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VISIJET INC  
Form 10QSB  
November 14, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2003

VisiJet, Inc.

(Exact name of small business issuer as specified in its charter)

Delaware (State of Incorporation)	0-256111 (Commission File Number)	33-0838660 (IRS Employer Identification No.)
--------------------------------------	-----------------------------------------	----------------------------------------------------

192 Technology Drive, Suite Q  
Irvine, California 92618  
(Address of principal executive offices)

Issuer's telephone number, including area code:  
949-450-1660

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common stock, \$.001 par value  
(Title of class)

As of November 10, 2003 there were 21,588,745 shares of the registrant's Common Stock outstanding.

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Visijet, Inc.  
 (formerly Ponte Nossa Acquisition Corp.)  
 (A development stage company)  
 Balance Sheet  
 September 30, 2003  
 (Unaudited)

### ASSETS

#### Current assets:

Cash and cash equivalents	\$	119,904
Prepaid expenses		104,667
		-----
Total current assets		224,571
Property and equipment, net		98,885
		-----
Total assets	\$	323,456
		=====

### LIABILITIES AND SHAREHOLDER'S DEFICIT

#### Current liabilities:

Accounts payable	\$	725,239
Compensation settlement agreement - current portion		111,043
Accrued interest		106,043
Accrued expenses		130,469
Royalty payable (see note 4)		45,000
Notes payable to related parties (see note 4)		617,265
Notes payable - current portion (see note 4)		37,061
		-----
Total current liabilities		1,772,120
Compensation settlement agreement, net of current portion		36,872

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Notes payable to related parties, net of current portion (see note 4)	88,384
	-----
Total liabilities	1,897,376
	-----
Shareholders' deficit:	
Common stock, 50,000,000 shares authorized, \$.001 par value, 21,087,670 shares issued and outstanding	21,088
Additional paid in capital	7,108,148
Deficit accumulated during development stage	(8,703,156)
	-----
Shareholders' deficit	(1,573,920)
	-----
Total liabilities and shareholders' deficit	\$ 323,456
	=====

The accompanying notes are an integral part of these financial statements

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Visijet, Inc.  
(formerly Ponte Nossa Acquisition Corp.)  
(A development stage company)  
Statements of Operations  
(Unaudited)

	Three months ended Sept 30, 2003	Three months ended Sept 30, 2002	Nine months ended Sept 30, 2001
Interest income	\$ --	\$ --	\$ 455
	-----		
Operating expenses:			
General and administrative expenses	680,639	186,551	2,054,912
Research & development expenses	559,098	67,022	876,878
	-----		
Total operating expenses	1,239,737	253,573	2,931,790
	-----		
Loss from operations	(1,239,737)	(253,573)	(2,931,335)
Other expense:			
Interest expense	(5,944)	(21,940)	(45,058)
Gain on Debt Restructure	90,303	--	90,303
Loss on judgment	--	--	--
Loss on disposal of assets	--	--	--
	-----		
Total other expense	84,359	(21,940)	45,245
	-----		
Loss before provision for taxes	(1,155,378)	(275,513)	(2,886,090)

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Provision for Income taxes	--	--	--
Net loss	\$ (1,155,378)	\$ (275,513)	\$ (2,886,090)
Net loss per common share - basic and diluted	(0.056)	\$ (0.02)	(0.154)
Basic and diluted weighted average number of common shares outstanding	20,468,856	15,900,691	18,707,993

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

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Visijet, Inc.  
(formerly Ponte Nossa Acquisition Corp.)  
(A development stage company)  
Statements of Cash Flows  
(Unaudited)

