VISIJET INC
Form 10QSB
May 17, 2004

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 March 31, 2004

VisiJet, Inc.

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

| Delaware | 0-256111 | 33-0838660 |
|---|---|---|
| (State of Incorporation) | (Commission File Number) | (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 May 12, 2004 there were 27,334,663 shares of the registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VisiJet, Inc.
(A development stage company)
Balance Sheet

| | March 31, 2004 (Unaudited) | December 31, 2003 (Audited) |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ -- | $ 35,879 |
| Prepaid expenses | 88,016 | 88,749 |
| Total current assets | 88,016 | 124,628 |
| Property and equipment, net | 97,016 | 104,440 |
| Patents and trademarks, net | 94,882 | 97,244 |
| Total assets | $ 279,914 | $ 326,312 |
| LIABILITIES AND SHAREHOLDER'S DEFICIT | | |
| Current liabilities: | | |
| Overdraft | $ 9,022 | $ -- |
| Accounts payable | 706,667 | 679,885 |
| Compensation settlement agreement - current portion | 93,748 | 86,708 |
| Accrued interest | 134,904 | 109,232 |
| Accrued expenses | 647,716 | 481,106 |
| Royalty payable | 15,000 | 60,000 |
| Notes payable to related parties | 725,516 | 681,442 |
| Notes payable - current portion | 14,000 | 14,000 |

| | | |
|---|---|---|
| Secured debenture debt, net | 300,298 | -- |
| Total current liabilities | 2,646,871 | 2,112,373 |
| Compensation settlement agreement, net of current portion | -- | 17,458 |
| Notes payable to related parties, net of current portion | 43,936 | 87,144 |
| Total liabilities | 2,690,807 | 2,216,975 |
| Shareholders' deficit: | | |
| Common stock, 50,000,000 shares authorized, $.001 par value, 22,689,663 shares issued and outstanding at March 31, 2004, and 21,691,163 shares issued and outstanding at December 31, 2003 | 22,690 | 21,691 |
| Preferred stock, 10,000,000 shares authorized, $.001 par value, no shares outstanding at March 31, 2004 or at December 31, 2003 | -- | -- |
| Additional paid in capital | 9,081,856 | 7,845,365 |
| Common stock subscriptions | 600,000 | 1,018,500 |
| Deficit accumulated during development stage | (12,115,439) | (10,776,219) |
| Shareholders' deficit | (2,410,893) | (1,890,663) |
| Total liabilities and shareholders' deficit | $ 279,914 | $ 326,312 |

The accompanying notes are an integral part of these financial statements



VisiJet, Inc.
(A development stage company)
Statements of Operations
(Unaudited)

| | Three months ended March 31, 2004 | Three months ended March 31, 2003 | For the period February 2, 1996 (inception) to March 31, 2004 |
|---|---|---|---|
| Operating expenses: | | | |
| General and administrative expenses | $ 1,035,297 | $ 676,009 | $ 6,604,033 |
| Research and development expenses | 246,485 | 104,381 | 5,104,494 |
| Total operating expenses | 1,281,782 | 780,390 | 11,708,527 |
| Loss from operations | (1,281,782) | (780,390) | (11,708,527) |
| Other income (expense): | | | |
| Interest income | -- | 26 | 455 |
| Interest expense | (56,638) | (48,333) | (420,883) |
| Gain on debt restructure | -- | -- | 90,303 |
| Loss on judgment | | | (21,483) |

| | | | |
|---|---|---|---|
| Loss on disposal of assets | | -- | (48,104) |
| Total other expense | (56,638) | (48,307) | (399,712) |
| Loss before provision for taxes | (1,338,420) | (828,697) | (12,108,239) |
| Provision for Income taxes | 800 | -- | 7,200 |
| Net loss | $ (1,339,220) | $ (828,697) | $(12,115,439) |
| Net loss per common share - basic and diluted | $ (0.06) | $ (0.06) | $ (2.07) |
| Basic and diluted weighted average number of common shares outstanding | 22,115,328 | 14,171,631 | 5,863,671 |

The accompanying notes are an integral part of these financial statements



VisiJet, Inc.
(A development stage company)
Statements of Cash Flows

| | Three months ended March 31, 2004 | 2003 | Fo Feb ( |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss | $ (1,339,220) | $ (828,697) | $ |
| Adjustment to reconcile net loss to net cash used by operating activities: | | | |
| Depreciation and amortization | 9,786 | 3,440 | |
| Debt discount amortization | 30,966 | -- | |
| Loss from disposal of fixed assets | -- | -- | |
| Common stock, options, warrants issued for services | 217,822 | -- | |
| Gain from debt restructure | -- | -- | |
| Changes in assets and liabilities: | | | |
| Prepaid expenses | 733 | 10,385 | |
| Accounts payable | 35,804 | (131,048) | |
| Compensation settlement agreement | (10,417) | (6,826) | |
| Royalties payable | (45,000) | 15,000 | |
| Foreign exchange effect on notes payable | -- | -- | |
| Other accrued expenses | 166,610 | -- | |
| Accrued interest | 25,672 | 15,465 | |
| Net cash used by operating activities | (907,244) | (922,281) | |
| **Cash flows from investing activities:** | | | |
| Acquisition of property and equipment | -- | (2,243) | |

| | | | |
|---|---|---|---|
| Acquisition of patents | -- | -- | |
| Net cash used in investing activities | -- | (2,243) | |
| Cash flows from financing activities: | | | |
| Advance from related party | 865 | 244,085 | |
| Repayment of advances from related parties | -- | (106,729) | |
| Proceeds from notes payable | -- | 34,000 | |
| Repayment of notes payable | -- | (2,000) | |
| Proceeds from secured debenture | 447,500 | -- | |
| Proceeds from private placements-net | 423,000 | 1,016,000 | |
| Proceeds from issuance and conversion of preferred stock, net | -- | -- | |
| Cash acquired in reverse merger | -- | 30,693 | |
| Interest converted to equity in connection with merger | -- | 33,997 | |
| Net cash provided by financing activities | 871,365 | 1,219,353 | |
| Net increase (decrease) in cash | (35,879) | 294,829 | |
| Cash, beginning of period | 35,879 | 960 | |
| Cash, end of period | $ (0) | $ 295,789 | $ |
| Supplemental disclosures of cash flow information: | | | |
| Interest paid | $ -- | $ 5,976 | $ |
| Taxes paid | $ -- | $ 1,600 | $ |

