LASERSIGHT INC /DE
Form 10-Q
May 15, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended March 31, 2002.

or

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

Commission File Number: 0-19671

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

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

3300 University Blvd., Suite 140, Winter Park, Florida 32792
(Address of principal executive offices) (Zip Code)

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

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

Yes X No

The number of shares of the registrant's common stock outstanding as of May 14, 2002 is 26,554,168.

LASERSIGHT INCORPORATED AND SUBSIDIARIES

Except for the historical information contained herein, the discussion in this report contains forward-looking statements (within the meaning of Section 21E of the Exchange Act) that involve risks and uncertainties. LaserSight's actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors and Uncertainties" in this report and in LaserSight's Annual Report on Form 10-K for the year ended December 31, 2001. LaserSight undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect any future events or developments.

INDEX

2

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

LASERSIGHT INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2002	December 31 2001
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 348,900	2,762,06
Accounts receivable - trade, net	7,411,541	8,100,99
Notes receivable - current portion, net	2,980,071	3,219,28
Inventories	11,711,244	12,005,10
Deferred tax assets	40,214	40,21
Other current assets	472,110	691,47
Total Current Assets	22,964,080	26,819,14
Notes receivable, less current portion, net	1,761,487	2,129,65
Property and equipment, net	1,091,713	1,373,49
Patents, net	4,398,027	4,476,58
Other assets, net	1,408,717	1,511,04
	$ 31,624,024	36,309,91
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Note payable, net of unamortized discount of $58,209 at March 31, 2002	$ 2,921,791	-
Accounts payable	3,901,345	3,846,90
Accrued expenses	6,309,076	5,998,83
Accrued commissions	1,619,238	1,650,29
Deferred revenue	1,644,704	1,459,59
Total Current Liabilities	16,396,154	12,955,63
Accrued expenses, less current portion	259,092	315,59
Deferred royalty revenue	4,493,000	4,600,00
Deferred income taxes	40,214	40,21
Note payable, net of unamortized discount of $73,530 at December 31, 2001	--	2,926,47
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, authorized 10,000,000 shares; par value $.001 per share:		
Series F - 1,276,596 issued and outstanding at March 31, 2002 and December 31, 2001	1,277	1,27
Common stock - par value $.001 per share; authorized 100,000,000 shares; 26,699,368 and 26,596,062 shares issued at March 31, 2002 and December 31, 2001, respectively	26,699	26,59
Additional paid-in capital	102,961,233	102,918,83
Stock subscription receivable	(1,140,000)	(1,140,00
Accumulated deficit	(90,870,998)	(85,792,05
Less treasury stock, at cost; 145,200 common shares at March 31, 2002 and December 31, 2001	(542,647)	(542,64
	10,435,564	15,472,00

	$ 31,624,024	36,309,91

See accompanying notes to the condensed consolidated financial statements.

LASERSIGHT INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2002	2001
Revenues:		
Products	$ 1,901,205	3,998,04
Royalties	72,000	150,00
	1,973,205	4,148,04
Cost of revenues:		
Product cost	1,392,612	1,924,55
Gross profit	580,593	2,223,49
Research, development and regulatory expenses	542,974	931,30
Other general and administrative expenses	4,100,513	6,465,28
Selling-related expenses	822,997	1,161,07
Amortization of intangibles	115,059	157,91
	5,038,569	7,784,27
Loss from operations	(5,000,950)	(6,492,09
Other income and expenses		
Interest and dividend income	65,949	194,38
Interest expense	(143,941)	(38,47
Gain on sale of patent	--	3,950,83
Loss from continuing operations before income tax expense	(5,078,942)	(2,385,34
Income tax expense	--	-
Loss from continuing operations	(5,078,942)	(2,385,34
Discontinued operations:		
Loss from the operation of discontinued health care services business	--	(86,91
Net loss	$ (5,078,942)	(2,472,26

Loss per common share		
Basic and diluted:	$ (0.19)	(0.1
Weighted average number of shares outstanding		
Basic and diluted:	26,488,000	23,514,00

See accompanying notes to the condensed consolidated financial statements.

4

LASERSIGHT INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2002 AND 2001
(Unaudited)

	2002	2001
Cash flows from operating activities		
Net loss	$ (5,078,942)	(2,472,26
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	464,889	573,23
Gain on sale of patent	--	(3,950,83
Common stock issued for services	42,500	60,46
Changes in assets and liabilities:		
Accounts and notes receivable	1,296,835	(299,07
Inventories	293,864	(788,30
Accounts payable	54,439	1,112,50
Accrued expenses	222,677	(85,84
Deferred revenue	78,112	(13,87
Other	236,901	26,77
Net cash used in operating activities	(2,388,725)	(5,837,21
Cash flows from investing activities		
Purchases of property and equipment, net	(4,437)	(77,78
Proceeds from sale of intangible assets, net	--	6,365,00
Net cash provided by (used in) investing activities	(4,437)	6,287,21
Cash flows from financing activities		
Payments on debt financing	(20,000)	-
Proceeds from exercise of stock options and ESPP	--	10,33
Proceeds from debt financing, net	--	2,628,67
Net cash provided by (used in) financing activities	(20,000)	2,639,00
Increase (decrease) in cash and cash equivalents	(2,413,162)	3,089,00
Cash and cash equivalents, beginning of period	2,762,062	8,593,85
Cash and cash equivalents, end of period	$ 348,900	11,682,86

============ ============

See accompanying notes to the condensed consolidated financial statements.

LASERSIGHT INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Month Periods Ended March 31, 2002 and 2001

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited, condensed consolidated financial statements of LaserSight Incorporated and subsidiaries (LaserSight) as of March 31, 2002, and for the three-month periods ended March 31, 2002 and 2001 have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has suffered recurring losses from operations and has a significant accumulated deficit that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described below. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, 2001 and in the three month period ended March 31, 2002 and has an accumulated deficit of $90,870,998 at March 31, 2002. The substantial portion of the losses is attributable 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. (a key approval for the treatment of nearsightedness with or without astigmatism was received in late September 2001) and the continued development efforts to expand clinical approvals of the Company's excimer laser and other products.

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. Management expects the Company's cash and cash equivalent balances and funds from operations will be sufficient to meet its anticipated operating cash requirements for a very limited period of time. As a result, management of the Company is undertaking steps as part of a plan to attempt to improve liquidity and operations with the goal of sustaining Company operations for a period of time while seeking to find a strategic partner or buyer. These steps include seeking (a) additional funds through the possible sale of certain Company assets or through additional investment or loans; (b) to control overhead and expenses; and (c) to increase sales.

There can be no assurance the Company can successfully accomplish these steps. Accordingly, the Company's ability to continue as a going concern is uncertain and dependent upon obtaining additional equity capital and/or debt financing and achieving improved operational results and cash flows. These condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The condensed consolidated financial statements have been prepared in accordance with the requirements for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X.

Accordingly, they do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in LaserSight's annual report on Form 10-K for the year ended December 31, 2001. In the opinion of management, the condensed consolidated financial statements include all adjustments necessary for a fair presentation of consolidated financial position and the results of operations and cash flows for the periods presented. There are no other components of comprehensive loss other than the Company's consolidated net loss for the three-month periods ended March 31, 2002 and 2001. The results of operations for the three-month period ended March 31, 2002 are not necessarily indicative of the operating results for the full year. The report of KPMG LLP, independent auditors, commenting upon their review accompanies the condensed consolidated financial statements included in Item 1 of Part I.

NOTE 2 PER SHARE INFORMATION

Basic loss per common share is computed using the weighted average number of common shares and contingently issuable shares (to the extent that all necessary contingencies have been satisfied). Diluted loss per common share is computed using the weighted average number of common shares, contingently issuable shares, and common share equivalents outstanding during each period. Common share equivalents include options, warrants to purchase Common Stock, and convertible Preferred Stock and are included in the computation using the treasury stock method if they would have a dilutive effect.