	Nine months ended September 30, 2003	For the period February 2, (inception) September 2003
Cash flows from operating activities		
Net loss	\$ (2,886,090)	\$ (8,703,150)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation	13,992	219,310
Loss from disposal of fixed assets	--	48,100
Common stock issued for finders fees	1,201	103,550
Gain from Debt Restructure	(90,303)	(90,300)
Changes in assets and liabilities:	--	--
Prepaid expenses	(104,667)	(104,660)
Accounts payable and other accrued expenses	528,254	725,230
Income taxes payable	--	80
Compensation settlement agreement	(102,085)	147,910
Royalties payable	(15,000)	45,000
Accrued judgment	--	129,660
Accrued interest	36,922	197,750
Net cash used by operating activities	(2,617,776)	(7,280,760)
Cash flows from investing activities		
Acquisition of property and equipment	(65,434)	(387,940)
Net cash used in investing activities	(65,434)	(387,940)
Cash flows from financing activities		
Advance from related party	231,725	1,823,020
Repayment of advances from related parties	(166,156)	(193,630)
Proceeds from issuance of common stock, net	2,641,881	3,606,440

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Proceeds from issuance and conversion of preferred stock, net	--	2,458,08
Cash acquired in reverse merger	30,693	30,69
Interest converted to equity	33,997	33,99
Merger adjustments to notes payable	30,013	30,01
<hr style="border-top: 1px dashed black;"/>		
Net cash provided by financing activities	2,802,153	7,788,61
<hr style="border-top: 1px dashed black;"/>		
Net increase in cash	118,944	119,90
Cash, beginning of period	960	-
<hr style="border-top: 1px dashed black;"/>		
Cash, end of period	\$ 119,904	\$ 119,90
<hr style="border-top: 3px double black;"/>		
Supplemental disclosures of cash flow information		
Conversion of Debt to Equity	1,398,677	
Conversion of Series A preferred stock to common stock	550,000	
Conversion of Series B preferred stock to common stock	1,908,088	
Fair value of net liabilities assumed at date of reverse merger	189,458	

The accompanying notes are an integral part of these financial statements

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VisiJet, Inc.  
 (A development stage company)  
 (formerly Ponte Nossa Acquisition Corp.)  
 Notes to financial statements

### NOTE 1 - NATURE OF OPERATIONS

#### FORWARD LOOKING STATEMENTS

This report contains forward-looking statements that are based on our beliefs as well as assumptions made by and information currently available to us. When used in this report, the words "believe," "plan," "expect," "anticipate," "estimate," "intends," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of those risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution potential investors not to place undue reliance on any such forward-looking statements, all of which speak only as of the date made.

#### BASIS OF PRESENTATION

The accompanying financial statements are unaudited and do not include certain information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. However, in the opinion of management, all adjustments, consisting only of normal recurring adjustments considered necessary to present fairly VisiJet, Inc.'s ("the Company") financial position and results of operations, have been included. These interim financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003. Results for interim periods are not necessarily indicative of trends or of results for a full year.

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### BACKGROUND

VisiJet, Inc. develops and markets surgical devices for the field of ophthalmology. Its initial products are based on the application of waterjet technology to LASIK and cataract surgery. Potential customers include physicians, surgical centers and hospitals.

VisiJet's predecessor ("Old VisiJet") was incorporated on February 2, 1996, to develop and distribute medical products.

In 1998, Old VisiJet, then a wholly owned subsidiary of SurgiJet, Inc. was spun off from SurgiJet, Inc. and SurgiJet, Inc. distributed the shares of Old VisiJet common stock to its shareholders. Upon the completion of this distribution, SurgiJet, Inc. had no further ownership interest in Old VisiJet. Certain operating assets and liabilities were assumed by Old VisiJet in connection with this spin-off.

In December 2002 Old VisiJet entered into a merger agreement with Ponte Nossa Acquisition Corp., a Delaware corporation that had been incorporated as a blank check company in 1997. The agreement called for the merger of the two companies into a single company through the merger of an acquisition subsidiary,

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VisiJet Acquisition Corporation, into Old VisiJet. The merger was consummated on February 11, 2003, and immediately thereafter, Old VisiJet was merged into Ponte Nossa Acquisition Corp., and the surviving company's name was changed to "VisiJet, Inc."

