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Advanced Refractive Technologies, Inc.
Form 10KSB/A
July 18, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
AMENDMENT No. 2 to
FORM 10-KSB

☒ Annual report under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005

Commission file number 0-25611

ADVANCED REFRACTIVE TECHNOLOGIES, INC.
(Name of small business issuer in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0838660
(I.R.S. Employer I.D. No.)

1062 Calle Negocio, Suite D, San Clemente, California 92673
(Address of principal executive offices)

Issuer's telephone number (949) 940-1300

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)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐]

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐] No ☒ [X].

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☒ [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐] No ☒ [X]

The registrant's revenues for fiscal year 2005 were \$0.

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$1.9 million (based on 60,188,698 shares held by non-affiliates and a closing share price of \$0.031 per share on June 2, 2006).

As of June 2, 2006, the number of shares outstanding of the registrant's Common Stock was 240,064,625.

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PART I

FORWARD LOOKING STATEMENTS

This Form 10-KSB, 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-KSB 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 publicly update or revise the forward looking statements made in this Form 10-KSB to reflect events or circumstances after the date of this Form 10-KSB or to reflect the occurrence of unanticipated events.

ITEM 1. DESCRIPTION OF BUSINESS

COMPANY BACKGROUND AND SUMMARY

Advanced Refractive Technologies, Inc. ("ART" or the "Company") is a medical device company focused on the marketing and development of ophthalmic surgery products for use in the laser eye surgery and cataract surgery markets. The Company was incorporated on February 2, 1996, as a wholly owned subsidiary of SurgiJet, Inc. to develop and distribute medical products based on patented waterjet-based technology licensed from SurgiJet. 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.

In December 2002 the Company entered into a merger agreement with Ponte Nossa Acquisition Corp., a Delaware corporation ("the Merger") 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, VisiJet Acquisition Corporation, into the Company. The merger was consummated on February 11, 2003, and immediately thereafter, VisiJet, Inc. was merged into Ponte Nossa Acquisition Corp., and the surviving company's name was changed to "VisiJet, Inc.". It was subsequently changed to "Advanced Refractive Technologies, Inc."

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In April 2004, we entered into an exclusive license agreement with Gebauer Medizintechnik GmbH, of Neuhausen Germany ("Gebauer"), pursuant to which we acquired worldwide marketing, sales and distribution rights for Gebauer's LASIK and Epi-LASIK products. In May 2004, we began marketing these products in Europe and certain other foreign countries, where the products have received regulatory clearance for sale, and began generating revenue from product sales during the second quarter of 2004. In September 2004, ART began marketing the Epi-Lasik product in the United States, following receipt of clearance for marketing from the U.S. Food and Drug Administration.

After disputes arose with Gebauer, in October of 2005 we entered into an agreement with Gebauer terminating the license agreement, and sold our remaining inventory of products to CooperVision International Holding Company, LP. As a result, we currently have no products for sale and we have no source of revenues. We are in discussions with BioVision AG, a Swiss company, to license its FDA approved product, the Visitome 20-10 microkeratome. In its present form, this product can be used to perform LASIK surgery in the conventional way; however, the product is in the process of being modified, by BioVision, so that it can perform the epi-LASIK procedure, generally similar to the Gebauer device. These modifications will require an additional FDA approval under rule 510(k), which will require funding from BioVision or a potential partner to complete the regulatory procedures. Accordingly, additional financing will be required to complete an agreement with BioVision and gain final FDA approval for marketing these products in the United States. We currently have no commitments for such financing.

In addition, we are engaged in the research and development of ophthalmic surgery products based upon applications of our proprietary waterjet technology, designed to result in faster, safer and more efficacious laser eye and cataract surgery. To date, these efforts have been focused on bringing to market two products, with different applications and markets.

First is the Accupulse(R), which utilizes waterjet technology to remove the cataractous human crystalline lens in the eye during cataract surgery. Second is the HydroKeratome(R), a device that utilizes waterjet technology to cut the corneal flap immediately prior to applying an excimer laser in laser eye surgery to correct myopia, hyperopia and astigmatism.

We have also acquired the worldwide license rights to a cataract detection device and have started preliminary research and development on this product. Please refer to the Research and Development section of this document for additional information on this transaction.

MARKETS

THE REFRACTIVE SURGERY MARKET

Our products assist in surgical procedures relating to the cornea. The cornea is the clear window that provides most of the focusing power of the vision system of the eye, as well as allowing light into the eye. The anterior surface of the cornea is covered with a thin layer called the epithelium. The epithelium is covered with a liquid tear film.