NOTE 3 INVENTORIES

Inventories, which consist primarily of excimer and erbium laser systems and related parts and components, are stated at the lower of cost or market. Cost is determined using the standard cost method, which approximates costs determined on the first-in first-out basis. The components of inventories at March 31, 2002 and December 31, 2001 are summarized as follows:

	March 31, 2002	December 31, 2001
Raw materials	$ 7,620,378	7,699,939
Work-in-process	78,909	92,030
Finished goods	3,282,461	3,563,796
Test equipment - clinical trials	729,496	649,343
	$11,711,244	12,005,108

NOTE 4 SEGMENT INFORMATION

The Company's continuing operations principally include refractive products. Refractive product operations primarily involve the development, manufacture and sale of ophthalmic lasers and related devices for use in vision correction procedures. Patent services involve the revenues and expenses generated from the ownership of certain refractive laser procedure patents. Health care services provided health and vision care consulting services to hospitals, managed care companies, and physicians, and was reflected as a discontinued operation as of December 31, 2001.

Operating profit is total revenue less operating expenses. In determining operating profit for operating segments, the following items have not been considered: general corporate expenses, discontinued operations, non-operating income and expense and income tax expense. Identifiable assets by operating segment are those that

are used by or applicable to each operating segment. General corporate assets consist primarily of cash and income tax accounts.

The table below summarizes information about reported segments as of and for the three months ended March 31:

	Operating Revenues	Operating Profit (Loss)	Assets	Depreciati and Amortizati
2002				
Operating segments:				
Refractive products	$ 1,901,205	(4,676,228)	30,927,789	400,1
Patent services	72,000	72,000	--	
General corporate	--	(396,722)	696,235	1,1
Consolidated total	$ 1,973,205	(5,000,950)	31,624,024	401,2
2001				
Operating segments:				
Refractive products	$ 3,998,047	(6,178,559)	38,268,413	489,5
Patent services	150,000	150,000	150,000	
Discontinued operations	--	--	3,362,509	68,2
General corporate	--	(463,532)	12,167,764	2,7
Consolidated total	$ 4,148,047	(6,492,091)	53,948,686	560,5

Amortization of deferred financing costs and discount on note payable of $63,612 and $12,722 for the three months ended March 31, 2002 and 2001, respectively, is included as interest expense.

NOTE 5 AMENDED LOAN AGREEMENT

Effective February 15, 2002, the Company's covenants on the term note payable to Heller were amended to decrease the required minimum level of net worth to $10.0 million, establish a minimum tangible net worth of $4.5 million and minimum quarterly revenues during 2002. In addition, monthly principal payments of $10,000 began in February 2002, increasing to $20,000 monthly in June 2002 and $30,000 monthly in October 2002. For the quarter ended March 31, 2002, the Company did not meet the covenant for quarterly revenues, putting it in default of that covenant as of May 15, 2002. The Company is currently unable to borrow under its revolving credit facility.

NOTE 6 SUBSEQUENT EVENT

Letter of Intent and License of Patents and Technology

On April 16, 2002, the Company announced that it had entered into a letter of intent and a non-exclusive license with a third party contemplating the sale of patents and technology related to its AstraMax diagnostic workstation product. On May 14, 2002, the Company announced the transaction had been terminated. The third party has alleged that the Company violated the terms of the non-exclusive license. The Company denies any intent to do so. Prior to the termination of the process, the Company received cash payments totaling $875,000.

8

Independent Auditors' Review Report

The Board of Directors
LaserSight Incorporated:

We have reviewed the condensed consolidated balance sheet of LaserSight Incorporated and subsidiaries as of March 31, 2002, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 2002 and 2001. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of LaserSight Incorporated and subsidiaries as of December 31, 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 22, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Our report dated March 22, 2002, on the consolidated financial statements of

LaserSight Incorporated and subsidiaries as of and for the year ended December 31, 2001, contains an explanatory paragraph that states that the Company's recurring losses from operations and significant accumulated deficit raise substantial doubt about the entity's ability to continue as a going concern. The consolidated balance sheet as of December 31, 2001, does not include any adjustments that might result from the outcome of that uncertainty.

/s/ KPMG LLP

St. Louis, Missouri
May 3, 2002

9

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

LaserSight is principally engaged in the manufacture and supply of narrow beam scanning excimer laser systems, keratomes, keratome blades 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 laser systems, including over 220 of our LaserScan LSX(TM) laser systems. In March 2000, we began commercial shipments of our LaserScan LSX laser system to customers in the U.S.

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. 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 success in our efforts to obtain additional funds or find a strategic partner or buyer, result in our inability to continue operations."

RESULTS OF OPERATIONS

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

	As a Percentage of Net Sales Three Months Ended March 31,		Percent Over Pri Three Months
	2002	2001	2002
Statements of Operations Data:			
Net revenues:			
Refractive products....................	96.4%	96.4%	(5
Patent services........................	3.6	3.6	(5
Net revenues........................	100.0	100.0	(5

Cost of revenue........................	70.6	46.4	(2
Gross profit(1)........................	29.4	53.6	(7
Research, development and regulatory expenses (2)	27.5	22.5	(4
Other general and administrative expenses............................	207.8	153.3	(3
Selling-related expenses (3)............	41.7	28.0	(2
Amortization of intangibles.............	5.8	5.3	(2
Loss from continuing operations..........	(253.4)	(155.4)	(2

----

(1) As a percentage of net revenues, the gross profit for refractive products only for the three months ended March 31, 2002 and 2001, were 27% and 52%, respectively.

(2) As a percentage of refractive product net sales, research, development and regulatory expenses for the three months ended March 31, 2002 and 2001, were 29% and 23%, respectively.

(3) As a percentage of refractive product net sales, selling-related expenses for the three months ended March 31, 2002 and 2001, were 43% and 29%, respectively.

THREE MONTHS ENDED MARCH 31, 2002, COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

REVENUES. Net revenues for the three months ended March 31, 2002 decreased by $2.2 million, or 52%, to $2.0 million from $4.2 million for the comparable period in 2001.

During the three months ended March 31, 2002, refractive products revenues decreased $2.1 million, or 52%, to $1.9 million from $4.0 million for the comparable period in 2001. This revenue decrease was primarily the result of decreased sales of the LaserScan LSX excimer laser system. During the three months ended March 31, 2002, excimer laser system sales accounted for approximately $1.4 million in revenues compared to $3.6 million in revenues over the same period in 2001. During the three months ended March 31, 2002, seven laser systems were sold compared to 13 laser systems sold during the comparable period in 2001.

Net revenues from patent services for the three months ended March 31, 2002 decreased approximately $0.1 million, or 52%, to $0.1 million from $0.2 million for the comparable period in 2001, due to the sale of most rights associated with the patent responsible for generating patent service revenue.

COST OF REVENUES; GROSS PROFIT. For the three months ended March 31, 2002 and 2001, gross profit margins were 29% and 54%, respectively. The gross margin decrease during the three months ended March 31, 2002 was primarily attributable to decreased sales and lower average selling prices of the LaserScan LSX excimer laser system, causing overhead to be a higher percentage of sales. The decreased number of laser sales resulted in lower raw material costs relating to the LaserScan LSX excimer laser system of $0.4 million and there was a decrease in our inventory obsolescence reserve of $0.1 million from the comparable period in 2001.

RESEARCH, DEVELOPMENT AND REGULATORY EXPENSES. Research, development and regulatory expenses for the three months ended March 31, 2002 decreased approximately $0.4 million, or 42%, to $0.5 million from $0.9 million for the comparable period in 2001. 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. If we have sufficient funds, we expect research and development expenses during the remainder of 2002 to be at minimal levels. Regulatory expenses are expected to remain constant as a result of our continued 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.