Under the terms of the Merger Agreement, 8,600,000 shares of the Company's Common Stock were issued to the shareholders of Old VisiJet. Also, 3,528,481 shares of Common Stock, and warrants to purchase an additional 4,528,481 shares of Common Stock, were issued to certain investors for cash concurrently with the consummation of the merger. Since this transaction resulted in the shareholders of Old VisiJet acquiring a majority of the outstanding shares of the Company, for financial reporting purposes the business combination was accounted for as a reverse acquisition (i.e. a recapitalization in which Old VisiJet is treated as the acquiror for financial accounting purposes). As a result of the merger, the Company is continuing the business of Old VisiJet. Reference is made to the Company's Report on Form 8-K dated February 11, 2003, as amended on April 23, 2003, and the Exhibits thereto.

The amounts reflected in the statement of operations and statement of cash flows for the period ended September 30, 2003 have been restated to account for the merger transactions between Ponte Nossa and VisiJet, Inc. that occurred on February 11, 2003, as a reverse acquisition. The restated amounts, accounting for the transaction as a reverse merger, reflect the operations and cash flows of Old VisiJet and those of Ponte Nossa as if the acquisition had occurred during the first business day of the operating period reported.

### GOING CONCERN

The Company has incurred net operating losses since inception, has generated no revenue, and has working capital and shareholders' equity deficits. The Company is likely to incur substantial operating losses as it continues its research and development efforts until such time, if ever, as product sales, royalties, license and other fees can generate sufficient revenue to fund its continuing operations. The ability of the Company to continue as a going concern is dependent on obtaining additional capital and financing until it is operating at a profitable level. The Company intends to seek additional capital through debt or equity offerings. There can be no assurance that any of these fundings

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will be consummated in the necessary time frames needed for continuing operations on terms favorable to the Company. If adequate funds are not available in the future, the Company will be required to significantly curtail its operating plans. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to expense as incurred. Certain corporate overhead expenses, such as professional fees, salaries, rent and travel are allocated to research and development based on estimates made by management.

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#### DEPRECIATION

Depreciation of property and equipment is computed using the straight-line method over estimated useful lives ranging from three to five years.

#### USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash, prepaid expenses, accounts payable, and notes payable. The Company believes the fair value of financial instruments approximate book value as of September 30, 2003.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2002, FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation, Transition and Disclosure" ("SFAS 148"). SFAS 148 amends the disclosure requirements of SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") to require prominent disclosures in both interim and annual financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 also amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company will commence quarterly footnote disclosure of the fair value based method of accounting for stock-based employee compensation beginning at such time that a plan for such compensation is implemented. As the Company has decided not to voluntarily adopt the SFAS 123 fair value method of accounting for stock-based employee compensation, the new transition alternatives of SFAS 148 will not have a material impact on its financial position or results of operations.

#### NOTE 3 - PROPERTY AND EQUIPMENT

At September 30, 2003, property and equipment consist of:

Computer and test equipment	\$	47,651
Furniture and fixtures		48,744

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Trade show equipment	47,002
Assets under construction	6,938
	-----
	150,335
Less: Accumulated depreciation	(51,450)
	-----
	\$ 98,885
	=====

Depreciation expense for the nine months ended September 30, 2003 amounted to \$13,992 and amounted to \$219,313 between inception and September 30, 2003. Assets under construction are comprised of tooling equipment for Hydrokeratome production.

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### NOTE 4 - NOTES PAYABLE

#### OTHER

Three individuals who performed services for the Company accepted promissory notes for those services. As of September 30, 2003, the aggregate principal amount outstanding for these notes was \$37,061. Accrued interest on these notes totaled \$1,712 at September 30, 2003.