The accompanying notes are an integral part of these financial statements

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VISIJET, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

FORWARD LOOKING STATEMENTS

This Form 10-QSB, press releases and certain information provided periodically in writing or orally by our officers or our agents contain forward-looking statements that involve risks and uncertainties within the meaning of Sections 27A of the Securities Act, as amended; Section 21E of the Securities Exchange Act of 1934; and the Private Securities Litigation Reform Act of 1995. The words, such as "may," "would," "could," "anticipate," "estimate," "plans," "potential," "projects," "continuing," "ongoing," "expects," "believe," "intend" and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this Form 10-QSB and include all statements that are not statements of historical fact regarding intent, belief or current expectations of the Company, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources; (ii) our financing opportunities and plans; (iii) our continued development of our technology; (iv) market and other trends affecting our future financial condition; (v) our growth and operating strategy.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include, among others, the following: (i) we have incurred significant losses since our inception; (ii) any material inability to successfully develop our products; (iii) any adverse effect or limitations caused by government regulations; (iv) any adverse effect on our ability to obtain acceptable financing; (v) competitive factors; and(vi) other risks including those identified in our other filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise the forward-looking statements made in this Form 10-QSB to reflect events or circumstances after the date of this Form 10-QSB or to reflect the occurrence of unanticipated events.

HISTORY AND MERGER

VisiJet, Inc. ("VisiJet", or "the Company"), a Delaware corporation, is a development stage company engaged in the research and development of surgical equipment for use in the field of ophthalmology based on proprietary waterjet technology. Potential customers include physicians, surgical centers and hospitals. The Company's efforts through March 31, 2004, have been principally devoted to organizational activities, raising capital and research and development efforts. To date, the Company has not received any revenues from product sales.

The Company was incorporated in California on February 2, 1996 as a wholly owned subsidiary of SurgiJet, Inc ("SurgiJet"). In May 1999, the

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NOTE 1 - NATURE OF OPERATIONS (Continued)

Company was spun off from SurgiJet through a distribution of common stock to its shareholders, after which SurgiJet had no remaining ownership interest in the Company.

On February 11, 2003 the Company completed a merger with Ponte Nossa Acquisition Corp., a Delaware corporation incorporated in 1997("PNAC"). Pursuant to the merger agreement between VisiJet and PNAC (the "Merger Agreement"), the Company became a wholly owned subsidiary of PNAC. Since this transaction resulted in the shareholders of VisiJet acquiring a majority of the outstanding shares of PNAC, for financial reporting purposes the business combination was accounted for as a recapitalization of PNAC (a reverse acquisition with the Company as the accounting acquirer). Subsequently, PNAC changed its name to VisiJet, Inc.

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.

GOING CONCERN

The accompanying unaudited consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As more fully discussed in the Company's 2003 Form 10-KSB, the Company's December 31, 2003 audited financial statements included a "going concern" qualification from its independent auditors due to the Company's losses accumulated during the development stage and lack of working capital.

For the three months ended March 31, 2004, the Company incurred a net loss of $1,339,220 and as of March 31, 2004, the Company's current liabilities exceeded its current assets by approximately $2.6 million. The Company's future capital requirements will depend on many factors, including but not limited to the Company's ability to generate operating revenue through product sales, its ability to finalize development and successfully market its waterjet technology, its on-going operational expenses and overall product development costs, including the cost of clinical trials, and competing technological and market developments.

To address the going concern issue, the Company has continued to raise operating capital through private placements of debt and equity securities, and, as discussed in more detail in Note 12, in April 2004, entered into two stock purchase agreements, that if finalized and funded, would result in aggregate





gross proceeds to the Company of $9.5 million. Completion of the this financing, and receipt of funding by the Company, is contingent on the effectiveness of a Registration Statement covering the resale of the shares of common stock and the shares of common stock underlying the warrants included in the stock purchase agreements.

In addition, as also discussed in more detail in Note 12, in May 2004, the Company finalized a sales, marketing and distribution agreement pursuant to which it expects to begin generating operating revenue through product sales in certain international markets in the second quarter of 2004.

Whereas the Company believes that the funding contemplated by the above referenced stock purchase agreements will be obtained in a timely manner, and that near-term operating revenues will be generated from the recently completed license agreement, there can be no assurances that the Registration Statement will be declared effective by the Securities and Exchange Commission, that the anticipated proceeds will be received by the Company or that revenues generated from product sales, if any, will be sufficient for the Company to meet its contractual obligations and on-going operating expenses.

The accompanying consolidated financial statements do not include any adjustments that might result from the resolution of these matters.

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.

STOCK-BASED COMPENSATION

The Company measures compensation expense related to the grant of stock options and stock-based awards to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, under which compensation expense, if any, is generally based on the difference between the exercise price of an option, or the amount paid for the award and the market price or fair value of the underlying common stock at the date of the award. Stock-based compensation arrangements involving non-employees are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION," under which such arrangements are accounted for based on the fair value of the option or award. The Company adopted the disclosure requirements of SFAS No. 148, "ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE," an amendment of SFAS No. 123 as of January 1, 2003, which require certain disclosures about stock-based employee compensation plans in an entity's accounting policy note. The adoption of SFAS No. 148 did not have a material impact on these consolidated financial statements and the disclosure requirements are included below.



NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On November 10, 2003, the Board of Directors adopted the VisiJet, Inc. 2003 Stock Option Plan. The Option Plan provides for the grant of incentive and non-qualified stock options to selected employees, the grant of non-qualified options to selected consultants and to directors and advisory board members. The Option Plan is administered by the Compensation Committee of the Board of Directors and authorizes the grant of options for 3,000,000 shares. The Compensation Committee determines the individual employees and consultants who participate under the Plan, the terms and conditions of options, the option price, the vesting schedule of options and other terms and conditions of the options granted pursuant thereto.

During the first quarter of 2004, no options were issued by the Company, and as of March 31, 2004, a total of 1,165,000 options to purchase shares of the Company's common stock were outstanding pursuant to the 2003 Plan.

The following table summarizes information about stock options outstanding at March 31, 2004:

| Exercise Price | Number Outstanding | Weighted Average Remaining Life in Years | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| 1.10 | 1,165,000 | 9.62 | 1.10 | 390,000 | 1.10 |

SFAS No. 123 requires the Company to provide pro forma information regarding net income (loss) and income (loss) per share as if compensation cost for the Company's stock option issuances had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following assumptions used for grants in fiscal 2003: dividend yield of zero percent, risk-free interest rate of 3.29%, expected life of five years, and expected volatility of 83.82%.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the accounting provisions of SFAS No. 123, as amended by SFAS No. 148, the Company's pro forma net loss and loss per share for the three months ended March 31, 2004, 2003 and from inception to date, would have been as follows:

| Net Loss: | 2004 | 2003 | For the period February 2, 1996 (inception) to March, 2004 |
|---|---|---|---|
| As reported | (1,339,220) | (828,697) | (12,115,439) |
| SFAS No. 123 effect | (84,499) | -- | (393,223) |
| Pro forma net loss | (1,423,719) | (828,697) | (12,508,662) |
| Loss per share: | | | |
| As reported | (0.06) | (0.06) | (2.07) |
| Pro forma | (0.06) | (0.06) | (2.13) |
| Basic and diluted weighted average shares outstanding | 22,115,328 | 14,171,631 | 5,863,671 |

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.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

LOSS PER SHARE

The Company calculates loss per share in accordance with SFAS No. 128,"EARNINGS PER SHARE," and Securities and Exchange Commission ("SEC")Staff Accounting Bulletin ("SAB") No. 98. Accordingly, basic loss per share is computed using the weighted average number of common shares and diluted loss per share are computed based on the weighted average number of common shares and all common equivalent shares outstanding during the period in which they are dilutive. Common equivalent shares consist of shares issuable upon the exercise of stock options, using the treasury stock method, or warrants; common equivalent shares are excluded from the calculation if their effect is anti-dilutive.

INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

RECLASSIFICATIONS

Certain reclassifications have been made to the financial statement of the prior year and for the period February 2, 1996 (inception) to March 31, 2004 in order to conform to current year presentation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

There are no recent accounting pronouncements that have had, or are expected to have, a material effect on the Company's financial statements.

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NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2004 and December 31, 2003:

| | March 31, 2004 | December 31, 2003 |
|---|---|---|
| Computer and test equipment | $ 82,584 | $ 82,584 |
| Furniture and fixtures | 33,505 | 33,505 |
| Trade show equipment | 47,002 | 47,002 |
| | 163,091 | 163,091 |
| Less: Accumulated depreciation | (66,075) | (58,651) |
| | $ 97,016 | $ 104,440 |

Depreciation expense for the quarter ended March 31, 2004 amounted to $7,424. Depreciation expense for the period from February 2, 1996 (inception) to March 31, 2004 was $316,979.

NOTE 4 - LICENSE AGREEMENT

During 2003, the Company entered into a license agreement with the inventor of a patented technology through which the Company obtained exclusive worldwide rights for all medical applications for the technology that provides for the sterile flow of fluid through a surgical water jet apparatus. The purchase price of the license has been capitalized and is being amortized on a straight-line basis over the remaining life of the patent. The license agreement provides for royalty payments based on the sale of products utilizing licensed technology and for minimum annual royalty payments.

License agreements consist of the following at March 31, 2004 and December 31, 2003:

| | March 31, 2004 | December 31, 2003 |
|---|---|---|
| License agreements | $ 100,000 | $ 100,000 |
| Less: accumulated depreciation | (5,118) | (2,756) |
| | $ 94,882 | $ 97,224 |

Amortization expense for the quarter ended March 31, 2004 amounted to $2,362. Amortization expense for the period from February 2, 1996 (inception) to March 31, 2004 was $5,118.

NOTE 5 - SECURED CONVERTIBLE DEBENTURE

In February 2004, the Company entered into bridge financing agreements with five investors pursuant to which the Company issued a total of $500,000 of subordinated debentures and received net proceeds of $447,500 after



NOTE 5 - SECURED CONVERTIBLE DEBENTURE (Continued)

subtracting related placement agent fees and legal expenses totaling $52,500. The debentures bear interest at an annual rate of 24%, which is payable monthly beginning April 1, 2004. In addition, the debenture holders received an aggregate of 250,000 warrants to purchase shares of the Company's common stock, through March 1, 2009, at an exercise price of $1.10

The principal balance of the debentures is due and payable on the earlier of (i) thirty (30) days from the date the Company's registration statement filed on Form SB-2 is declared effective by the Securities and Exchange Commission, provided that SBI (as defined in the Registration Statement) has not defaulted in its obligation to purchase shares of the Company's common stock or (ii) twelve (12) months from the date the Registration Statement is declared effective or (iii) eighteen (18) months from the date of the debenture agreement.