Physicians generally treat vision disorders by prescribing eyeglasses or contact lenses or through ophthalmic surgery, all of which compensate for or correct the vision error. The principal surgical techniques available to treat vision disorders are radial keratotomy ("RK"), Photo Refractive Keratectomy ("PRK")/LASIK and Refractive Lamellar Keratoplasty ("RLK"). In RK, PRK/LASIK and

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RLK, the object of the surgery is to change the shape of the anterior corneal surface and to eliminate or reduce refractive error. An additional objective is to minimize lens aberrations to improve visual acuity, which is not possible with eyeglasses or contact lenses.

The refractive surgery market in its current form began in late 1995 when the FDA approved the first excimer laser for PRK. Before 1995 refractive surgery was conducted by various manual, non-laser techniques, the most popular of which was RK. In RK, the surgeon uses a diamond knife to make radial incisions in the cornea to flatten it. This technique, and others like it, is highly dependent on the surgeon's skill, and often produces mixed results.

By contrast, in PRK utilizing the excimer laser, the computer-controlled laser is programmed to remove the specified amount of corneal tissue with precision, delivering a consistent outcome. In spite of its inherent accuracy and predictability, PRK was not widely accepted by patients, because it uses the laser to burn away the most sensitive top layers of the cornea. Patients undergoing PRK often experienced considerable pain, and were left with a persistent cloudiness of the cornea for days or weeks. PRK generally met the clinical expectations of the surgeon, but failed to satisfy the patient's desire for comfort and rapid recovery. For this and other reasons, PRK failed to attain broad market acceptance.

2

In late 1996 many ophthalmic surgeons started utilizing a new procedure, Laser In Situ Keratomileusis ("LASIK"), which addressed many of the negative aspects of PRK from the patient's standpoint, while preserving the accuracy of PRK. LASIK utilizes a microkeratome, which is a mechanically driven razor to create a flap in the surface of the cornea. After creation of the flap, the excimer laser is used on the exposed internal tissue, called the stroma, underneath the flap. The excimer laser emits ultraviolet light in very short, high-energy pulses and ablates part of the corneal surface according to a prescribed spatial pattern, changing the curvature of the anterior corneal surface. The laser removes a predetermined amount of tissue to achieve the desired correction, and the hinged flap is reset as closely as possible to its original position, where it adheres to the underlying stroma. The adherence increases over a period of many months. The patient's vision is significantly improved within minutes of surgery.

Because the laser energy is used on the less sensitive inner tissue of the cornea, the patient experiences very little pain after surgery and there is generally no clouding of the corneal surface. The patient is usually able to return to normal function the next day with immediate vision improvement.

Recently, a new refractive surgery technique, referred to as Epi-LASIK, was introduced. The Epi-LASIK procedure utilizes an automated device to mechanically separate the epithelium, or outer layer of the cornea, in a sheath, approximately 30 microns thick. This is in contrast to cutting into the cornea using a microkeratome blade and creating a flap, from 120 - 180 microns thick, as is done in the traditional LASIK procedure. Once the epithelium has been separated, the curvature of the corneal surface is changed to predetermined specifications using an excimer laser. Following the laser procedure, the epithelium sheath is then returned to its original position.

THE CATARACT SURGERY MARKET

Currently, the majority of cataract surgical procedures are performed using

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an ultrasonic phacoemulsifier device. The phaco, as it is commonly called, utilizes an ultrasonic generator which vibrates the tip of the phaco hand piece 40,000 times per second. When the tip is introduced into the eye and placed in contact with the cataractous lens, the lens is gradually reduced to smaller pieces until it can be aspirated out of the eye.

PRODUCTS

WATERJET TECHNOLOGY AND PRODUCTS UNDER DEVELOPMENT

Waterjet technology is an established method for precision cutting of materials in a variety of industrial applications. It uses the principle of pressurizing water to extremely high levels, and allowing the water to escape in a controlled manner through a very small opening, or orifice. Water jets use the high pressure beam of water exiting the orifice to cut various materials, including tile, wood, plastic, metal, and stone. In general, industrial applications of waterjet technology are used in place of a laser or other device when the "cut" needs to be quicker, cleaner, and with minimum distortion and temperature increase.

The technology uses a pneumatic-hydraulic pressure intensifier to produce a collimated high pressure water beam that is approximately the diameter of a human hair. This self-cleaning, eversharp "hydro-laser" can cut through tissue at 12mm (.5 inch) per second. The hydraulics are controlled by an embedded central processing unit with displays, gauges, controls, aspiration and irrigation fluidics familiar to ophthalmic surgeons.