#### ROYALTY PAYABLE

During October 1998, the Company entered into certain Trademark, Technology and Patent License Agreements with SurgiJet, Inc. for the exclusive rights to pursue development, regulatory approval, and manufacture of waterjet technologies in the ocular field. These agreements require minimum payments of \$60,000 and royalties earned on Net Sales as follows: 7% of the Net Sales until such time as cumulative Net Sales have equaled \$400 million over the term of this Agreement and 5% of Net Sales thereafter, all for such period of time equal to the duration of the license contemplated under this Agreement. All Running Royalties shall be paid by the Company on or before 45 days after March 31st, June 30th, September 30th and December 31st of each calendar year.

The Company incurred \$60,000 in royalty expenses for the year ended December 31, 2002 and has accrued \$45,000 as of September 30, 2003.

#### SHAREHOLDERS

During 2002, Old Visijet entered into a promissory note with Lance Doherty, a shareholder of Old Visijet, for a principal sum of \$19,000, plus interest to accrue at a rate of 10% per annum. Total accrued interest on the note is \$5,253 at September 30, 2003. Pursuant to the merger agreement, the loan is due and payable upon successful completion of an independent audit of Old VisiJet's 2002 financial statements, verifying the amount due. The actual amount due to Mr. Doherty is currently the subject of negotiation with the involved parties.

In addition, the Company recorded as a liability certain expenses paid by Rex Doherty in the amount of \$2,967 plus interest accrued at a rate of 10% per annum. Total accrued interest as of September 30, 2003 was \$218. The actual amount due to Mr. Doherty is currently the subject of negotiation with the involved parties.

#### FINANCIAL ENTREPRENEURS, INC. ("FEI")

Pursuant to an agreement entered into in connection with the merger,



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the Company entered into a note agreement with FEI, a significant shareholder of the Company. The note is due on demand and bears no interest. The total amount due at December 31, 2002 was \$345,000. At the time of the merger, FEI converted the promissory note held by it into 378,997 shares of the Company's common stock at a conversion rate of \$1.00 per share. There was no beneficial conversion feature on this note.

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FEI also funded certain expenditures of the Company prior to the acquisition period. The Company entered into a promissory note agreement with FEI on April 14, 2002 for such loan amounts, bearing an interest rate of 7.5% per annum. As of September 30, 2003, the aggregate loan amount was \$193,163 and accrued interest was \$23,365.

SURGIJET, INC.

On October 23, 1998, Old Visijet issued a demand promissory note in the amount of \$400,000 in favor of SurgiJet, Inc., a company then related through common shareholders. Interest accrued on the unpaid principal at a variable interest rate based on the prime rate totaling \$139,955 on February 11, 2003. A replacement note was executed on February 11, 2003 to establish payment requirements and to increase the interest rate to 10% per annum. Under the new note, both the payment schedule and interest rate were modified which resulted in \$449,652 of combined debt and interest payable. The first payment of \$30,000 was due on February 11, 2003 with equal monthly installments of \$15,000, including interest on the first of each month, until paid in full. As a result of the modifications from the replacement note, the Company recorded a \$90,303 gain on the difference between the total interest expense on the new note of \$49,652 and the total accrued interest of \$139,955 from the old note. The Company will continue to amortize the remaining \$49,652 of accrued interest expense as payments are made on the note. At September 30, 2003 the principal on this note was \$355,000 as a result of payments made as described above. A portion of these notes, \$88,384, is classified as long-term debt.

The validity of the underlying note, as well as the replacement note, is disputed by the Company, which has commenced negotiations with SurgiJet, Inc. on the disposition of the matter.

DENTAJET, INC.

During 2002, Old Visijet entered into a promissory note for a principal sum of \$91,000, plus interest at the rate of 10% per annum with DentaJet Inc., a Nevada corporation ("DentaJet"), then related through common shareholders.