The debenture debt was recorded net of discounts totaling $230,668 recorded in connection with the $52,500 of loan fees and expenses, and $178,168, based on a Black-Scholes model valuation, related to the 250,000 warrants issued to debenture holders. During the three months ended March 31, 2004, the Company recorded total interest expense of $45,899 in connection with the debenture debt, of which $30,966 resulted from the non-cash amortization of debt discount, and of which $14,933 relates to interest accrued during the period on the outstanding principal balance. As of March 31, 2004 and December 31, 2003, debenture debt balance consists of the following:

| | March 31, 2004 | December 31, 2003 |
|---|---|---|
| Secured subordinated debenture | $ 500,000 | $ -- |
| Secured debenture discount | (199,702) | -- |
| Secured debenture Debt | $ 300,298 | $ -- |

NOTE 6 - NOTES PAYABLE - RELATED PARTIES

SURGIJET, INC.

On October 23, 1998, the Company 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 totaled $139,955 on February 11, 2003. In connection with the Merger Agreement, an amendment to the note was executed on February 11, 2003 under which the accrued interest was reduced to $49,652, and the accrual of additional interest was halted, and scheduled principal and interest payments were established. Under the amended note, the first payment of $30,000 was due on February 11, 2003 with equal monthly installments of $15,000, including interest due on the first of each month, and all outstanding principal and interest was due and payable upon successful completion of the Company's 2002 financial statements. As a result of the amendment, the Company recorded a $90,303 gain during the third quarter of 2003 based on the difference between

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NOTE 6 - NOTES PAYABLE - RELATED PARTIES (Continued)

the total accrued interest expense included on the amended note and the total interest of $139,955 previously accrued. During 2003 payments totaling $45,000 were made by the Company. As discussed more fully at Note 10, the validity of the underlying note, as well as the amended note, is disputed by the Company, and is a subject of on-going litigation between the Company and SurgiJet. Pending the outcome of the litigation, the Company ceased making scheduled payments on this note. As of March 31, 2004 and December 31, 2003 the outstanding principal balances and accrued interest payable balances on this note were $360,976 and $43,676, respectively. At March 31, 2004 and December 31, 2003, the respective amounts related to this note classified as long-term debt were $43,936 and $87,144, respectively.

DENTAJET, INC.

During 2002, the Company entered into a promissory note for a principal sum of $91,000, plus interest at the rate of 10% per annum with DentaJet, Inc. ("DentaJet"), a Company then related through common shareholders. During 2002 and 2003, the Company borrowed an additional $72,000 from, and made payments totaling $27,482, to DentaJet, resulting in an outstanding principal balance of $135,518 at December 31, 2003 and March 31, 2004. During the three months ended March 31, 2004 the Company recorded $3,951 of interest expense related to this note, and as of March 31, 2004 and December 31, 2003 accrued interest payable on this note totaled $28,696 and $24,745, respectively.

Pursuant to the Merger Agreement, the loan was due and payable upon successful completion of an independent audit of the Company's 2002 financial statements. However, as discussed more fully at Note 10, the validity of this note is being disputed by the Company, and is a subject of on-going litigation between the Company and SurgiJet.

FINANCIAL ENTREPRENEURS, INC. ("FEI")

In connection with the Merger Agreement, the Company assumed a promissory note during 2003 originally entered into between PNAC and FEI, a significant shareholder of the Company, during 2002. The note bears interest at an annual rate of 7.5%, and matures on April 3, 2009. Upon consummation of the merger in February 2003, the outstanding principal and accrued interest payable balances were $206,649 and $11,462, respectively. During 2003, the Company added net borrowings of $43,476 to the note, and accrued additional interest expense of $17,072, resulting in an outstanding principal balance and accrued interest payable balances at December 31, 2003 of $250,125 and $28,534, respectively. During the three months ended March 31, 2004, net activity resulted in an increase to the outstanding principal of $865, and $5,191 of additional interest was accrued. As of March 31, 2004 the outstanding principal and accrued interest payable on this note were $250,990 and $33,735, respectively.

SHAREHOLDERS

During 2002, the Company entered into a promissory note with Lance Doherty, a significant shareholder of the Company, for a principal sum of $19,000 plus interest at the rate of 10% per annum. As of March 31, 2004 and December 31, 2003 the outstanding principal balance of this note was $19,000,

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NOTE 6 - NOTES PAYABLE - RELATED PARTIES (Continued)

and accrued interest payable totaled $4,485 and $3,920, respectively. Pursuant to the Merger Agreement, this note was due and payable upon successful completion of an independent audit of the Company's 2002 financial statements. However, as discussed more fully at Note 10, the validity of this note is being disputed by the Company, and is a subject of on-going litigation between the Company and Mr. Doherty.

In addition, during 2002 the Company recorded a liability of $2,967 related to expenses paid by Rex Doherty, a significant shareholder of the Company. Pursuant to the Merger Agreement, this liability, plus interest at the rate of 10% per annum, was due and payable upon successful completion of an independent audit of the Company's 2002 financial statements. However, as discussed more fully at Note 10, the validity of this obligation is being disputed by the Company, and is a subject of on-going litigation between the Company and Mr. Doherty. At March 31, 2004 and December 31, 2003, the outstanding liability related to this debt was $2,967, and the respective accrued interest payable balances were $378 and $298, respectively.

NOTE 7 - COMMITMENTS

LICENSE AGREEMENTS

Under the terms of the technology license agreements with SurgiJet, the Company is obligated to pay a royalty of 7% of revenues received from sales of the products, up to $400 million of revenues over the course of the agreements, and 5% of revenues thereafter. The license agreements with SurgiJet also provide for a minimum royalty of $60,000 per year that may be used as a credit toward payment of future royalties due on product sales.