ART is currently developing two ophthalmic surgical products utilizing its proprietary waterjet technology. The first is Accupulse(R), a device that uses pulsed waterjet technology to remove cataracts, and the second is Hydrokeratome(R), a device that uses a high-pressure micro beam of water to cut a corneal flap during LASIK surgery. Although our waterjet based products under development have different applications, they share certain basic characteristics. Each of the waterjet products consists of a modular console with an intensifier and a hand piece. The modular unit is attached to a delivery tube, which is in turn attached to a hand piece. The hand piece delivers the water jet to the tissue and its integral aspirator removes any debris tissue and water through a disposable tube that returns to the console.

ACCUPULSE(R) CATARACT EMULSIFIER. The Accupulse(R) Cataract Emulsifier is an emulsification device designed for the quick and safe removal of the cataractous human crystalline lens in the eye, a necessary procedure before installing a new intraocular lens ("IOL"). The device creates a pulsating stream of saline solution, and the impact from the pulsating fluid emulsifies the cataractous human lens and breaks the lens into small pieces. The Accupulse simultaneously aspirates the emulsified tissue and removes it from the interior of the eye.

The Accupulse requires minimal technical skill, as it functions like a hydraulic eraser or paint brush. No sculpting or lens elevation or rotation is necessary. The balanced irrigation/aspiration fluidics complement the embedded CPU controlled micro pulses. The foot switch initiates the mode activity selected by surgeon for the balanced and ergonomically shaped hand piece.

Based on the experience of our management team and consultants in the

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ophthalmic industry, we believe that the waterjet platform of the Accupulse will be easier to learn to use and will require less skill than that required by current ultrasound phaco emulsification devices. The Company also expects that Accupulse and its disposable package will be priced in the low range of current ultrasound devices, which will make it attractive in underdeveloped markets, and also attractive in the U.S. and other nations where cost containment is critical.

HYDROKERATOME(R) CORNEAL CUTTING DEVICE. The HydroKeratome(R) is a corneal cutting device for use in the LASIK procedure. The HydroKeratome works by using a high-pressure micro beam of water to force a blunt dissection of tissue in the path of the water beam. The HydroKeratome uses an embedded CPU controlled pneumatic-hydraulic pressure intensifier to make the corneal flap. The suction ring and applanation plate on the hand piece allow holding the eye centered while the corneal flap is cut underneath the applanation plate. The water jet traverses perpendicular to the visual axis, driven by a precision miniature Swiss motor with gear box and encoder. A foot switch controls the start of the transverse water jet motion, and the travel distance pre-programmed by the surgeon stops the travel and shuts off the water jet beam. Approximate travel time is one-half second. The HydroKeratome is designed to address many of the problems that are common with mechanical "blade" microkeratomes, such as poor visualization, inconsistent thickness of flaps, hazing, loose flaps, off center cuts, and lashes caught in gears.

Development activities for both Accupulse and Hydrokeratome are subject to significant risks and uncertainties. These risks and uncertainties include, but are not limited to, our ability to obtain sufficient funding on a timely basis, unanticipated failure of required testing activities, unexpected delays in completion of milestones and inability to obtain, or delays in obtaining, required marketing clearance from the U.S. FDA.

COMPETITION

Our Hydrokeratome product, if successfully developed and cleared for marketing, will provide an additional alternative for creating a corneal flap, using a high-pressure micro beam of water, instead of a metal blade, to expose the corneal tissue prior to the application of the excimer laser.

Our Accupulse product, if successfully developed and cleared for marketing, will compete in the cataract emulsification market.

COMPETITION IN CREATING THE CORNEAL FLAP

EPI-LASIK COMPANIES - Epi-LASIK devices were first introduced to the marketplace in 2004, and have not yet captured a significant share of the corneal flap market. Currently, we are aware of only one company, Norwood Abbey, with an Epi-LASIK product on the market. In addition, we are aware of two other Epi-LASIK products under development using similar technology that may become competition in the future if development efforts are completed and regulatory clearance is received.

MICROKERATOME COMPANIES - The corneal flap market is currently dominated by microkeratome devices which maintain approximately 89% of the total market. There are a number of companies that manufacture and or supply microkeratomes including Bausch & Lomb, Moria, Advanced Medical Optics and Nidek. All of these companies have significantly greater financial resources, greater name recognition, larger product offerings and customer bases and longer operating histories than ART.