DentaJet continued to provide funding in 2003 and 2002 of \$2,000 and \$70,000, respectively, totaling an aggregate loan amount of \$163,000. Loan payments were made against this note in 2002 totaling \$27,482 leaving an outstanding principal balance at September 30, 2003 of \$135,518. Accrued interest on this note totaled \$20,710 at September 30, 2003. Pursuant to the merger agreement, the loan is due and payable upon successful completion of an independent audit of Old VisiJet's 2002 financial statements, verifying the amount due. The actual amount due to DentaJet is currently the subject of negotiation with the involved parties.

NOTE 5 - COMMITMENTS

OPERATING LEASES

The Company's primary facility is leased through a property management group. Rent expense was \$59,597 for the nine months ended September 30, 2003.

On April 20, 2003, the Company expanded its facility to include an area in the proximity to the rear of the building, increasing the leased area to approximately 5,127 square feet. The Company moved its administrative staff to this area, freeing up space in its existing facility to house R&D and operations. Monthly rent increased by \$2,420, for a total of \$7,600 per month. Rent amounts include common area charges.

On May 12, 2003 the Company entered into a 5 year lease agreement for a copy machine with monthly payments of \$264.

NOTE 6 - SHAREHOLDERS' EQUITY

On February 11, 2003, as a result of the merger with Old Visijet, 12,128,481 shares of the Company's common stock were issued in exchange for all the shares of Old VisiJet's common stock, including shares of Series A and B Preferred Stock that were converted into common stock immediately prior to the merger. In addition, warrants to purchase an additional 4,528,481 shares of common stock were issued to certain investors concurrently with the consummation of the merger.

Pursuant to an agreement entered into in connection with the merger, FEI converted a promissory note held by it into 378,997 shares of common stock at a conversion rate of \$1.00 per share. Also, FEI agreed to cancel 7,957,000 shares of the Company's common stock owned by it, and the Company issued FEI a five year warrant to purchase 1,500,000 shares of common stock at an initial exercise price of \$5.00 per share. Also, pursuant to the same agreement, the Company issued to Laurence M. Schreiber, its Secretary, Treasurer and Chief Operating Officer, a five-year warrant to purchase 25,000 shares of its common stock at an exercise price of \$3.00 per share, and issued to Thomas F. DiMele, its former President, a five year warrant to purchase 25,000 shares of its common stock at an exercise price of \$3.00 per share.

In February 2003, the Company issued 211,267 shares of common stock to Randal A. Bailey, its President and Chief Executive Officer, and Larry L. Hood, its Chief Engineer, in satisfaction of unpaid salary. See Note 7 below for further details.

During the post-merger period of the quarter ending March 31, 2003, private placements by the Company raised \$1,016,000 net of offering expenses and the investors received 2,104,511 shares of common stock and five year warrants to purchase 2,104,511 shares of common stock at varying prices ranging from \$2.50 to \$3.25 per share depending upon date of issuance. The number of shares issuable and the exercise price of the warrants may be subject to adjustment to reflect changes in the market price of the common stock during the offering period.

During the quarter ended June 30, 2003 the Company completed private placement offerings with several investors. The private placements raised \$725,000 net of offering expenses, and the investors received 758,333 shares of common stock and five year warrants to purchase 758,333 shares of common stock at varying prices ranging from \$2.25 to \$3.25 per share, depending upon date of issuance. The number of shares issuable and the exercise price of the warrants may be subject to adjustment to reflect changes in the market price of the common stock during the offering period.

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On June 1, 2003, the Company adjusted prior private placements that were placed at rates higher than \$1.00 per share for common stock and greater than \$2.25 per warrant based on the average market price preceding those placements. This adjustment affected seven investors, resulting in an additional 182,500 shares purchased through private placements during 2003 and an additional 182,500 warrants priced at \$2.25. If this change had occurred during the quarter ended March 31, 2003, the basic and diluted weighted average shares would have increased to 14,236,714 from 14,171,631 or an increase of 65,083 shares. This change in stock ownership did not materially impact the earnings per share for first quarter 2003.