Under the terms of the patent license agreement entered into during 2003, the Company is obligated to pay a royalty of 6% of net sales of products utilizing the licensed patent technology. The license agreement also provides for a minimum royalty of $24,000 per year that may be used as a credit toward payment of future royalties due on product sales.

NOTE 8 - SHAREHOLDERS' EQUITY (DEFICIT)

COMMON STOCK ACTIVITY

During the three months ended March 31, 2004, the Company issued 470,000 shares of common stock in connection with private equity placements during this period, and issued 398,500 shares of common stock from common stock subscriptions received in 2003.In addition, during this period the Company issued a total of 130,000 shares of its common stock to two firms providing services to the Company. In connection with the issuance of these shares, the Company recorded consulting expense totaling $151,970 based on the fair value of the stock on the date of issuance.

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NOTE 8 - SHAREHOLDERS' EQUITY (DEFICIT) (Continued)

WARRANT ACTIVITY

During the first quarter of 2004, the Company issued 5-year warrants to purchase an aggregate of 795,000 shares of its common stock. Of this total, 470,000 warrants were issued in connection with private equity placements at an exercise price of $2.25 per share, 250,000 warrants were issued in connection with a secured debenture agreement at an exercise price of $1.10 per share (See Note 5) and 75,000 warrants were issued at an exercise price of $2.25 per share for services provided to the company. In addition, a total of 30,000 3-year warrants were issued at an exercise price of $1.50 for services provided to the Company. During this period, the Company recorded consulting expense in the amount of $65,722 in connection with the warrants issued for services, based on the fair value of the warrants issued using a Black-Scholes model valuation.

The following table summarizes the number of outstanding common stock warrants as of March 31, 2004:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at December 31, 2003 | 12,102,480 | $ 2.53 |
| Granted | 825,000 | 1.87 |
| Forfeited | -- | -- |
| Exercised | -- | -- |
| Outstanding at March 31, 2004 | 12,927,480 | $ 2.49 |

The following table summarizes additional information with respect to outstanding common stock warrants at March 31, 2004:

| Exercise Price | Number Outstanding | Weighted Average Life Remaining in Months | Number Exercisable |
|---|---|---|---|

| | | | |
|---|---|---|---|
| $1.00 | 4,528,480 | 46 | 3,528,480 |
| $1.10 | 250,000 | 59 | 250,000 |
| $1.23 | 45,000 | 52 | 45,000 |
| $1.50 | 30,000 | 33 | 30,000 |
| $2.25 | 4,256,000 | 55 | 4,256,000 |
| $2.50 | 505,000 | 46 | 505,000 |
| $3.00 | 50,000 | 46 | 50,000 |
| $5.00 | 3,263,000 | 46 | 3,263,000 |
| | 12,927,480 | | 11,927,480 |



NOTE 9 - SETTLEMENT AGREEMENTS AND LOAN PAYABLE

On November 4, 2002, the Company entered into settlement agreements with Randal A. Bailey, its President and Chief Executive Officer, and Larry Hood, its Director of Engineering, related to accrued, but unpaid fees for consulting services previously rendered by them in the aggregate of $700,000. Under the agreements a total of $450,000 was converted into 211,267 shares of the Company's common stock, during 2003, based upon the closing price on the effective date the Merger Agreement. Of this total, Mr. Bailey received 164,319 shares and Mr. Hood received 46,948 shares. The balance owed of $250,000 was converted into two notes payable, one to Mr. Bailey for 150,000, with a term of two years and one to Mr. Hood for $100,000, with a term of one year. Both notes bear interest at an annual rate of 3.5% and provide for the principal to be paid over equal installments for the duration of the loan. At March 31, 2004 and December 31, 2003, the aggregate balances on these notes were $93,748 and $104,166, respectively and the respective accrued interest payable balances were $7,280 and $6,330.

NOTE 10 - CONTINGENCIES

During 2003, the Company initiated litigation against SurgiJet, Inc., its former parent company, and certain directors, officers and shareholders of SurgiJet. The action was initially filed by the Company for a judicial determination that a $400,000 Promissory Note issued by the Company and payable to SurgiJet ("SurgiJet Note"), prior to the completion of the Merger Agreement, is not enforceable, and for recovery of payments previously made on the note. Subsequently, the Company challenged the validity of other notes payable carried on the Company's books at the effective date of the Merger Agreement, including notes to DentaJet, Lance Doherty (former President of VisiJet and beneficial owner of more than 5% of its outstanding Common Stock) and Rex Doherty.

SurgiJet and its principals filed a cross-action against the Company, and its directors and certain officers, seeking damages of approximately $800,000, rescission of the Merger Agreement, other specified damages, interest and attorney's fees. In the cross-complaint, SurgiJet and its principals allege breach of the Merger Agreement between the Company and SurgiJet, breach of the Assumption of Liabilities Agreement (including Notes Payable to DentaJet, Lance Doherty and Rex Doherty) entered into in connection with the Merger Agreement, and breach of the SurgiJet Note, along with fraud and unfair business practices.

The Company's management believes that the cross-complaint is merely a diversionary effort by SurgiJet 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 is also a defendant in a breach of contract claim from an outside provider of accounting services for work performed for the Company prior to the effective date of the Merger Agreement, for $43,500, plus interest. The Company has denied the allegations of the complaint and is vigorously contesting the action.



NOTE 10 - CONTINGENCIES (Continued)

In December 2003, a former consultant who had performed services for the Company prior to the effective date of the Merger Agreement obtained a award in the amount of $40,398 from the Labor Commissioner of the State of California in an action related to claimed unpaid wages and expenses previously filed against the Company. Based on the action of the Labor Commissioner, the Company recorded an accrual for the awarded amount as of December 31, 2003. In January 2004 the Company filed an appeal in the California Superior Court contesting the action taken by the Labor Commissioner, and in May 2004 the Company entered into a settlement agreement for the approximate amount of the award.