LASER COMPANIES - We are aware of one company, Intralase, that has developed and markets a device for creating a corneal flap utilizing laser technology that has captured approximately 11% of the total market.

COMPETITION FROM NEW TECHNOLOGIES

The medical device industry for ophthalmologic surgery products is highly competitive. Many other companies are engaged in research and development activities, and many of these have substantially greater financial, technical and human resources than ART. As such, they may be better equipped to develop, manufacture and market their technologies. Accordingly, we also face competition in the future from new products and technologies that may provide safer and more cost effective alternatives to our products, or that may render our products obsolete.

RESEARCH AND DEVELOPMENT

Our research and development efforts are focused on completion of final product development and testing and securing of regulatory approval for our two internally developed products, Hydrokeratome and Accupulse. During the fiscal years ended December 31, 2005 and 2004 we spent approximately \$103,088 and \$416,203, respectively, on research and development activities.

In December 2005 the Company acquired OptiMetrix Technologies, Inc. (OTI), a wholly owned subsidiary of UTEK Corporation (UTEK). OTI owns technology licensed from Los Alamos National Laboratory (LANL), operated by the University of California for the National Security Administration of the U.S. Department of Energy. The technology is designed to determine optical aging, optical metrics and the presence of cataracts and other optical diseases. The Company plans to conduct the necessary research and development of these technologies to bring the product to market during the first quarter of 2008.

Consideration to UTEK was 100,000 shares of Series B convertible stock in the Company, of which 2,000 shares went to the original developer of the technology.

In addition, the Company is commencing research and development on a cataract detection device.

MANUFACTURING

We plan to outsource manufacturing for our internally developed products to an ISO 9001 approved local contract manufacturing facility. This contractor will purchase and stock parts, assemble, test and burn-in units, and will stock finished goods and ship as required from a bonded warehouse.

GOVERNMENT REGULATION

ART's products are medical devices. As such, we are subject to the relevant provisions and regulations of the Federal Food, Drug and Cosmetic Act, under which the United States Food and Drug Administration ("FDA") regulates the manufacture, labeling, distribution, and promotion of medical devices in the United States. The Act provides that, unless exempted by regulation, medical devices may not be commercially distributed in the United States unless they have been approved or cleared by the FDA for marketing. There are two review procedures by which medical devices can receive such approval or clearance. Some products may qualify for clearance under a 510(k) notification. Under the 510(k) procedure, the manufacturer submits to the FDA a pre-market notification that it

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intends to begin marketing its product. The notification must demonstrate that the product is substantially equivalent to another legally marketed product (i.e., it has the same intended use, is as safe and effective, and does not raise different questions of safety and effectiveness than does a legally marketed device).

A successful 510(k) notification results in the issuance of a letter from the FDA in which the FDA acknowledges the substantial equivalence of the reviewed device to a legally marketed device and clears the reviewed device for marketing.

5

FDA STATUS OF CURRENT PRODUCTS AND PRODUCTS UNDER DEVELOPMENT

HydroKeratome - We have received successful 510(k) notification with respect to our initial filing for the HydroKeratome, and have filed a 510(k) submission with the FDA for upgrades to the product. Before commencement of marketing the HydroKeratome, we must obtain 510(k) approval from the FDA for the product enhancements. We are currently addressing issues raised by the FDA in our product enhancement submission for HydroKeratome, and hope to file our response during the first quarter of 2008.

Accupulse - Based on successful completion of required product development and testing issues, we anticipate filing a 510(k) application for marketing clearance of Accupulse in the first quarter of 2007.

In addition to laws and regulations enforced by the FDA, our products may also be subject to labeling laws and regulations enforced by the United States Federal Trade Commission ("FTC"). Any additional requirements related to FTC laws and regulations will be addressed and monitored by the Company's Regulatory Affairs department, although we do not expect that any such laws and/or regulations will have a significant impact on our products.

MARKETING

We plan to distribute our products internationally through a series of agreements with distribution companies in major countries that handle other American and European manufactured ophthalmic products, and that are familiar with applicable local government rules and regulations, as well as with the customer base and key ophthalmic surgeons in the region.

Although specifics vary based on countries and territories covered, our international distribution agreements generally provide for a specified term and exclusive territory, fixed sales prices from ART to the distributor and minimum purchase quantity requirements for the distributor.

Distribution of our products in countries other than the United States may be subject to regulation in those countries. In some countries, the regulations governing such distribution are less burdensome than in the United States, and we may pursue marketing our products in such countries prior to receiving permission to market from the FDA in the United States. We will endeavor to obtain the necessary government approvals in those foreign countries where we decide to manufacture, market and sell our products.