OTHER GENERAL AND ADMINISTRATIVE EXPENSES. Other general and administrative expenses for the three months ended March 31, 2002 decreased $2.4 million, or 37%, to $4.1 million from $6.5 million for the comparable period in 2001. This decrease was primarily due to a decrease in expenses incurred at our refractive products subsidiary of approximately $2.3 million related to cost reductions to the sales and marketing, customer support, professional services departments of $0.7 million, $0.2 million of reductions in our European operation and a reduction of $1.3 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 since that time.

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 three months ended March 31, 2002 decreased $0.4 million, or 29%, to $0.8 million from $1.2 million during the comparable period in 2001. This decrease was primarily attributable to a $0.2 million decrease in sales commissions resulting from lower sales and a decrease of $0.2 million of warranty expense primarily related to decreased laser system sales. Selling-related expenses increased as a percentage of revenue during the three months ended March 31, 2002 compared to the three months ended March 31, 2001.

This percentage increase primarily resulted from additional license fee expense for our keratome products of $0.4 million during each period due to minimum royalties under our January 2001 amended and restated license agreement, regardless of keratome sales. See "Risk Factors and Uncertainties - Company and Business Risks - Required minimum payments under our keratome license agreement may exceed our gross profits from sales of our keratome products." In addition, the decrease in patent services revenue did not result in a reduction of selling related expenses, which are related to refractive products.

AMORTIZATION OF INTANGIBLES. During the three months ended March 31, 2002, costs relating to the amortization of intangible assets decreased $43,000, or 27%, to $115,000 from $158,000 for the comparable period 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.

LOSS FROM OPERATIONS. The operating loss for the three months ended March 31, 2002 was $5.0 million compared to the operating loss of $6.5 million for the same period 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 LaserScan LSX excimer laser system.

OTHER INCOME AND EXPENSES. Interest and dividend income for the three months ended March 31, 2002 was $0.1 million, a decrease of $0.1 million over the comparable period in 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 three months ended March 31, 2002 was $0.1 million, an increase of $0.1 million over the comparable period in 2001 as a result of our loan transaction with Heller in March 2001. Other income included a net gain, after expenses associated with the sale, of $4.0 million from the sale of the 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.

INCOME TAXES. For the three months ended March 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 approximately $87,000 during the three months ended March 31, 2001.

NET LOSS. Net loss for the three months ended March 31, 2002, was $5.1 million compared to a net loss of $2.5 million for the comparable period in 2001. The increase in net loss for the three months ended March 31, 2002 can be attributed to the decrease in sales of our LaserScan LSX excimer laser system 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 $0.19 for the three months ended March 31, 2002 and $0.11 for the comparable period in 2001. Since March 31, 2001, the weighted average shares of common stock outstanding increased primarily due to the conversion of preferred stock during June 2001 and the issuance of common stock related to our July 2001 financing.

LIQUIDITY AND CAPITAL RESOURCES

LaserSight had approximately $0.5 million of cash and cash equivalents available, as of May 14, 2002, to fund continuing operations and is currently facing significant liquidity and capital resource concerns. Management expects 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 only the next two to four weeks in the absence of LaserSight obtaining an additional source of capital or a significant improvement in our cash flows from operations. This expectation is based upon assumptions regarding cash flows and

results of operations over the next two to four weeks 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 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. 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--We have experienced significant losses and operating cash flow deficits and we expect that operating cash flow deficits will continue and, absent success in our efforts to obtain additional funds or find a strategic partner or buyer, result in our inability to continue operations." There can be no assurance that sales and collection of accounts receivables will meet the level of management's expectations. See note 5 to the condensed consolidated financial statements regarding our default on our term loan with Heller.

Our working capital remains positive (approximately $5.5 million as of the end of April 2002), though 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 is dependent on our ability to generate new sales of our products and collect the sales price in a timely manner.

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 being unable to generate additional sales and collect new and outstanding accounts receivable and 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 likely be unable to continue operations for the expected two to four week period in the absence of obtaining additional sources of capital.

We are actively seeking additional funds through the possible sale of certain company assets or through additional investment or loans, which would provide temporary relief from our current liquidity pressures. We are also seeking a strategic partner or buyer. However, even if we succeed in our attempt to secure additional funds, we cannot assure you that we will be able to generate increased revenues and collections to offset required cash expenditures in a timely manner. The board is monitoring the results of these activities and in that light is considering our options, including a possible bankruptcy filing. Additionally, if we are able to enter transactions to meet our liquidity needs, it could be on terms that seriously dilute our present stockholders or significantly restrict the flexibility of our business. See "Risk Factors and Uncertainties--Industry and Competitive Risks--We cannot assure you that we have the liquidity to survive long enough to achieve market acceptance with our products in the U.S." and "--Financial and Liquidity Risks--We have experienced significant losses and operating cash flow deficits and we expect that operating cash flow deficits will continue and, absent success in our efforts to obtain additional funds or find a strategic partner or buyer, result in our inability to continue operations."

Our principal sources of funds have historically been from sales of preferred stock and common stock, sales of subsidiaries and patent rights and, to a lesser extent, our operating cash flows. We issued equity securities totaling approximately $14.8 million in 1997, $15.8 million in 1998, $8.9 million in 1999, $19.1 million in 2000 and $3.0 million in 2001, and received proceeds from the exercise of stock options, warrants and our Employee Stock Purchase Plan of approximately $98,000 in 1997, $0.5 million in 1998, $10.4

million in 1999, $85,000 in 2000 and $67,000 in 2001. In addition, we sold subsidiaries and various patent rights, resulting in proceeds to us of approximately $10.5 million in 1997, $12.7 million in 1998, $6.5 million in 2001 and $0.9 million through May 14, 2002. Additionally, we received $5.0 million in 2001 for a paid up license to our `679 Scanning Patent. We have principally used these capital resources to fund operating losses, working capital requirements, capital expenditures, acquisitions and retirement of debt. At March 31, 2002, we had an accumulated deficit of $90.9 million.

On March 1, 2001, we completed the sale of U.S. Patent No. 4,784,135 (Blum Patent) for a cash payment of $6.4 million, net of related expenses. We retained a non-exclusive royalty free license under the patent, which relates to the use of ultraviolet light for the removal of organic tissue. Our net book value of the patent at the date of the sale was approximately $2.4 million.

On March 12, 2001, we established a $3.0 million term loan and $10.0 million revolving credit facility with Heller. We borrowed $3.0 million under the term loan at a rate per annum equal to two and one-half percent (2.5%) above the prime rate. Interest is payable monthly and the loan must be repaid on March 12, 2003. Under the credit facility, we have the option to borrow amounts at a rate per annum equal to one and one-quarter percent (1.25%) above the prime rate for short-term working capital needs or such other purposes as may be approved by Heller. Borrowings are limited to 85% of eligible accounts receivable related to U.S. sales. Eligible accounts receivable will primarily be based on future U.S. sales, which are not expected to 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." At the present time, we do not have the ability to borrow under the credit facility. Borrowings under the loans are secured 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 extend to March 12, 2003. In addition to the costs and fees associated with the transaction, we issued to Heller a warrant to purchase 243,750 shares of common stock at an exercise price of $3.15 per share. The warrant expires on March 12, 2004. Effective February 15, 2002, the Company's covenants on the term note payable to Heller were amended to decrease the required minimum level of net worth and establish a minimum level of tangible net worth and minimum quarterly revenues during 2002. In addition, monthly principal payments of $10,000 began in February 2002, increasing to $20,000 monthly in June 2002 and $30,000 monthly in October 2002. For the quarter ended March 31, 2002, we did not meet the covenant for quarterly revenues, putting us in default of that covenant as of May 15, 2002. See "Item 3--Defaults Upon Senior Securities."

In July 2001, we completed a $3.0 million private placement of series F convertible participating preferred stock.

On April 16, 2002, the Company announced that it had entered into a letter of intent and a non-exclusive license with a third party contemplating the sale of patents and technology related to its AstraMax diagnostic workstation product. On May 14, 2002, the Company announced the transaction had been terminated. The third party has alleged that the Company violated the terms of the non-exclusive license. The Company denies any intent to do so. Prior to the termination of the process, the Company received cash payments totaling $875,000.