In January 2004, the Company was served a summons which named the Company and certain of its officers as defendants in an action filed by a corporation claiming it was owed fees related to professional employment placement services in the approximate amount of $114,500. The Company denies the allegations of the complaint and plans to vigorously contest the action.

In January 2004, the Company entered into a settlement agreement with an individual who had previously filed an action claiming entitlement to a finder's fee arising out of the merger between Ponte Nossa and VisiJet. Pursuant to the settlement agreement, the Company agreed to issue 45,000 shares of the Company's common stock to the plaintiff as full settlement of the claim. In connection with the settlement agreement, the Company recorded an expense and accrued liability in the amount of $57,150, based on the value of the shares on the date of the agreement.

NOTE 11 - RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2004, the Company recorded $15,000 of consulting fees to a corporation owned by a director of the Company, of which $12,500 was paid during the period and $2,500 was included in accounts payable at March 31, 2004.

In January 2004, the retainer due under a consulting agreement between the Company and a director was increased from $5,000 to $15,000 per month. During the three months ended March 31, 2004 the Company recorded $45,000 of consulting fees in connection with this agreement, of which $5,000 was paid during the period and $40,000 was included in accounts payable at March 31, 2004.

During the three months ended March 31, 2004, the Company recorded $45,000 of consulting fees in connection with an agreement with a corporation controlled by two shareholders, each of whom own beneficially in excess of 5% of the outstanding shares of the Company's common stock. Pursuant to this agreement, entered into in April 2003, the Corporation is entitled to receive a monthly fee of $15,000, provided however that payment of accrued fees is not payable by the Company until such time as the Company has a minimum cash balance of $2.5 million. At March 31, 2004 a total of $180,000 in fees recorded pursuant to this agreement is included in accrued expenses.

NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

During the three months ended March 31, 2004, the Company recorded finders' fee expenses in the amount of $15,000, to a corporation controlled by an individual who beneficially owns in excess of 5% of the outstanding shares of common stock of the Company. In addition, during this period, the Company reimbursed the corporation for travel expenses related to business of the Company totaling $4,337. As of March 31, 2004, $5,000 of the finders' fees were included in accounts payable.

NOTE 12 - SUBSEQUENT EVENTS

In April 2004, the Company entered into stock purchase agreements with two (2) private equity investment funds pursuant to which the funds agreed to purchase an aggregate of 4,750,000 shares of the Company's common stock for a total amount of $9,500,000. In addition, under the agreements, one of the funds would receive 5-year warrants to purchase up to 1,900,000 shares of the Company's common stock at a price of $2.00 per share. Completion of this financing and related funding is contingent on the effectiveness of a registration statement to be filed with the Securities and Exchange Commission covering the resale of the shares of common stock and the shares of common stock underlying the warrants.

In April and May 2004, the Company completed private equity placements in which it raised net proceeds of $103,500 after deducting offering expenses of $11,500.

In May 2004, the Company received $200,000 through an advance from a related party, and received net proceeds of $1,357,188, from the issuance of secured notes payable agreements to three institutional investors.

In May 2004, the Company entered into a Manufacturing, Supply and Distribution Agreement with Gebauer Medizintechnik GmbH ("Gebauer"), pursuant to which the Company acquired exclusive worldwide distribution, sales and marketing rights for Gebauer's LASIK and Epi-Lasik products. Both products are approved for marketing in Europe and certain other countries. Accordingly, the Company expects to initiate product sales in certain foreign countries during the second quarter of 2004, and anticipates filing with the U.S. Food and Drug Administration for marketing approval in the United States in the near future. As consideration under the agreement, the Company paid a non-refundable license fee of $1,158,900 and issued 750,000 shares of its common stock to Gebauer. In addition, the agreement provides for certain minimum annual purchase requirements by the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operating results during the periods included in the accompanying financial statements, and should be read in conjunction with such financial statements and notes thereto.



Certain information included herein contain forward-looking statements that involve risks and uncertainties within the meaning of Sections 27A of the Securities Act, as amended; Section 21E of the Securities Exchange Act of 1934; and the Private Securities Litigation Reform Act of 1995. Readers are referred to the cautionary statement at the beginning of this report, which addresses forward-looking statements made by the Company.

CORPORATE HISTORY

VisiJet (the "Company" or "VisiJet"), formerly known as Ponte Nossa Acquisition Corp ("PNAC")), is a Delaware corporation engaged in the research and development of surgical equipment for use in the field of ophthalmology based on proprietary waterjet technology.

The Company was incorporated in California on February 2, 1996 as a wholly owned subsidiary of SurgiJet, Inc ("SurgiJet"), a developer of waterjet technology for a variety of medical and dental applications. In May 1999, the Company was spun off from SurgiJet through a distribution of common stock to its shareholders, after which SurgiJet had no remaining ownership interest in the Company.

On February 11, 2003 the Company completed a merger with PNAC, a Delaware corporation incorporated in 1997. Pursuant to the merger agreement between VisiJet and PNAC (the "Merger Agreement"), the Company merged into PNAC. Since this transaction resulted in the shareholders of VisiJet acquiring a majority of the outstanding shares of PNAC, for financial reporting purposes the business combination was accounted for as a recapitalization of PNAC (a reverse acquisition with the Company as the accounting acquirer). Subsequently, PNAC changed its name to VisiJet, Inc.

CRITICAL ACCOUNTING POLICIES

The Company's critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the Notes to the Financial Statements. At this stage of our development, these policies primarily address matters of expense recognition. The Company has consistently applied these policies in all material respects.