PATENTS AND TRADEMARKS

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On September 17, 2003, we entered into a license agreement with Robert M. Campbell, Jr., M.D., pursuant to which the Company obtained exclusive worldwide rights for all medical applications for a patented technology invented by Dr. Campbell that provides for the sterile flow of fluid through a surgical water jet apparatus. The license agreement provides for a royalty of 6% on revenues from products utilizing licensed technology and is subject to a minimum royalty of \$24,000 per year.

EMPLOYEES

As of December 31, 2005 we employ 6 persons full time. Of these employees, three are in corporate management and legal affairs, and one each in research, product development, customer relations and accounting. None of our employees are covered by collective bargaining agreements and we believe that our relationship with our employees is good. Any future increase in the number of employees will depend upon the growth of our business, the successful commercialization of our products and on our obtaining sufficient funding.

RISK FACTORS

ART IS AN EARLY-STAGE BUSINESS WITH A LIMITED OPERATING HISTORY, AND AS A RESULT, MAKING AN EVALUATION OF ITS BUSINESS PROSPECTS MAY BE DIFFICULT.

We are an early-stage company with limited prior business operations and operating revenues. We do not currently have any products on the market, and all revenues to date have come from operations that have since been discontinued. You should be aware of the increased risks, uncertainties, difficulties and expenses we face, and that because of our limited operating history, you may not have adequate information on which you can base an evaluation of our business and prospects.

6

OUR FINANCIAL STATEMENTS INCLUDE A GOING CONCERN OPINION FROM OUR OUTSIDE AUDITORS WHICH RAISES DOUBT AS TO OUR ABILITY TO STAY IN BUSINESS AND MAY LIMIT OUR ABILITY TO RAISE REQUIRED FUNDING.

The Company received a going concern opinion on its financial statements for the fiscal years ended December 31, 2005, 2004 and 2003. Our auditors have stated that due to our lack of profitability and our negative working capital, there is "substantial doubt" about our ability to continue as a going concern. The going concern opinion from our auditors represents a strong warning regarding our financial condition and ability to stay in business. In addition, the going concern opinion may limit our ability to obtain the financing required to stay in business, in which case you could lose your entire investment.

IF WE ARE UNABLE TO GENERATE REVENUES IN THE FUTURE, WE MAY NOT BE ABLE TO CONTINUE OUR BUSINESS.

We are an early-stage company and, prior to May 2004, had not generated any revenues from operations. Although we generated revenues in 2004 and 2005, the products we carried were sold under a licensing arrangement, which has since been terminated. We do not currently have any products on the market or any source of revenues. We cannot assure our stockholders that our proposed business plans, as described in this prospectus, will materialize or prove successful, or that revenues generated through the sale of potential products currently under development will be sufficient to result in profitable operations. If we cannot

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operate profitably our business may fail and you could lose your entire investment.

WE ARE IN DEFAULT UNDER OUR OUTSTANDING CONVERTIBLE DEBENTURES, AND HAVE VIOLATED OUR OBLIGATION TO REGISTER THE RESALE OF THE SHARES ISSUABLE UPON CONVERSION.

We are in default of our payment obligations under certain Convertible Debentures, so the holders could bring collection actions at any time. In addition, we have failed to register the Common Stock issuable upon conversion of these obligations within the time frame required, exposing us to penalties. Through December 31, 2005, such penalties totaled \$1,518,524, and continue to accrue.

WE WILL BE DEPENDENT ON THIRD PARTIES FOR THE MANUFACTURING AND SUPPLY OF ANY PRODUCTS WE ARE ABLE TO DEVELOP. IF WE ARE UNABLE TO OBTAIN PRODUCTS ON A TIMELY BASIS, WE MAY NOT BE ABLE TO ACHIEVE OR MAINTAIN PROFITABLE OPERATIONS AND OUR BUSINESS MAY FAIL.

We do not intend to engage in the direct manufacture of products, and plan to outsource the production of any products we introduce to the market. If, once we begin to sell products, we are unable to obtain products from suppliers on a timely basis, we will be unable to fulfill sales orders as planned and we will not be able to generate sufficient revenues to achieve or maintain profitable operations. If we cannot operate profitably you could lose your entire investment.

