compensation table; and o all of LaserSight's directors and executive officers as a group.

The beneficial ownership of LaserSight's voting securities set forth in this table is determined in accordance with the rules of the Securities and Exchange Commission. Unless otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power as to all shares beneficially owned, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Common Stock Ownership (1)	Series H Preferred
Directors and Executive Officers:		
David Liu	44,998(2)	
Dorothy M. Cipolla	*	
Stephen Shi	172,300(4)	
Richard K. Davis	170,000(2)	
Guy W. Numann	170,000(2)	
Ying Zhi Gu	97,660	
Xian Ding Weng	*	
Michael R. Farris	276,000(3)	
Jack T. Holladay, M.D.	2,000	
Gregory L. Wilson	15,000	
TLC Laser Eye Centers Inc. 5280 Solar Drive Suite 300 Mississauga, Ontario Canada L4W 5M8	3,221,883(5) 11.5%	
New Industries Investment Consultants (H.K.) Shenzhen, People's Republic of China		9,280,647 (6) 100%

* Less than 1%.

(1) Each number of shares of common stock shown as owned in this column assumes the exercise of all currently-exercisable options and warrants and all options and warrants that will become exercisable within 60 days of March 28, 2004. Each percentage shown in this column assumes the exercise of all such options and warrants by the applicable person or group, but assumes that no options or warrants held by any other persons are exercised or converted. The exercise price of each of the options and warrants are significantly above the current trading price of common stock.

(2) Includes options (and 67,500 warrants in the case of Mr. Numann) to acquire shares of common stock which are now exercisable or will become exercisable within 60 days of March 28, 2004, as follows: Mr. Liu (35,000), Mr. Numann (102,500), Mr. Davis (170,000); and all directors and executive officers as a group (307,500).

(3) SunTrust Bank, was the holder of 412,200 shares of common stock pledged by Mr. Farris to secure a personal borrowing, gave given notice of its intention to sell those shares in compliance with Rule 144 (k) under the Securities Act of 1933 and to apply the net proceeds of the sales first to expenses and then to reduction of Mr. Farris' borrowing, with any excess to be remitted to Mr. Farris. Counsel to LaserSight has delivered its opinion that the shares may be sold in compliance with Rule 144 (k) and counsel for the bank has been authorized to, and has undertaken to, provide notice of any sale in sufficient time to permit Mr. Farris to file a Form 4 in time to comply with the current two day filing requirement of the Securities and Exchange Commission. As of March 28, 2004, 140,000 shares had been sold.

(4) Includes 172,300 shares of common stock owned by Mr. Shi's spouse.

(5) Represents (a) 3,171,833 shares of common stock presently owned by TLC (based on information supplied to LaserSight as of March 6, 2003), and (b) 50,000 shares of common stock issuable to TLC upon exercise of all of its 50,000 warrants at a price of $5.125 per share.

(6) The holders of each share of series H preferred stock shall be entitled to the number of votes equal to the number of shares of series H preferred stock held by such stockholder at the Record Date.

Item 13. Certain Relations and Related Transactions

Indebtedness of Management. In accordance with an arrangement that has been in place since Mr. Farris first became employed by LaserSight, Mr. Farris utilized a company credit card for both business and non-business expenses and then reimbursed LaserSight for the non-business expenses, historically at a rate of $1,000 per month. Since the beginning of 2003 the aggregate amount of these non-business expenses has not exceeded $67,000. Mr. Farris continued to reimburse approximately $1,000 per month until he resigned in August of 2003. As part of his severance agreement, the board agreed to bonus Mr. Farris the $15,000 balance. Mr. Farris was not charged interest in connection with these loans.