OVERVIEW

The Company is in the development stage, and to date, its efforts have been principally devoted to organizational activities, raising capital and research and development efforts related to its proprietary waterjet-based ophthalmic surgery products. Based on our history of losses and negative working capital balance, our financial statements for the year ended December 31, 2003 included a going concern opinion from our outside auditors, which stated there "is substantial doubt" about our ability to continue operating as a going concern.

The Company does not have any products currently on the market and, to date, has not received any revenues from product sales. As discussed in more detail below under "Plan of Operations", we have recently entered into a marketing and distribution agreement pursuant to which we expect to begin generating near-term sales and operating revenues.

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Although we have received commitments for additional funding, as discussed in more detail below under "Liquidity and Capital Resources", the Company does not currently have sufficient cash or working capital available to continue to fund operations, meet its contractual obligations, to successfully market the licensed products or to complete its product development efforts. As such, our ability to complete the currently proposed financing, or acceptable alternative financing, on a timely basis, is critical to our ability to fund our operations and stay in business.

RESULTS OF OPERATIONS

FIRST QUARTER 2004 COMPARED TO FIRST QUARTER 2003

The Company had no sales revenues to report for the periods ending March 31, 2004 and 2003. The net loss for quarter ending March 31, 2004 was $1,339,220 compared to $828,697 for the same period in 2003. This represents a loss per common share of $(.06) for each of the quarters ended March 31, 2004 and March 31, 2003 on basic and diluted shares outstanding of 22,115,328 and 14,171,631, respectively.

The significantly larger loss in 2004 resulted from increased operating expenses, as shown below:

| | 2004 | 2003 |
|---|---|---|
| Operating Expenses | | |
| General and Administrative | $ 1,035,297 | $ 676,009 |
| Research and Development | 246,485 | 104,381 |
| | $ 1,281,782 | $ 780,390 |

General and administrative expenses increased to $1,035,297 in 2004 from $676,009 in 2003. The increase is due primarily to increased consulting fees, increased salaries and wages and related benefits, increased investor relations expenses and increased expenses incurred in connection with the settlement of litigation during the quarter.

Research and development expenses increased to $246,485 in 2004 from $104,381 in 2003. The increase is primarily due to an increase in R&D activities related to the development of the Company's Hydrokeratome product, and the initiation of development efforts related to the Pulsatome product during the quarter.

Interest expense increased to $56,638 in 2004 from $48,333 in 2003. The increase is primarily due to the inclusion in 2004 of approximately $31,000 of non-cash interest expense recorded in connection with the amortization of debt discount during the period.

Subject to the availability of cash and working capital, we expect operating expenses to continue to increase during the remainder of 2004 as we commence sales and marketing activities related to recently licensed products and move toward completion of product development and regulatory compliance efforts and ultimate product introduction with respect to the Company's other products under development. Such increases will occur primarily in the research and development, and sales and marketing areas.



The Company expects to begin marketing licensed products in certain international markets and generating revenue from sales during the second quarter of 2004. Furthermore, the Company anticipates filing for marketing approval of these products in the United States with the US Food and Drug Administration in the near future. The approval and ultimate marketing of certain other products under development by the Company in the United States is dependent upon the timing of submission to, and approval by the United States Food and Drug Administration. If product development and regulatory efforts are successful, we hope to begin marketing these products and generating revenue from product sales during the third or fourth quarter of 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in the development stage, and to date, has not had any products for sale or generated any revenue from sales or other operating activities. As such, our principal source of liquidity has been the private placement of equity securities and the issuance of notes payable and convertible debt. Based on our history of losses and negative working capital balance, our financial statements for the year ended December 31, 2003 included a going concern opinion from our outside auditors, which stated there "is substantial doubt" about our ability to continue operating as a going concern.

During the quarter ended March 31, 2004, the Company raised an aggregate of $871,365, of which $447,500 resulted from the issuance of secured subordinated debenture agreements, $423,000 resulted from the net proceeds of equity private placements and $865 resulted from the net activity from related party notes. During this period, the Company utilized $907,245 to fund operating activities, and as of March 31,2004, current liabilities, which include a cash overdraft of $9,022, exceeded current assets by $2.6 million.

Our ability to satisfy the contractual obligations and our ability to fund ongoing operating expenses are dependent on our success in raising additional capital.

In April and May 2004, the Company raised net proceeds of $103,500, after deducting expenses of $11,500 from private equity placements.

In May, the Company received $200,000 through an advance from a related party, and received net proceeds of $1,357,188, from the issuance of secured notes payable agreements to three (3) institutional investors.

In addition, in May 2004, $1,158,900 was utilized by the Company as partial consideration paid in connection an agreement pursuant to which the Company acquired exclusive world-wide marketing and distribution rights to ophthalmic surgery products currently approved for sale in Europe and certain other countries.

In April 2004, the Company entered into stock purchase agreements with two private equity investment funds pursuant to which the funds agreed to purchase an aggregate of 4,750,000 shares of the Company's common stock for a total amount of $9,500,000. In addition, under the agreements, one of the funds



would receive 5-year warrants to purchase up to 1,900,000 shares of the Company's common stock, at an average price of $2.00 per share. Completion of this financing and related funding is contingent on the effectiveness of the Registration Statement covering the resale of the shares of common stock and the shares of common stock underlying the warrants.

Subject to availability of funding, we expect operating expenses, and related cash requirements, to increase during 2004 in connection with anticipated increased sales and marketing and product development activities.

The Company believes that actions presently being taken to raise additional financing, to license products with which near-term operating revenues can be generated and to complete the development of, and bring to market its other ophthalmic surgical products, will ultimately generate sufficient revenue to support its operations. However, there can be no assurances that any such actions will be successfully completed, or that such actions will provide sufficient capital and/or cash flow to permit the Company to realize its plans.