During the quarter ended September 30, 2003, the Company completed private placement offerings with several investors netting \$900,880 for 932,500 shares of common stock and five year warrants to purchase 932,500 shares of common stock at an exercise price of \$2.25 per share. The number of shares issuable and the exercise price of the warrants may be subject to adjustment to reflect changes in the market price of the common stock during the offering period.

For the nine months ended September 30, 2003, private placements raised \$2,641,881 net of offering expenses, which includes \$564,000 provided by private venture capital investors completing their initial round of financing of \$1,125,000. The private placements received 2,205,000 shares of common stock and five year warrants to purchase 2,205,000 shares of common stock at an exercise price of \$2.25. The investors received 3,528,480 shares of common stock and five year warrants to purchase 4,528,480 shares of common stock at an exercise price \$1.00 per share increasing by \$0.50 per year. The number of shares issuable and the exercise price of the warrants may be subject to adjustment to reflect changes in the market price of the common stock during the offering period.

### NOTE 7 - COMPENSATION SETTLEMENT AGREEMENTS

On November 4, 2002, Old Visijet entered into agreements with Randal A. Bailey, its President and Chief Executive Officer, and Larry Hood, its Director of Engineering, to pay for consulting services previously rendered by them. The total amount due related to these agreements at November 4, 2002 was \$700,000, and is to be paid as follows: \$250,000 is payable over one to two years in installments, at a 3.5% annual interest rate, and the remaining \$450,000 was converted into 211,267 shares of common stock of the Company, effective on the date of the merger. At September 30, 2003, the balance on these notes was \$147,915, including \$5,132 of accrued interest. A portion of these notes, \$36,872, is classified as long-term debt.

### ITEM 2. Management's Discussion and Analysis or Plan of Operation.

VisiJet, Inc., formerly known as Ponte Nossa Acquisition Corp. (the "Company" or "VisiJet"), is a Delaware corporation originally incorporated as a blank check company on April 21, 1997. It is the result of a merger with VisiJet, Inc., a California corporation ("Old VisiJet"), which was consummated in 2003. Immediately following the merger, Old VisiJet was merged into Ponte Nossa Acquisition Corp., and the surviving company's name was changed to "VisiJet, Inc.". The Company resumed regular operations after the merger.

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THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2002

The Company had no sales revenues to report for the quarters ended September 30, 2003 and 2002. The net loss for the second quarter of 2003 was \$1,155,378, compared to \$275,513 in the third quarter of 2002. The significantly

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larger loss in 2003 resulted principally from higher than expected legal and consulting expenses incurred in completing the merger, increased general and administrative expense and salaries, and research and development expenses as the Company moves to commercialize its products following the merger.

General and administrative expenses increased to \$680,639 in the third quarter of 2003 from \$186,551 in the third quarter of 2002. The increase is due principally to administrative and salary expenses, legal and accounting fees, and other costs associated with the acquisition and merger with Old VisiJet.

Research and development expenses totaled \$559,098 in the third quarter of 2003, compared to \$67,022 in the third quarter of 2002. The increase is primarily due to additional research and development activity that had been deferred for lack of funding, but has resumed with the funding available immediately after the merger and associated financing.

The Company reported a gain on Debt Restructure of \$90,303 as a result of the modification of terms for the interest on the old SurgiJet note. The accrued interest on the old note at February 11, 2003 was \$139,955. As a result of the replacement note, the Company recorded a \$90,303 gain on the difference between total interest expense of \$49,652 on the new note and total accrued interest of \$139,955 from the old note. The Company will continue to amortize the remaining \$49,652 of the accrued expense as the note is paid down according to the new terms.

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2002

The Company had no sales revenues to report for the nine months ended September 30, 2003 and 2002. The net loss year to date for 2003 was \$2,886,090 compared to \$811,563 during the same period for 2002. The significantly larger loss in 2003 resulted principally from increased general and administrative and salary expenses associated with operating the Company immediately after the merger, higher legal and consulting expenses incurred in completing the merger, and increased research and development expenses as the Company moves to commercialize its products following the merger.