NIMD transaction. Through December 31, 2003, approximately $3.6 million worth of products were sold to Shenzhen New Industries Medical Development Co. Ltd. As a result of the Chapter 11 re-structuring, NIMD's affiliate, NIIC loaned $2.0 million to the Company. $1 million was converted for 6,850,000 shares of the 9,997,195 newly issued common stock. NIIC's preferred stock was converted into 360,000 common shares. In addition, NIIC can convert the remaining $1.0 million of that loan, subject to certain restrictions, to 2,500,000 shares of the Company's common stock and result in the purchaser holding approximately 76% of the Company's common stock.

Item 14. Principal Accounting Fees and Services

During 2003 and 2002 the Company was billed by KPMG for the following services:

		2003	2002
(a)	Audit fees:	106,156	121,030
(b)	Audit-related fees	110,733	104,178
(c)	Tax fees	1,250	31,500
(d)	All other fees	37,375	9,050
		255,514	265,758

All KPMG related work was approved in advance by the Audit Committee Chairman, David Perioni. Subsequent to Mr. Perioni's resignation in 2003, all work performed by auditors was approved by the remaining two members of the audit committee, Ms. Gu and Mr. Numann.

On March 23, 2004, the Company announced the resignation of KPMG. On May 20, 2004 the Company announced the appointment of Moore Stephens Lovelace, P.A., a Winter Park, Florida based CPA firm qualified to do SEC audit engagements.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

Financial Statements and Schedules.

(a) (1) The following financial statements and related items commence on page F-1:

Independent Auditors' Reports

Consolidated Balance Sheets as of December 31, 2003 and 2002.

Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules:

None

(3) Exhibits required by Item 601 of Regulation S-K.

The Exhibit Index set forth on page 79 of this Form 10-K is hereby incorporated herein by this reference.

b) Reports on Form 8-K

On November 13, 2003, we filed a Current Report on Form 8-K describing our press release dated November 13, 2003 announcing that the Company would not timely file its third quarter Form 10-Q due on November 14, 2003. The Company did file a Form 12b-25 on November 13, 2003 advising that the Company no longer had the financial resources or staff to file the quarterly reports on a timely basis. [As a late filer, the Company's securities are now traded in the over-the-counter (OTC) market via the "Pink Sheets."]

On January 6, 2004, we filed a Current Report on Form 8-K describing our press release dated January 6, 2004 announcing the Company's receipt of the settlement proceeds from a shareholder derivative suit which had been pending in the United States District Court, Southern District of New York. The original action, in which LaserSight was a nominal defendant, was filed pursuant to Section 16 of the Securities Exchange Act of 1934. The Company received, net of court ordered fees and costs, approximately $250,000 of the $400,000 settlement. The report also disclosed that on January 5, 2004, the

Company filed its Reorganization Plan ("Plan") with the U.S. Bankruptcy Court. The Plan was a result of negotiations with the various parties involved and provides in part for Debtor in Possession ("DIP") financing to be provided by New Industries Investment Consultants (H.K.) LTD ("NII"). NII is the Hong Kong based affiliate of Shenzhen New Industries Medical Development Co. ("Shenzhen New Industries"), Shenzhen, and the People's Republic of China. The Company had already received the first two transfers of funds from NII as part of the $2.0 million of DIP loans.

On March 5, 2004, we filed a Current Report on Form 8-K announcing that the Company had filed its monthly operating reports for the period September 5, 2003, through January 31, 2004 (the "Operating Reports"). The Operating Reports were filed with the U.S. Bankruptcy Court for the Middle District of Florida - Orlando Division. Copies of the Operating Reports were attached as an exhibit to this filing.

On March 15, 2004, we filed a Current Report on Form 8-K announced that the Company had employed Dorothy M. Cipolla, CPA, as Chief Financial Officer and Corporate Secretary.

On March 16, 2004, we filed a Current Report on Form 8-K announcing that KPMG had resigned as the auditor of the Registrant as of that date. That determination was a decision of KPMG LLP and was not recommended or approved by the audit committee of the board of directors of the Registrant.