GOVERNMENT CLEARANCE IS REQUIRED IN ORDER FOR US TO MARKET OUR PRODUCTS. IF WE ARE UNABLE TO OBTAIN REQUIRED CLEARANCE ON A TIMELY BASIS, WE MAY NOT BE ABLE TO GENERATE SUFFICIENT REVENUE TO ACHIEVE OR MAINTAIN PROFITABLE OPERATIONS AND OUR BUSINESS MAY FAIL.

Our products will be considered to be medical devices, and as such will require clearance from the United States Food and Drug Administration ("FDA") for sales in the United States and from comparable regulatory agencies in other markets. Our ability to obtain timely regulatory clearance for sales of products under development is dependent on our ability to obtain adequate financing, on the successful completion of remaining product development and testing, and on the satisfactory review and approval by regulatory agencies of required marketing clearance submissions. If these approvals are not obtained, or are significantly delayed, we may be unable to generate revenues from product sales necessary for us to achieve or maintain profitable operations. If we cannot operate profitably our business may fail.

WE HAVE LIMITED FINANCIAL RESOURCES AND ARE DEPENDENT ON RAISING ADDITIONAL CAPITAL IN ORDER TO SUCCESSFULLY LAUNCH OUR PRODUCTS AND TO BEGIN GENERATING REVENUES FROM PRODUCT SALES. IF WE ARE UNABLE TO RAISE SUFFICIENT CAPITAL, OUR BUSINESS MAY FAIL.

Because we have limited financial resources and no current source of operating revenues, we need to secure additional funding in order to successfully launch our products, and to fund operating losses until such time as we can generate enough revenue to sustain our business. If we are unable to obtain adequate additional funding, we may not be able to generate sufficient revenues to achieve profitability. If we cannot operate profitably our business

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may fail.

WE MAY HAVE VIOLATED THE REGISTRATION REQUIREMENTS OF THE FEDERAL SECURITIES LAWS IN CONNECTION WITH THE SALES OF CERTAIN SECURITIES, AND THE PURCHASERS OF THE SECURITIES MAY HAVE A RIGHT TO RESCIND THE TRANSACTIONS AND DEMAND THE RETURN OF THEIR CAPITAL INVESTED

We sold substantial amounts of securities in private transactions while a Registration Statement filed with the Securities and Exchange Commission was pending. We could be considered to have engaged in a "general solicitation," which would preclude reliance on the exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D thereunder. Accordingly, the sales of securities after the date of filing of this Registration Statement may have been in violation of the Securities Act of 1933, as amended. If so, we could be subject to claims for damages by the purchasers of the securities, claims for rescission of the transactions and return of all funds received, and regulatory proceedings by the Securities and Exchange Commission or other regulatory agencies. Also, persons who purchased the securities from the original purchasers may also be entitled to rescission rights. The transactions affected include the sale or restructuring of more than \$8 million in securities. The original purchase price of these securities far exceeds their current market value. However, no purchaser of the securities has sought rescission of the transactions or asserted any claims against us. If the purchasers of these securities are entitled to rescission of the transactions, we could be required to pay them the full purchase price, plus interest and attorneys' fees. These amounts far outstrip our liquid assets, and such claims, if asserted and successful, could require us to file bankruptcy. In addition, we could be subject to regulatory proceedings by the Securities and Exchange Commission or other regulatory agencies, which could, among other sanctions, require us to make a rescission offer to the purchasers of the securities.

A DEFAULT IN THE COMPANY'S OBLIGATIONS TO CREDITORS COULD CAUSE A FORECLOSURE ON OUR ASSETS, WHICH WOULD IMPAIR OUR ABILITY TO CONTINUE AS A GOING CONCERN.

The Company has issued security interests in its assets to various creditors. Should we be unable to meet our obligations to these creditors, they would be entitled to foreclose on our assets. If this were to happen we would be unable to continue our business.

RAISING ADDITIONAL CAPITAL MAY CAUSE SIGNIFICANT DILUTION TO OUR STOCKHOLDERS AND MAY RESULT IN INCREASED LOSSES OR REDUCED EARNINGS, WHICH MAY RESULT IN A DECREASE IN THE MARKET PRICE OF OUR COMMON STOCK.

To secure additional financing, we may have to sell additional stock or borrow money. Selling additional stock, either privately or publicly, will dilute the equity interests of our stockholders. If we borrow more money, we will incur interest expenses which will negatively impact our operating results, and may also be subject to restrictions in the debt agreement that limit our operating flexibility. Dilution of existing stockholders and additional interest expense may result in a lower stock price.

WE HAVE A HISTORY OF LOSSES AND A LARGE ACCUMULATED DEFICIT.