PLAN OF OPERATIONS

FINANCING ACTIVITY

The Company is dependent on raising additional capital to pursue the following planned activities. As described above under "Liquidity and Capital Resources", the Company has recently entered into stock purchase agreements with two private equity investment funds that, if successfully completed, will result in initial gross proceeds to the Company of $9.5 million. Completion of this proposed funding, or alternative financing on a timely basis, is critical to the future of the Company, and will be a major focus of the activities of Company management.

SALES AND MARKETING

In May 2004, the Company entered into an agreement with Gebauer Medizintechnik GmbH ("Gebauer"), pursuant to which the Company acquired exclusive worldwide distribution, sales and marketing rights for Gebauer's LASIK and Epi-Lasik products. Both products are approved for marketing in Europe and certain other countries, and the Company anticipates filing with the U.S. Food and Drug Administration for marketing approval in the United States in the near future.

As a result of this agreement, the Company plans to immediately commence sales and marketing efforts in the international markets where the products are approved for sale, and anticipates it will begin to generate product sales and related revenue during the second quarter of 2004. Planned expenditures for sales and marketing during this period are anticipated to be approximately $1.7 million.



RESEARCH AND DEVELOPMENT

The Company plans to continue its research and development efforts on the following ophthalmic surgery products based principally on applications of its proprietary waterjet technology. These products are designed to result in faster, safer and more efficacious surgery in the laser eye surgery and cataract surgery markets.

1). HydroKeratome
- a corneal cutting device that produces a bladeless flapcut for the LASIK procedure.

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.

3). HydroRefractor
- a potential replacement for the excimer laser, to produce lamellar flaps and "power cuts" for vision correction using waterjet technology.

4). New Products/Product Extensions
- the Company plans to continue research and development efforts on other medical applications of its waterjet technology, and to identify and license/acquire other technology and/or products that offer complements and extensions to its ophthalmic surgery product line.

The primary focus of our research and development activities during this period will be on completing testing required to obtain final marketing approval from the FDA with respect to our 510(K) application, and the subsequent initiation of product sales, for HydroKeratome. In addition, our research and development efforts will be focused on completing testing required for our initial 510(K) application submission to the FDA with respect to our Pulsatome product, any subsequent testing to obtain final marketing approval from the FDA, and the subsequent initiation of product sales for Pulsatome. Planned research and development expenditures during this period are estimated to be approximately $1.8 million.

PROPERTY, PLANT AND EQUIPMENT

The planned research and development activities and the expansion of marketing and administrative support will require additional expenditures for property, plant and equipment during the next twelve months.

The following is a schedule of anticipated purchases of property and equipment during this period:

| | |
|---|---|
| 1). Production, lab, test equipment | $ 275,000 |
| 2). Computers and software | 270,000 |
| 3). Facilities, furniture & fixtures | 100,000 |
| Total anticipated capital expenditures: | $ 645,000 |



EMPLOYEE ADDITIONS

The Company anticipates hiring approximately 30 additional employees during the next twelve months, resulting in additional annual salaries and wages of approximately $1.1 million, to support anticipated company growth and the increased emphasis on sales, marketing, distribution and customer training/support. This estimate includes approximately $220,000 for research and development and $870,000 for sales and marketing that are included in the respective research and development and sales and marketing totals above.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE PLANS AND RESULTS

All of the planned activities discussed above in our Plan of Operations are contingent on our obtaining sufficient funding. In addition, activities discussed above with respect to planned expenditures for sales and marketing, additions of property, plant and equipment and new employees are contingent on the success of our final product development and commercialization efforts.

ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our Chief Executive Officer and our Treasurer, 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. The design of any such system of controls is based in part on assumptions about the likelihood of future events, and there can be no assurance that any such system of controls will succeed in all circumstances.

Since the date of the evaluation described above, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

VisiJet is the plaintiff and a cross-defendant in VisiJet, Inc. v. SurgiJet, Inc., a case pending in Orange County Superior Court, filed on August 6, 2003 (Case No. 03CC02968). The Company filed the action to declare a purported $400,000 promissory note to its former parent company unenforceable. The defendant filed a cross claim on behalf of itself and certain of its officers, directors and controlling shareholders seeking to rescind the Merger Agreement between the Company and PNAC, and seeking monetary damages in the amount of $802,038 as well as exemplary damages. The case is currently in the discovery phase.

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VisiJet is the defendant in Williams v. VisiJet, Inc. et al, a case pending in Orange County Superior Court, filed on May 3, 2003 (Case No.C03-01173). The Plaintiff alleges he is owed $43,500 for professional services rendered to the Company prior to the merger with PNAC. The Company has filed a cross claim alleging, among other things, that at least some of the services were for the benefit of others, professional negligence and aiding and abetting a fraud committed on the Company. The case is currently in the discovery phase.

VisiJet is a defendant in Allante Art Group, Inc. et al v. VisiJet, Inc. et al, a case pending in Orange County Superior Court, filed on July 30, 2003 (Case No. 03CC09678). The Plaintiff, an executive search firm, is seeking damages of $114,500 from the Company and a former employee of the plaintiff. The complaint alleges that the former employee misappropriated customer lists and names in connection with the placement of employees with the Company. The case is in a preliminary stage.

To the best of the Company's knowledge and belief, there are no other material legal proceedings pending or threatened against the Company.

ITEM 2. CHANGES IN SECURITIES

During the three months ended March 31, 2004 the Company received gross proceeds of $470,000 from the sale of 470,000 shares and warrants to purchase 470,000 shares of Common Stock to 11 private investors. The Company believes that the transaction was exempt from the registration requirements of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof and

Regulation D thereunder.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

REPORTS ON FORM 8-K

Amendment No. 2 to Report on Form 8-K, dated February 11, 2003 filed on February 9, 2004 (Item 4).

Report on Form 8-K, dated February 11, 2003 filed on February 5, 2004 (Item 7).



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: May 17, 2004