On March 23, 2004, we filed a Current Report on Form 8-K announcing that the Company had filed its monthly operating report for the period February 1, 2004, through February 29, 2004 (the "Operating Report"). The Operating Report was filed with the U.S. Bankruptcy Court for the Middle District of Florida - Orlando Division. A copy of the Operating Report was attached as an exhibit to this filing.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Certificate of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Form 10-Q filed on November 14, 2002*).
3.2	Bylaws, as amended (filed as Exhibit 3.2 to the Company's Form 10-Q/A filed on November 21, 2002*).
3.3	Rights Agreement, dated as of July 2, 1998, between LaserSight Incorporated and American Stock Transfer & Trust Company, as Rights Agent, which includes (I) as Exhibit A thereto the form of Certificate of Designation of the Series E Junior Participating Preferred Stock, (ii) as Exhibit B thereto the form of Right Certificate (separate certificates for the Rights will not be issued until after the Distribution Date) and (iii) as Exhibit C thereto the Summary of Stockholder

	Rights Agreement (incorporated by reference to Exhibit 99.1 to the Form 8-K filed by the Company on July 8, 1998*).
10.1	Incorporated (filed as Exhibit 10.39 to the Company's Form 10-K filed on March 31, 1999
10.2	Registration Rights Agreement dated March 12, 2001 among LaserSight Incorporated and Heller Healthcare Finance, Inc. (filed as Exhibit 10.60 to the Company's Form 10-K filed on March 30, 2001*).
10.3	Product Purchase Agreement dated August 15, 2002 between LaserSight Technologies, Inc. and Shenzhen New Industries Medical Development Co., Ltd. The Company undertakes to provide to the Commission upon its request the schedules omitted from this exhibit (filed as Exhibit 99.4 to the Company's Form 8-K filed on August 30, 2002*)**.
10.4	Distribution Agreement dated August 15, 2002 LaserSight Technologies, Inc. and Shenzhen New Industries Medical Development Co., Ltd. (filed as Exhibit 99.5 to the Company's Form 8-K filed on August 30, 2002*)**.
10.5	Chief Executive Officer and Chief Financial Officer certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed under Item 9 to the Company's Form 8-K filed on August 14, 2002*).
10.6	Amendment No. 2 to Loan and Security Agreement dated as of August 15, 2002 among LaserSight Incorporated and subsidiaries and Heller Healthcare Finance, Inc. (filed as Exhibit 10.1 to the Company's Form 10-Q filed on November 14, 2002*).
10.7	Extension to Loan and Security Agreement dated as of March 12, 2003 among LaserSight Incorporated and subsidiaries and Heller Healthcare Finance, Inc. (filed as Exhibit 10.40 to the Company's Form 10-K filed on March 31, 2003*).
10.8	Amendment No. 3 to Loan and Security Agreement dated as of March 31, 2003 among LaserSight Incorporated and subsidiaries and Heller Healthcare Finance, Inc. (filed as Exhibit 10.41 to the Company's Form 10-K filed on March 31, 2003*).
Exhibit 11	Statement of Computation of Loss Per Share(Included in Financial Statements in Item 1 hereof)
Exhibit 21	Subsidiaries of the Registrant
Exhibit 23	Consent of KPMG LLP Consent of Moore Stephens Lovelace, P.A.

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)
32	Certifications of CEO and CFO Pursuant to Section 1350

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*Incorporated herein by reference. File No. 0-19671.

**Confidential treatment has been granted for portions of this document. The redacted material has been filed separately with the commission.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 22, 2005 LASERSIGHT INCORPORATED

By: /s/ Danghui ("David") Liu

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

Registrant and in the capacities and on the dates indicated.

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

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

/s/ Xing Ding Weng. — Dated:: March 22, 2005

Xingding Weng,
Chairman of the Board, Director

/s/ Guy W. Numann — Dated:: March 22, 2005

Guy W. Numann, Director

/s/ Ying Gu