For the fiscal years ended December 31, 2005 and 2004 we incurred net losses of \$18,561,753 and \$11,910,530, respectively. We expect to continue to incur significant operating, marketing and research and development expenses to support anticipated operations. We cannot be certain whether we will ever earn a significant amount of revenues to achieve and maintain profitability. If we cannot operate profitably our business could fail.

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IF OUR RESEARCH AND DEVELOPMENT EFFORTS DO NOT RESULT IN PRODUCTS THAT RECEIVE CLEARANCE FOR SALE OR THAT ARE SUCCESSFUL IN THE MARKETPLACE, WE MAY NOT BE ABLE TO GENERATE SUFFICIENT REVENUE TO ACHIEVE OR MAINTAIN PROFITABLE OPERATIONS.

Our waterjet based technologies are in the development stage and further development and testing is required before they can be submitted for marketing clearance from the FDA and appropriate foreign regulatory agencies. Furthermore, even if required marketing clearance is received, our products may not be successful in the marketplace and may not be able to generate sufficient revenues to achieve or maintain profitability.

WE ARE DOING BUSINESS IN AN INDUSTRY THAT IS VERY COMPETITIVE. IF WE ARE UNABLE TO COMPETE SUCCESSFULLY, WE MAY NOT BE ABLE TO GENERATE SUFFICIENT REVENUE TO ACHIEVE OR MAINTAIN PROFITABLE OPERATIONS AND OUR BUSINESS MAY FAIL.

The ophthalmic surgical device industry is very competitive. Our future success depends on our ability to compete effectively with other manufacturers and marketers of ophthalmic surgical devices. We may have difficulty competing with larger, established surgical device companies that have:

- * substantially greater financial, technical and marketing resources;
- * larger customer bases;
- * better name recognition;
- * related product offerings; and
- * larger marketing areas.

Companies such as Bausch & Lomb, Advanced Medical Optics, Intralase, VISX, Alcon, LaserSight, and Nidek are major international providers of ophthalmic surgical devices relating to LASIK and cataract surgery. These companies represent a wide array of devices and products, technologies and approaches. Most of these companies have more resources than we do and, therefore, a greater opportunity to develop comparable products and bring those products to market more efficiently than we. If we are not able to compete effectively with current and future competitors, we will not be able to generate sufficient revenue to achieve or maintain profitability.

OUR PRODUCTS MAY NOT ACHIEVE ACCEPTANCE IN THE MARKETPLACE OR MAY BECOME OBSOLETE BASED ON NEW TECHNOLOGY OR CHANGES IN THE MARKETPLACE. IF OUR PRODUCTS DO NOT ACHIEVE OR MAINTAIN ACCEPTANCE, WE MAY NOT BE ABLE TO GENERATE SUFFICIENT REVENUE TO ACHIEVE OR MAINTAIN PROFITABLE OPERATIONS AND OUR BUSINESS MAY FAIL.

The demand for our products will be based upon the existence of markets for the technology and products and the markets for products of others, which may utilize our technology. The extent to which we may gain a share of our intended markets will depend, in part, upon the cost effectiveness and performance of our technology and products when compared to alternative technologies, which may be conventional or heretofore unknown. If the technology or products of other companies provide more cost-effective alternatives or otherwise outperform our technology or products, the demand for our technology or products may not be strong enough to generate sufficient revenue to achieve or maintain profitability. If we cannot operate profitably our business may fail and you could lose your entire investment.

OUR DEVELOPMENT EFFORTS WITH RESPECT TO WATERJET BASED PRODUCTS ARE HIGHLY DEPENDENT ON OUR PROPRIETARY INTELLECTUAL PROPERTY RIGHTS. FAILURE TO PROTECT OUR RIGHTS COULD SIGNIFICANTLY IMPAIR OUR BUSINESS AND ENFORCING OUR RIGHTS MAY CAUSE US TO INCUR SUBSTANTIAL EXPENSE.

Proprietary rights are critically important to us. We currently have exclusive licenses to thirteen U.S. patents and three foreign patents for our waterjet technology and we intend to aggressively pursue additional patent protection for our technologies as we continue to develop them. Although we will seek to defend our licenses and to protect our other proprietary rights, our actions may be inadequate to protect our patents and other proprietary rights from infringement by others, or to prevent others from claiming infringement of their patents and other proprietary rights.

Policing unauthorized use of our technology is difficult, and some foreign laws do not provide the same level of protection as U.S. laws. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or patents that we may obtain, or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources, and may result in decreased earnings and a decline of our stock price.