Our working capital decreased $7.3 million from $13.9 million at December 31, 2001 to $6.6 million as of March 31, 2002. This decrease in working capital resulted primarily from the net loss of $5.1 million and the classification of our $3.0 million term loan with Heller in current liabilities as of March 12, 2002.

Operating activities used net cash of $2.4 million during the three months ended March 31, 2002, compared to $5.8 million during the same period in 2001, and $17.7 million during the year ended December 31, 2001. We expect to incur a loss and a deficit in cash flow from operations for the first half of 2002.

There can be no assurance that we can achieve profitability or positive operating cash flow in any subsequent fiscal period. Net cash used by investing activities of $4,437 during the three months ended March 31, 2002, can be attributed primarily to purchase of property and equipment. As of March 31, 2002, we had no significant commitments for capital expenditures. There was $20,000 net cash used in financing activities during the three months ended March 31, 2002.

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.

One of our efforts is a search for a strategic partner or buyer and have retained McColl Partners LLC as our financial advisor to assist us in exploring strategic options (including the possible sale of LaserSight or its assets). There can be no assurance that our exploration of financing opportunities and strategic options will result in our obtaining sufficient financing, on acceptable terms, to permit our continued operations or identify any other viable option for LaserSight. Additionally, to the extent we are able to obtain additional financing to address our current liquidity concerns we may be required to seek additional debt or equity financing in the future to implement our business plan or any changes thereto in response to future developments or unanticipated contingencies. There can be no assurance that any additional financing would be available or that the terms of any available financing would be acceptable. Future availability of our existing $10.0 million credit facility is totally dependent upon future U.S. sales of products. See "Risk Factors and Uncertainties--Financial and Liquidity Risks--We could require additional financing, which might not be available if we need it."

Our expectations regarding future working capital requirements and our ability to continue operations are based on various factors and assumptions including the following in the near term: the success of our efforts to obtain additional funds through the possible sale of certain company assets or through additional investment or loans, the successful reduction of our cost structure, including further staff reductions in May 2002, anticipated cash flows from operations (including our success in making sales and the collection of accounts receivable) and the anticipated timely collection of receivables. In the longer term, our expectations are based on additional factors including: if we are successful in our efforts to find additional funds or a partner or buyer, the uncertain timing of additional supplemental FDA approvals for our LaserScan LSX excimer laser system (which has resulted in our decision to not actively market our laser system in the U.S. until additional FDA approvals are received), potential growth in laser sales after receipt of further FDA approvals, increases in accounts receivable and inventory purchases when sales increase, our present inability to borrow under our revolving credit facility, the uncertain impact of the market introduction of our UltraShaper durable keratomes and AstraMax diagnostic workstations, and the absence of unanticipated product development and marketing costs. See "Risk Factors and Uncertainties--Industry and Competitive Risks--We cannot assure you that our keratome products will achieve market acceptance" and "--We do not intend to continue actively marketing our LaserScan LSX laser system in the U.S. until we receive additional FDA approvals." At the present time, we are focused on the international market, primarily Europe, and we believe we need to find a strategic partner of buyer to have an impact in the U.S. market in the future.

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 AND, ABSENT SUCCESS IN OUR EFFORTS TO OBTAIN ADDITIONAL FUNDS OR FIND A STRATEGIC PARTNER OR BUYER, RESULT IN OUR INABILITY TO CONTINUE OPERATIONS.

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. 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 in a timely manner.

Our working capital remains positive (approximately $5.5 million as of the end of April 2002), though 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 is dependent on our ability to generate new sales with our products and collect the sales price in a timely manner.

We are actively seeking additional funds through the possible sale of certain company assets or through additional investment or loans, which would provide temporary relief from our current liquidity pressures. We are also seeking a strategic partner or buyer. However, even if we succeed in our attempt to secure additional funds, we cannot assure you that we will be able to generate increased revenues and collections to offset required cash expenditures in a timely manner. The board is monitoring the results of these activities and in that light is considering our options, including a possible bankruptcy filing. Additionally, if we are able to enter transactions to meet our liquidity needs, it could be on terms that seriously dilute our present stockholders or significantly restrict the flexibility of our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "--Industry and Competitive Risks--We cannot assure you that we have the liquidity to survive long enough to achieve market acceptance with our products in the U.S."

We experienced significant net losses and deficits in cash flow from operations for the years ended December 31, 2001 and 2000 and the three months ended March 31, 2002, 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, 2000	Year Ended December 31, 2001	Three Months Ended March 31, 2002
Net loss	$21.4 million	$26.2 million	$5.1 million
Deficit in cash flow from operations	$15.7 million	$17.7 million	$2.4 million

As of March 31, 2002, we had an accumulated deficit of $90.9 million. LaserSight had approximately $0.5 million of cash and cash equivalents available, as of May 14, 2002, to fund continuing operations and is currently facing significant liquidity and capital resource concerns. Management expects 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 only the next two to four weeks in the absence of LaserSight obtaining an additional source of capital or a significant improvement in our cash flows from operations. Our expectations regarding future working capital requirements and our ability to continue operations are based on various factors and assumptions including the following in the near term: the success of our efforts to obtain additional funds through the possible sale of certain company assets or through additional investment or loans, the successful reduction of our cost structure, including further staff reductions in May 2002, anticipated cash flows from operations (including our success in making sales and the collection of accounts receivable) and the anticipated timely collection of receivables. In the longer term, our expectations are based on additional factors including: if we are successful in our efforts to find additional funds or a partner or buyer, the uncertain timing of additional supplemental FDA approvals for our LaserScan LSX

excimer laser system (which has resulted in our decision to not actively market our laser system in the U.S. until additional FDA approvals are received), potential growth in laser sales after receipt of further FDA approvals, increases in accounts receivable and inventory purchases when sales increase, our present inability to borrow under our revolving credit facility, the uncertain impact of the market introduction of our UltraShaper durable keratomes and AstraMax diagnostic workstations, 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:

- our ability to work out the default associated with our term loan,
- 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 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,

The occurrence of adverse developments related to these risks and uncertainties or others could result in LaserSight being unable to generate additional sales and collect new and outstanding accounts receivable and the incurrence of unforeseen expenses or LaserSight being unable to control expected expenses and overhead. If we fail in our attempts to find additional funds, 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 for the expected two to four week period in the absence of obtaining additional sources of capital. One of our efforts is a search for a strategic partner or buyer and have retained McColl Partners LLC as our financial advisor to assist us in exploring strategic options (including the possible sale of LaserSight or its assets). There can be no assurance that our exploration of financing opportunities and strategic options will result in our obtaining sufficient financing, on acceptable terms, to permit our continued operations or identify any other viable option for LaserSight. If LaserSight is unable to obtain additional sources of capital and its operating activities fail to substantially improve to a level that LaserSight can continue operations, we may file, or be forced to file, bankruptcy or insolvency proceedings. Bankruptcy or insolvency proceedings would be unlikely to result in any value to LaserSight's stockholders. If we are able to enter transactions to meet our liquidity needs, it could be on terms that seriously dilute our present stockholders or significantly restrict the flexibility of our business.

With respect to management's expectations regarding LaserSight's ability to continue operations for the expected period and the risks and uncertainties relating to those expectations, readers are encouraged to review the discussions under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources", "--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," "--We do not intend to continue actively marketing our LaserScan LSX laser system in the U.S. until we receive additional FDA approvals," "--Required per procedure fees payable to Visx under our license agreement may exceed per procedure fees collected by us," "--Our supply of certain critical components and systems may be interrupted because of our reliance on a limited number of suppliers," as well as the other items discussed under the heading "Risks Factors and Uncertainties" and Note 1 of our Notes to Condensed Consolidated Financial Statements for the three months ended

March 31, 2002. These risks and uncertainties can affect LaserSight's ability to continue operations for the expected period in absence of obtaining additional capital resources.