General and administrative expenses increased to \$2,054,912 for the nine months of 2003 compared to \$452,029 during the same period for 2002. The increase is due principally to administrative and salary expenses, legal and accounting fees, and costs associated with the acquisition and merger with Old VisiJet.

Research and development expenses totaled \$876,878 for the first nine months of 2003, compared to \$296,896 for the same period last year. The increase is primarily due to additional research and development activity that had been

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deferred for lack of funding, but has resumed with the funding available immediately after the merger and associated financing.

The Company reported other revenue from Debt Restructure of \$90,303 as described above in the three months results.

### LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2003, the Company had cash and cash equivalents of \$119,904. The principal source of liquidity has been sales of securities. Management anticipates that additional capital will be required to finance the Company's operations. The Company funded its operations during the nine months

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of 2003 through a series of private placement raising \$2,641,881 net of offering expenses, which includes \$564,000 provided by private venture capital investors completing their initial round of financing of \$1,125,000.

The Company funded its operations during the third quarter of 2003 through a series of private placements, raising \$900,880, net of offering expenses.

The Company believes that available proceeds from private placements, will be sufficient to finance the Company's operations. However, the Company has no other commitments for financing, and there can be no assurance that such financing will be available or that the Company will not encounter unforeseen difficulties that may deplete its capital resources more rapidly than anticipated. Also, the Company may not be able to generate revenues from operations during the next quarter.

As of September 30, 2003, the Company had an accumulated deficit of \$8,703,156. It can be expected that the future operating results will continue to be subject to many of the problems, expenses, delays and risks inherent in the establishment of a developmental business enterprise, many of which the Company cannot control.

### PLAN OF OPERATION

The Company plans to continue in the development and marketing of ophthalmic surgery products based on applications of the waterjet technology, designed to result in faster, safer and more efficacious surgery in the two largest surgical markets in the world, laser eye surgery and cataract surgery.

Over the next two years, the Company plans to conduct the following product research and development activities:

- 1). HydroKeratome
    - a corneal cutting device that produces a bladeless flap cut for the LASIK procedure resulting in a safer more accurate cut.
  - 2). Pulsatome
    - an emulsification device for the quick and safe removal of a full range of cataract hardnesses, with a lower cost per procedure and requiring minimal technical expertise.
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- 3). HydroRefractor
    - a potential replacement for the excimer laser, to produce lamellar flaps and "power cuts" for vision correction using waterjet technology.
  - 4). Continuing patent development and research on other companies that offer complements and extensions of ophthalmic surgery product line.

### CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

#### Additional Financing

The Company will require additional financing to achieve growth in operations. The company is in the process of seeking additional capital through

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the private placement of common stock to accredited investors. The purpose of the offering is to fund continuing research and development, purchase new equipment, and provide working capital.

### Technological Change

If the Company fails to keep pace with technological advances in our industry or if the Company pursues technologies that do not become commercially acceptable, it could result in the need to change the focus of our research and development and product strategies and could disrupt our business.

### Item 3. Controls and Procedures.

Under the supervision and with the participation of our Chief Executive Officer and Principal Accounting Officer, the Company conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), within 90 days of the filing date of this report. Based on this evaluation, our Chief Executive Officer and the Principal Accounting Officer concluded that the Company's disclosure controls and procedures are effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports under the Exchange Act are processed and reported within the time periods specified by law.

Other than as described above, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls.

### Item 4. Defaults upon Senior Securities

See Part II. Other Information, Item 1. Legal Proceedings

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

On February 5, 2003, an action was filed against the Company by an individual claiming entitlement to a finder's fee arising out of the merger between the Company and Old Visijet. The complaint alleges that the plaintiff is entitled to 105,000 shares of the Company's common stock. The Company denies the material allegations of the complaint and plans to vigorously contest the action.

On May 13, 2003, the Company was named as a defendant in a breach of contract claim from an outside consultant for accounting services performed for the Company through February 2003 totaling \$43,500 plus interest. The Company denies the allegations of the complaint and plans to vigorously contest the action.