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 $5.1 million at March 31, 2002, will be sufficient to cover the amount of our actual write-offs over time. At March 31, 2002, our net trade accounts and notes receivable totaled approximately $12.2 million, and accrued commissions, the payment of which generally depends on the collection of such net trade accounts and notes receivable, totaled approximately $1.9 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.

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. In most cases, we have been able to resolve the customer's issues and continue to collect our receivable, either on the original schedule or under restructured terms. If such issues are not resolved, we evaluate our legal and other alternatives based on existing facts and circumstances. In most such cases, we have concluded that the account should be written off as uncollectible.

At March 31, 2002, we had extended the original payment terms of laser customer accounts totaling approximately $1.9 million by periods ranging from 5 to 60 months. Such restructured receivables represent approximately 10.8% of our gross receivables as of that date. Our liquidity and operating cash flow would be adversely affected if additional extensions become necessary in the future. In addition, it would be more difficult to collect laser system receivables if the payment schedule extends beyond the expected or actual economic life of the system, which we estimate to be approximately five to seven years. To date, we do not believe any payment schedule extends beyond the economic life of the applicable laser system.

INDUSTRY AND COMPETITIVE RISKS

WE CANNOT ASSURE YOU THAT WE HAVE THE LIQUIDITY TO SURVIVE LONG ENOUGH TO ACHIEVE MARKET ACCEPTANCE WITH OUR PRODUCTS IN THE U.S.

We have significant liquidity and capital resource issues. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "--Financial and Liquidity Risks--We have experienced significant losses and operating cash flow deficits and we expect that operating cash flow deficits will continue and, absent success in our efforts to obtain additional funds or find a strategic partner or buyer, result in our inability to continue operations."

The following Industry and Competitive Risks relate to the longer term, assuming we successfully meet our near term cash needs:

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. As a result of our current liquidity and capital resource issues, we have decided to focus on international markets, primarily Europe, with a custom ablation product line and not to continue actively marketing our LaserScan LSX laser system in the U.S. until we receive additional FDA approvals.

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. For example, Nidek Co., Ltd., one of our competitors, has publicly stated that it will not charge per procedure fees to users of its laser systems in the U.S. and internationally. See also "--Company and Business Risks--Required per procedure fees payable to Visx under our license agreement may exceed per procedure fees collected by us."

WE CANNOT ASSURE YOU THAT OUR KERATOME PRODUCTS WILL ACHIEVE MARKET ACCEPTANCE.

Keratomes are surgical devices used to create a corneal flap immediately prior to LASIK laser vision correction procedures. We began to roll out our MicroShape family of keratome products with the commercial launch of our UltraEdge keratome blades in July 1999 and of our UniShaper single-use keratomes and control consoles in December 1999. In November 2001, we commercially released our UltraShaper durable keratomes after a thorough process of engineering refinement and validity testing. In order for our UniShaper single-use keratome to be commercially viable it will need to be reengineered, if possible, to include most or all of the features included in our UltraShaper keratome. Our UltraShaper durable keratome incorporates the features found in the ACS keratome previously marketed by Bausch & Lomb, Inc. with new enhancements and features. However, Bausch & Lomb has not aggressively marketed or serviced the ACS since 1997 when we licensed the rights to commercially market keratomes based on the same technology, and has successfully transitioned a large number of refractive surgeons from the ACS to its Hansatome durable keratome product. We believe that many refractive surgeons learned to perform the LASIK procedure using the ACS and prefer the surgical technique required by the ACS, which is also used to operate our UltraShaper durable keratome, to the surgical technique required to operate the Hansatome keratome product. However, we cannot assure you that we will be successful in commercially introducing or achieving broad market acceptance of our UltraShaper durable keratome or our other keratome products.

If we cannot successfully market and sell our keratome products or if we are unable to successfully find a marketing and distribution alliance with another company, we may not be able to execute our business plan, which would have a material adverse effect on our business, financial condition and results of operations. See also "--Company and Business Risks--Required minimum payments under our keratome license agreement may exceed our gross profits from sales of our keratome products."

19

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. in 1999, 2000 and 2001. Similarly, Bausch & Lomb sold a significant majority of the keratomes used by refractive surgeons in the U.S. in 1999, 2000 and 2001. In 2000, Alcon acquired Summit Autonomous Inc. The merger resulted in a combined entity with enhanced market presence, technology base and distribution capabilities and provided Alcon with a narrow beam laser technology platform that will compete more directly with our precision beam scanning microspot LaserScan LSX excimer laser system. In addition, as a result of the acquisition, the combined entity will be able to sell 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. We anticipate that Alcon will leverage the sale of its laser systems with its other ophthalmic products.

Competitors are using the our weak financial condition as a reason why a buyer shouldn't buy our laser.

MANY OF OUR COMPETITORS RECEIVED EARLIER REGULATORY APPROVALS THAN US 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 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. Initial FDA approvals of excimer laser vision correction systems historically have been limited to the treatment of low to moderate nearsightedness, with additional approvals for other and broader treatments granted only as a result of subsequent FDA applications and clinical trials. Our LaserScan LSX is currently approved 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 the 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 200 Hz pulse repetition rate, twice the originally approved rate. We have submitted PMA supplements to the FDA to permit our laser systems sold to customers in the U.S. to utilize LASIK to treat hyperopia, hyperopic astigmatism and mixed astigmatism. FDA approval of these applications is anticipated in 2002, though we cannot ensure if or when the approval will be received. Our ability to sell our laser systems in the U.S. may be severely impaired if the FDA does not give timely approval to these supplements.

Currently, excimer laser vision correction systems manufactured by Visx, Alcon, Bausch & Lomb and Nidek have been approved for higher levels of nearsightedness than the LaserScan LSX. Alcon's Apex Plus and Ladarvision Excimer Laser Workstations, Visx's Star S2 Excimer Laser System and Nidek's EC-5000 Excimer Laser System have received FDA approval for the LASIK treatment

of nearsightedness with or without astigmatism. The approvals for many of the systems are for the correction of nearsightedness in the range of 0 diopters to -14.0 diopters and nearsightedness with astigmatism generally in the range of -0.5 diopters to -5.0 diopters. Bausch & Lomb's Technolas 217 excimer laser has also received FDA approval for the treatment of nearsightedness from -1.0 diopter up to -7.0 diopters with up to -3.0 diopters of astigmatism. The Visx and Alcon excimer laser systems are also approved for the treatment of moderate farsightedness. In September 2000, the FDA approved Alcon's Ladarvision system for the correction using LASIK of farsightedness of up to +6.0 diopters and an astigmatism range of up to 6.0 diopters. In October 2000, the FDA approved Visx's Star S2 and S3 systems for the correction using PRK of farsightedness of up to +5.0 diopters and an astigmatism range of up to 3.0 diopters. In February 2001, the FDA approval of Visx's Custom-Contoured Ablation Pattern Method for treatment of decentered ablations under a Humanitarian Device Exemption (HDE). An HDE authorizes the use and marketing of a device that is intended to benefit patients in the treatment of conditions that affect fewer than 4,000 individuals. Competitors' earlier receipt of LASIK and hyperopia-specific FDA regulatory approvals could give them a significant competitive advantage that could impede our ability to successfully sell our LaserScan LSX system in the U.S. Our failure to successfully market our product could have a material adverse effect on our business, financial condition and results of operations.

All of our principal competitors in the keratome business, including current market leader Bausch & Lomb, received FDA clearance prior to the commercialization of our keratome products and have substantial experience marketing their keratome products. The established market presence in the U.S. of previously approved laser systems and keratome products, as well as the entry of new competitors into the market upon receipt of new or expanded regulatory approvals, could impede our ability to successfully introduce our LaserScan LSX system in the U.S. and our keratome products worldwide and may have a material adverse effect on our business, financial condition and results of operations.

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 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. Potential patients may not distinguish between our precision beam scanning spot technology and the laser technology incorporated by our competitors in their laser systems, and customers may not differentiate laser systems and procedures that have not received FDA approval from FDA-approved systems and procedures. 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 that involves more significant immediate expense than eyeglasses or contact lenses, adverse changes in the U.S. or international 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 and sales of single-use products such as our UltraEdge keratome blades.

The failure of laser vision correction to achieve continued market acceptance could have a material adverse effect on our business prospects. Even if laser vision correction achieves and sustains market acceptance, sales of our keratome products could be adversely impacted if a laser procedure that does not require the creation of a corneal flap were to emerge as the procedure of choice.

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, which are pending FDA approval, 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 keratome products, 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, it would have a material adverse effect on our business, financial condition and results of 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 laser system, UltraShaper durable keratome, UltraEdge keratome blades, UniShaper single-use keratome 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 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, especially Michael R. Farris, our president and chief executive officer. A loss of one or more such officers or key employees could have a material adverse effect on our business. We do not carry "key person" life insurance on any officer or key employee.

Our recent layoff 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, it could have a material adverse effect on our business, financial condition and results of operations.

WE HAVE DECIDED TO MOVE ALL INTERNATIONAL MANUFACTURING OPERATIONS FROM COSTA RICA TO THE U.S. AND MUST CONTINUE TO COMPLY WITH STRINGENT REGULATION OF OUR MANUFACTURING OPERATIONS.

We manufacture our LaserScan LSX laser systems for sale in the U.S. at our manufacturing facility in Winter Park, Florida, and plan to move the manufacturing location our laser systems for sale in international markets to the same U.S. location from our manufacturing facility in Costa Rica. 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 have a material adverse effect on our business, financial condition and results of 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, which could result in a material adverse effect on our financial condition and results of operations.

REQUIRED MINIMUM PAYMENTS UNDER OUR KERATOME LICENSE AGREEMENT MAY EXCEED OUR GROSS PROFITS FROM SALES OF OUR KERATOME PRODUCTS.

We are required to make certain minimum payments to the licensor under our keratome license agreement that was amended and restated on January 4, 2001. This amendment replaced a January 18, 2000 amendment in its entirety. Under the terms of the amendment we issued 730,552 shares of common stock to the licensors, valued at approximately $1.1 million, in partial payment for royalties during the term of the license. The term of the license was extended three years until July 31, 2005. In addition, remaining minimum royalty payments totaling approximately $4.5 million as of May 14, 2002 will be due in monthly installments (averaging approximately $130,000 per month through August 2003) or quarterly installments (averaging approximately $240,000 per quarter from October 2003 through October 2005) through the term of the amendment. As a result of our obligations under this license arrangement, the minimum royalty payments we are required to make to the licensors may exceed our gross profits from sales of our UniShaper and UltraShaper keratome products. The amendment eliminated a restriction on us manufacturing, marketing and selling other keratomes, but the sale of other keratomes will be included in the gross profit to be shared with the licensors. The licensor's share of the gross profit, as defined in the amendment, decreased from 50% to 10%.

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 and keratome 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.

In March 2002, we pursued a "real time" PMA supplement seeking approval for the use of our advanced adaptive eye tracking system in an accelerated time frame, as few as 30 days. In April 2002, we were advised by the FDA that they would review the submission in a 180-day timeframe.

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 have a material adverse effect on our business, financial condition and results of operations.

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, which would have a material adverse effect on our business, financial condition and results of operations.

Litigation involving patents is common in our industry. While we do not believe our laser systems or keratome products infringe 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.

WE ARE SUBJECT TO CERTAIN RISKS ASSOCIATED WITH OUR INTERNATIONAL SALES.

Our international sales accounted for 78% and 73% of our total revenues during the three months ended March 31, 2002 and the year ended December 31, 2001, respectively. In the future, we expect that sales to U.S. accounts will represent a higher percentage of our total sales only when additional regulatory approvals are received for our LaserScan LSX laser system in the U.S.

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;
- 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 and keratome products from a limited number of suppliers, and certain key components are provided by a single vendor. We are currently seeking a replacement blade manufacturer, and the majority of our UltraShaper components are manufactured exclusively by Owens Industries pursuant to our agreement with them. 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 the LaserScan LSX. Any interruption in the supply of critical laser or keratome components could have a material adverse effect on our business, financial condition and results of operations. 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, it would have a material adverse effect on our business, financial condition and results of operations.

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 in the event of a successful product liability claim, could have a material adverse effect on our business, financial condition and results of operations. Further, product liability insurance may not continue to be available, either at existing or increased levels of coverage, on commercially reasonable terms.

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; and
- timing of regulatory approvals and the introduction or delays in shipment of new products;
- the relative mix of our business;
- 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.

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.

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 26,554,168 shares of common stock outstanding at May 14, 2002 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.

Shares of common stock that we may issue in the future in connection with financings or pursuant to outstanding warrants or agreements could 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. We may be required to issue more than 8,600,000 additional shares of common stock upon the conversion of outstanding preferred stock, the exercise of outstanding warrants and stock options, and the satisfaction of certain contingent contractual obligations.

The anti-dilution provisions of certain of our existing securities and obligations require us to issue additional shares if we issue shares of common stock below specified price levels. If a future share issuance triggers these adjustments, the beneficiaries of such provisions effectively receive some protection from declines in the market price of our common stock, while our other stockholders incur additional dilution of their ownership interest. We may include similar anti-dilution provisions in securities issued in connection with future financings.

ANTI-TAKEOVER PROVISIONS UNDER DELAWARE LAW AND IN OUR CERTIFICATE OF

INCORPORATION, BY-LAWS AND STOCKHOLDER RIGHTS PLAN MAY MAKE AN ACQUISITION OF LASERSIGHT MORE DIFFICULT AND COULD PREVENT YOU FROM RECEIVING A PREMIUM OVER THE MARKET PRICE OF OUR STOCK.

The Board recognizes that absent additional equity investment, sale of the Company, merger, or a strategic alliance are necessary to our continuation in business, and the Board will exercise its fiduciary duty with respect to anti-takeover provisions with that in mind.

Certain provisions of our certificate of incorporation, by-laws, stockholder rights plan and Delaware law could delay or frustrate the removal of incumbent directors, discourage potential acquisition proposals and delay, defer or prevent a change in control of us, even if such events could be beneficial, in the short term, to the economic interests of our stockholders. For example, our certificate of incorporation allows us to issue preferred stock with rights senior to those of the common stock without stockholder action, and our by-laws require advance notice of director nominations or other proposals by stockholders. We also are subject to provisions of Delaware corporation law that prohibit a publicly-held Delaware corporation from engaging in a broad range of business combinations with a person who, together with affiliates and associates, owns 15% or more of the corporation's common stock (an interested

stockholder) for three years after the person became an interested stockholder, unless the business combination is approved in a prescribed manner. We also have adopted a stockholder rights agreement, or "poison pill," and declared a dividend distribution of one preferred share purchase right for each share of common stock. The rights would cause substantial dilution to a person or group that attempts to acquire 15% or more of our common stock on terms not approved by our board of directors.

ACQUISITION RISKS

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 March 31, 2002, approximately $5.2 million, or 16%, 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.

OTHER RISKS

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 decline, and you may lose all or part of your investment.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We believe that our exposure to market risk for changes in interest and currency rates is not significant. Our investments are limited to highly liquid instruments generally with maturities of three months or less. At March 31, 2002, we had approximately $0.2 million of short-term investments classified as cash and equivalents. All of our transactions with international customers and suppliers are denominated in U.S. dollars.

PART II - OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

Certain legal proceedings against LaserSight are described in Item 3 (Legal Proceedings) of LaserSight's Form 10-K for the year ended December 31, 2001.