In August 2003, the Company filed an action against SurgiJet, Inc. ("SurgiJet") for (i) a judicial determination that a \$400,000 Promissory Note issued by the Company and payable to SurgiJet, (the "SurgiJet Note") is not enforceable, due to a failure of consideration and the effect of the statute of limitations, and (ii) the recovery of payments previously made on the SurgiJet Note, based on claims of fraud and unjust enrichment.

Following the merger in February 2003, management of the Company investigated the status of several obligations on its books and records payable to affiliates of Rex Doherty, its former President, including SurgiJet, Inc. The

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investigation called into questions the validity of the SurgiJet Note, as well as the validity of other amounts allegedly due to members of the Doherty family. Accordingly, the Company filed the action against SurgiJet.

Thereafter, on September 23, 2003, SurgiJet filed a cross-action against the Company, its directors and certain officers. In the cross-complaint, SurgiJet and members of the Doherty family allege breach of the Merger Agreement between the Company and SurgiJet, an Assumption Agreement entered into in connection with the Merger Agreement, and the SurgiJet Note, along with fraud and unfair business practices. The plaintiffs seek damages of approximately \$1,032,000, rescission of the Merger Agreement, other specified damages, interest and attorney's fees.

The Company's management believes that the cross-complaint is merely a diversionary effort by SurgiJet and the Doherty family to draw attention away from the main action. The Company believes the allegations to the cross-complaint are wholly without merit and plans to vigorously pursue its claims and contest the cross-complaint.

The Company believes that Lance Doherty, beneficial owner of more than 5% of the Company's Common Stock, is a principal of SurgiJet, Inc.

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### Item 2. Changes in Securities

During the three months ended September 30, 2003 the Company completed private placement offerings with several investors. The private placements raised \$900,880, net of offering expenses, and the investors received 932,500 shares of common stock and five year warrants to purchase 932,500 shares of common stock at \$2.25 per share. The number of shares issuable and the exercise price of the warrants may be subject to adjustment to reflect changes in the market price of the common stock during the offering period.

On June 1, 2003, the Company adjusted prior private placements that were completed at rates higher than \$1.00 per share for Common Stock, and greater than \$2.25 per warrant, based on the average market price preceding those placements. This adjustment affected seven investors, causing the issuance of an additional 182,500 shares purchased through private placements during 2003 and an additional 182,500 warrants priced at \$2.25. If this change had occurred during the quarter ended March 31, 2003, the basic and diluted weighted average shares would have increased to 14,236,714 from 14,171,631 or an increase of 65,083 shares. This change in stock ownership did not materially impact the earnings per share for first quarter 2003.

The Company believes all of the issuances were exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of section 4(2) thereof and Regulation D there under.

### Item 5. Other

On October 23, 2003, the Company's Board of Directors met to discuss expansion of the number of directors pursuant to Section 2.1 of the Bylaws that provides for between three to nine directors, with the exact number to be fixed from time to time by the Board. The Board voted and agreed to expand and fix the number of directors at seven. The Board also voted and appointed Randal Bailey, President and CEO of the Company and Laurence Schreiber, COO, Secretary, and Treasurer of the Company to the Board of Directors, effective immediately. It is contemplated that the two remaining vacancies will be filled at a later date.

### Item 6. Exhibits and Reports on Form 8-K

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31.1 Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certificate of Treasurer (principal financial officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certificate of Treasurer (principal financial officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

(i) Item 5. Other Events and Regulation FD Disclosure filed on October 10, 2003

(ii) Item 5. Other Events and Regulation FD Disclosure filed on October 23, 2003

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Signatures

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VisiJet, Inc.,  
a Delaware corporation

By: /s/ Laurence Schreiber

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Laurence Schreiber, Secretary,  
Treasurer, Chief Operating Officer

Date: November 13, 2003

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