ITEM 2 CHANGES IN SECURITIES

a) Not applicable.

b) Not applicable.

c) During the first quarter ended March 31, 2002, the Company sold the following unregistered securities:

In February 2002, LaserSight issued 103,306 shares of Common Stock to McColl Partners LLC in exchange for investment banking services provided to LaserSight.

The issuance and sale of all such shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof due to, among other things, (i) the limited number of persons to whom the shares were issued, (ii) the distribution of disclosure documents to all investors, (iii) the fact that each such person represented and warranted to LaserSight, among other things, that such person was acquiring the shares for investment only and not with a view to the resale or distribution thereof, and (iv) the fact that certificates representing the shares were issued with a legend to the effect that such shares had not been registered under the Securities Act or any state securities laws and could not be sold or transferred in the absence of such registration or an exemption therefrom.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

For the quarter ended March 31, 2002, we did not meet the covenant on our term loan with Heller for quarterly revenues, putting us in default of that covenant as of May 15, 2002, our reporting date for the quarter. We anticipate discussions with Heller in the near future and we are hopeful we will successfully obtain a waiver for the default.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5 OTHER INFORMATION

Not applicable.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	See Exhibits 10.1, 10.2, 10.6, 10.7, 10.11, 10.16, 10.19, 10.20, 10.34 and 10.41.
3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 1 of Form 8-A/A (Amendment No. 6) filed by the Company on August 10, 2001*).
3.2	Bylaws, as amended (filed as Exhibit 3.2 to the Company's Form 8-K filed on December 20, 1999*).
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*).
3.4	First Amendment to Rights Agreement, dated as of March 22, 1999, between LaserSight Incorporated and American Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 2 to Form 8-A/A filed by the Company on March 29, 1999*).

Exhibit Number	Description
3.5	Second Amendment to Rights Agreement, dated as of January 28, 2000, between LaserSight Incorporated and American Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 99.6 to Form 8-K filed by the Company on February 8, 2000*).
3.6	Third Amendment to Rights Agreement, dated as of June 29, 2001, between LaserSight Incorporated and American Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 99.5 to Form 8-K filed by the Company on July 18, 2001*).
4.1	See Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 10.13, 10.17, 10.23, 10.24, 10.25, 10.28, 10.29, 10.30, 10.31, 10.32, 10.33, 10.37, 10.38, 10.39, 10.40, 10.42, 10.43, 10.45, 10.46, 10.49 and 10.50.
10.1	Agreement for Purchase and Sale of Stock by and among LaserSight Centers Incorporated, its stockholders and LaserSight Incorporated dated January 15, 1993 (filed as Exhibit 2 to the Company's Form 8-K/A filed on January 25, 1993*).
10.2	Amendment to Agreement for Purchase and Sale of Stock by and among

LaserSight Centers Incorporated, its stockholders, and LaserSight Incorporated dated April 5, 1993 (filed as Exhibit 2 to the Company's Form 8-K/A filed on April 19, 1993*).

10.3 Royalty Agreement by and between LaserSight Centers Incorporated and LaserSight Partners dated January 15, 1993 (filed as Exhibit 10.5 to the Company's Form 10-K for the year ended December 31, 1995*).

10.4 Exchange Agreement dated January 25, 1993 between LaserSight Centers Incorporated and Laser Partners (filed as Exhibit 10.6 to the Company's Form 10-K for the year ended December 31, 1995*).

10.5 Stipulation and Agreement of Compromise, Settlement and Release dated April 18, 1995 among James Gossin, Francis E. O'Donnell, Jr., J.T. Lin, Wen S. Dai, Emanuela Dobrin-Charlton, C.H. Huang, W. Douglas Hajjar, and LaserSight Incorporated (filed as Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 1995*).

10.6 Agreement for Purchase and Sale of Stock dated December 31, 1993, among LaserSight Incorporated, MRF, Inc., and Michael R. Farris (filed as Exhibit 2 to the Company's Form 8-K filed on December 31, 1993*).

10.7 First Amendment to Agreement for Purchase and Sale of Stock by and among MRF, Inc., Michael R. Farris and LaserSight Incorporated dated December 28, 1995 (filed as Exhibit 10.9 to the Company's Form 10-K for the year ended December 31, 1995*).

10.8 Patent License Agreement dated December 21, 1995 by and between Francis E. O'Donnell, Jr. and LaserSight Centers, Inc. (filed as Exhibit 10.21 to the Company's Form 10-K for the year ended December 31, 1995*).

10.9 LaserSight Incorporated Amended and Restated 1996 Equity Incentive Plan (filed as Exhibit 10.9 to the Company's Form 10-K filed on April 1, 2002*).

10.10 LaserSight Incorporated Amended and Restated Non-Employee Directors Stock Option Plan (filed as Exhibit 10.12 to the Company's Form 10-Q filed on November 14, 2000*).

10.11 Second Amendment to Agreement for Purchase and Sale of Stock by and among LaserSight Centers Incorporated, its stockholders and LaserSight Incorporated dated March 14, 1997 (filed as Exhibit 99.1 to the Company's Form 8-K filed on March 27, 1997*).

10.12 Amendment to Royalty Agreement by and between LaserSight Centers Incorporated, Laser Partners and LaserSight Incorporated dated March 14, 1997 (filed as Exhibit 99.2 to the Company" Form 8-K filed on March 27, 1997*).

10.13 Warrant to purchase 500,000 shares of common stock dated March 31, 1997 by and between LaserSight Incorporated and Foothill Capital Corporation (filed as Exhibit 10.44 to the Company's Form 10-Q filed on August 14, 1997*).

10.14 License Agreement dated May 20, 1997 by and between Visx Incorporated and LaserSight Incorporated (filed as Exhibit 10.45 to the Company's Form 10-Q filed on August 14, 1997*).

10.15	Patent Purchase Agreement dated July 15, 1997 by and between LaserSight Incorporated and Frederic B. Kremer, M.D. (filed as Exhibit 2.(I) to the Company's Form 8-K filed on August 13, 1997*).
10.16	Agreement and Plan of Merger dated July 15, 1997 by and among LaserSight Incorporated, Photomed Acquisition, Inc., Photomed, Inc., Frederic B. Kremer, M.D., Linda Kremer, Robert Sataloff, Trustee for Alan Stewart Kremer and Robert Sataloff, Trustee for Mark Adam Kremer (filed as Exhibit 2.(ii) to the Company's Form 8-K filed on August 13, 1997*).
10.17	Warrant to purchase 750,000 shares of common stock dated August 29, 1997 by and between LaserSight Incorporated and purchasers of Series B Convertible Participating Preferred Stock of LaserSight Incorporated (filed as Exhibit 10.39 to the Company's Form 10-Q filed on November 14, 1997*).
10.18	Agreement dated April 1, 1992 between International Business Machines Corporation and LaserSight Incorporated (filed as Exhibit 10.1 on Form 10-K for the year ended December 31, 1995*).
10.19	Letter Agreement dated September 11, 1998, amending the Agreement and Plan of Merger dated July 15, 1997, by and among LaserSight Incorporated, Photomed Acquisition, Inc., Photomed, Inc., Frederic B. Kremer, M.D., Linda Kremer, Robert Sataloff, Trustee for Alan Stewart Kremer and Robert Sataloff, Trustee for Mark Adam Kremer (filed as Exhibit 10.31 to the Company's Form 10-Q filed on November 16, 1998*).
10.20	Exclusive License Agreement dated August 20, 1998, by and between LaserSight Technologies, Inc. and TLC The Laser Center Patents Inc. (filed as Exhibit 10.32 to the Company's Form 10-Q filed on November 16, 1998*).
10.21	Manufacturing Agreement, dated September 10, 1997, by and between LaserSight Technologies, Inc. and Frantz Medical Development Ltd. (filed as Exhibit 10.3 to the Company's Form S-3, Pre-Effective Amendment No. 1 filed on February 1, 1999*).

32

10.22	Employment Agreement by and between LaserSight Incorporated and Michael R. Farris dated October 30, 1998 (filed as Exhibit 10.37 to the Company's Form 10-K filed on March 31, 1999*).
10.23	Securities Purchase Agreement by and between LaserSight Incorporated and purchasers of common stock dated March 22, 1999 (filed as Exhibit 10.38 to the Company's Form 10-K filed on March 31, 1999*).
10.24	Warrant to purchase 225,000 shares of common stock dated March 22, 1999 by and between LaserSight Incorporated and purchasers of common stock of LaserSight Incorporated (filed as Exhibit 10.39 to the Company's Form 10-K filed on March 31, 1999*).
10.25	Warrant to purchase 67,500 shares of common stock dated February 22, 1999 by and between LaserSight Incorporated and Guy Numann (filed as Exhibit 10.40 to the Company's Form 10-Q filed on May 17, 1999*).
10.26	Relocation Agreement, by and between LaserSight Incorporated and Gregory L. Wilson, dated October 13, 1999 (filed as Exhibit 10.45 to the Company's Form 10-Q filed on November 15, 1999*).

10.27 Employment Agreement, by and between LaserSight Technologies, Inc. and Jack T. Holladay, dated October 27, 1999 (filed as Exhibit 10.47 to the Company's Form 10-Q filed on November 15, 1999*).

10.28 Securities Purchase Agreement by and between LaserSight Incorporated and TLC Laser Eye Centers Inc. dated January 31, 2000 (filed as Exhibit 99.2 to the Company's Form 8-K filed on February 8, 2000*).

10.29 Registration Rights Agreement dated January 31, 2000 by and between LaserSight Incorporated and TLC Laser Eye Centers Inc. (filed as Exhibit 99.3 to the Company's Form 8-K filed on February 8, 2000*).

10.30 Securities Purchase Agreement by and between LaserSight Incorporated, BayStar Capital, L.P. and BayStar International, Ltd. dated January 31, 2000 (filed as Exhibit 99.4 to the Company's Form 8-K filed on February 8, 2000*).

10.31 Registration Rights Agreement dated January 31, 2000 by and between LaserSight Incorporated, BayStar Capital, L.P. and BayStar International, Ltd. (filed as Exhibit 99.5 to the Company's Form 8-K filed on February 8, 2000*).

10.32 Securities Purchase Agreement by and between LaserSight Incorporated, Engmann Options, Inc. and MDNH Partners, L.P. dated February 18, 2000. The Company undertakes to provide to the Commission upon its request the schedules omitted from this exhibit (filed as Exhibit 10.54 to the Company's Form 10-K filed on March 30, 2000*).

10.33 Registration Rights Agreement dated February 18, 2000 by and between LaserSight Incorporated, Engmann Options, Inc. and MDNH Partners, L.P. (filed as Exhibit 10.55 to the Company's Form 10-K filed on March 30, 2000*).

10.34 Technology Purchase Agreement dated as of March 8, 2000 by and between LaserSight Technologies, Inc., Premier Laser Systems, Inc. and Eyesys-Premier, Inc. The Company undertakes to provide to the Commission upon its request the schedules omitted from this exhibit (filed as Exhibit 10.56 to the Company's Form 10-K filed on March 30, 2000*).

10.35 Employment Agreement, by and between LaserSight Technologies, Inc and Donald M. Litscher dated February 23, 2000 (filed as Exhibit 10.57 to the Company's Form 10-Q filed on May 12, 2000*).

10.36 Amended and Restated Employment Agreement, by and between LaserSight Technologies, Inc. and L. Stephen Dalton dated effective as of August 1, 2001 (filed as Exhibit 10.50 to the Company's Form 10-Q filed on August 14, 2001*).

10.37 Securities Purchase Agreement dated September 8, 2000 among LaserSight Incorporated, BayStar Capital, L.P. and BayStar International, Ltd. The Company undertakes to provide to the Commission upon its request the schedules omitted from this exhibit (filed as Exhibit 99.2 to the Company's Form 8-K filed on September 22, 2000*).

10.38 Warrant agreement dated September 8, 2000 among LaserSight Incorporated and BayStar Capital, L.P. (filed as Exhibit 99.3 to the Company's Form 8-K filed on September 22, 2000*).

10.39 Warrant agreement dated September 8, 2000 among LaserSight

Incorporated and BayStar International, Ltd. (filed as Exhibit 99.4 to the Company's Form 8-K filed on September 22, 2000*).

10.40 Registration Rights Agreement dated September 8, 2000 among LaserSight Incorporated, BayStar Capital, L.P. and BayStar International, Ltd. (filed as Exhibit 99.5 to the Company's Form 8-K filed on September 22, 2000*).

10.41 Assignment Agreement dated as of February 27, 2001 among LaserSight Patents, Inc. and Alcon Laboratories, Inc. (filed as Exhibit 99.1 to the Company's Form 8-K filed on March 16, 2001*)**.

10.42 Amended and Restated License and Royalty Agreement dated as of January 3, 2001 by and between LaserSight Technologies, Inc., Luis A. Ruiz, M.D. and Sergio Lenchig (filed as Exhibit 10.56 to the Company's Form 10-K filed on March 30, 2001*).

10.43 Registration Rights Agreement dated January 3, 2001 among LaserSight Incorporated, Luis A. Ruiz, M.D. and Sergio Lenchig (filed as Exhibit 10.57 to the Company's Form 10-K filed on March 30, 2001*).

10.44 Loan and Security Agreement dated March 12, 2001 among LaserSight Incorporated and subsidiaries and Heller Healthcare Finance, Inc. (filed as Exhibit 10.58 to the Company's Form 10-K filed on March 30, 2001*).

10.45 Warrant agreement dated March 12, 2001 among LaserSight Incorporated and Heller Healthcare Finance, Inc. (filed as Exhibit 10.59 to the Company's Form 10-K filed on March 30, 2001*).

10.46 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*).

10.47 Employment Agreement, by and between LaserSight Technologies, Inc and Christine A. Oliver effective as of October 30, 2000 (filed as Exhibit 10.61 to the Company's Form 10-Q filed on August 14, 2001*).

10.48 Settlement and License Agreement dated as of May 25, 2001 between LaserSight Incorporated and Visx, Incorporated (filed as Exhibit 10.62 to the Company's Form 10-Q filed on August 14, 2001*)**.

10.49 Securities Purchase Agreement dated July 6, 2001 among LaserSight Incorporated, BayStar Capital, L.P. and BayStar International, Ltd. (file as Exhibit 99.2 to the Company's Form 8-K filed on July 18, 2001*).

10.50 Series F Registration Rights Agreement dated July 6, 2001 among LaserSight Incorporated, BayStar Capital, L.P. and BayStar International, Ltd. (filed as Exhibit 99.3 to the Company's Form 8-K filed on July 18, 2001*).

10.51 Non-Exclusive License Agreement dated September 7, 2001 among LaserSight Incorporated, LaserSight Technologies, Inc. and Bausch & Lomb Incorporated (filed as Exhibit 10.66 to the Company's Form 10-Q filed on November 14, 2001*).

10.52 Amendment No. 1 to Loan and Security Agreement dated as of February 15, 2002 among LaserSight Incorporated and subsidiaries and Heller

Healthcare Finance, Inc. (filed as Exhibit 10.52 to the Company's Form 10-K filed on April 1, 2002*).

11 Statement of Computation of Loss Per Share

15 Copy of letter from independent accountants' regarding unaudited interim financial information

99 Press release dated May 14, 2002

b) Reports on Form 8-K

On February 14, 2002, we filed a Current Report on Form 8-K describing a Company update and a notification from Nasdaq regarding the fact that our common stock bid price was not in compliance with Nasdaq Market Place Rules.

----

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

LaserSight Incorporated

Dated: May 15, 2002 By: /s/ Michael R. Farris

Michael R. Farris,
Chief Executive Officer

Dated: May 15, 2002 By: /s/ Gregory L. Wilson

Gregory L. Wilson,
Chief Financial Officer