OUR COMMON STOCK HAS EXPERIENCED IN THE PAST, AND IS EXPECTED TO EXPERIENCE IN THE FUTURE, SIGNIFICANT PRICE AND VOLUME VOLATILITY, WHICH SUBSTANTIALLY INCREASES THE RISK THAT YOU MAY NOT BE ABLE TO SELL YOUR SHARES AT OR ABOVE THE PRICE THAT YOU PAY FOR THE SHARES.

Because of the limited trading market for our common stock, and because of the possible price volatility, you may not be able to sell your shares of common stock when you desire to do so. Between January 2003 and May 2006 our common stock was sold and purchased at prices that ranged from a high of \$2.41 to a low of below \$0.01 per share. The inability to sell your shares in a rapidly declining market may substantially increase your risk of loss because of such illiquidity and because the price for our common stock may suffer greater declines because of its price volatility.

The price of our stock that will prevail in the market after this offering may be higher or lower than the price you pay. Certain factors, some of which are beyond our control, that may cause our share price to fluctuate significantly include, but are not limited to, the following:

- * results of our initial product introduction and sales efforts;
- * our ability to obtain timely clearance for marketing in the United States from the U.S. FDA
- * variations in our quarterly operating results;
- * our ability to complete the research and development of our technologies;
- * the development of a market for our products;
- * changes in market valuations of similar companies;
- * announcement by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- * loss of a major customer or failure to complete significant transactions;
- * additions or departures of key personnel; and
- * fluctuations in stock market price and volume.

Additionally, in recent years the stock market in general, and the Over-the-Counter Bulletin Board and technology stocks in particular, have experienced extreme price and volume fluctuations. In some cases, these

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fluctuations are unrelated or disproportionate to the operating performance of the underlying company. These market and industry factors may cause a material decline in our stock price regardless of the progress we make with respect to our product development and marketing efforts and our operating performance.

THE "PENNY STOCK RULE" COULD MAKE IT DIFFICULT FOR BROKERS AND DEALERS TO TRADE IN OUR STOCK, WHICH COULD CAUSE THE MARKET FOR OUR STOCK TO BE LESS LIQUID, WHICH COULD CAUSE THE PRICE OF OUR STOCK TO DECLINE.

10

Trading of our common stock on the OTC Bulletin Board may be subject to certain provisions of the Securities Exchange Act of 1934, commonly referred to as the "penny stock" rule. A penny stock is generally defined to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. If our stock is deemed to be a penny stock, trading in our stock will be subject to additional sales practice requirements on broker-dealers. These may require a broker dealer to:

- * make a special suitability determination for purchasers of our shares;
- * receive the purchaser's written consent to the transaction prior to the purchase; and
- * deliver to a prospective purchaser of our stock, prior to the first transaction, a risk disclosure document relating to the penny stock market.

Consequently, penny stock rules may restrict the ability of broker-dealers to trade and/or maintain a market in our common stock. Also, prospective investors may not want to get involved with the additional administrative requirements, which may have a material adverse effect on the trading of our shares.

ITEM 2. DESCRIPTION OF PROPERTY

The Company currently leases an office, research and warehouse facility of approximately 6,500 square feet in San Clemente, California for a monthly rent of \$6,413. The lease expires in February 2008.

ITEM 3. LEGAL PROCEEDINGS

ART is currently engaged in the following legal proceedings:

ART is a defendant in Steven J. Baldwin vs. VisiJet, Inc. et al, a case pending in San Francisco County Superior Court, filed on February 9, 2004 (Case NO. 04-428696). The Plaintiff alleges that the Company failed to compensate him for services performed, prior to the merger with PNAC, pursuant to a consulting agreement and is seeking monetary damages in the approximate amount of \$450,000. The case is currently in a preliminary stage.

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

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2005.

PART II

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ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The primary market for the Company's common stock has been the Nasdaq OTC Bulletin Board, where it trades under the symbol "ARFR". The following table sets forth the high and low closing prices for shares of our Common Stock for the periods noted, as reported by the National Daily Quotation Service and the Over-the-Counter Bulletin Board.

	High	Low
FY 2005		

Fourth Quarter	.035	.007
Third Quarter	.070	.026
Second Quarter	.040	.035
First Quarter	.580	.300
 FY 2004		

Fourth Quarter	0.57	0.39
Third Quarter	0.84	0.49
Second Quarter	1.12	0.57
First Quarter	1.39	0.99

11

Quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

On June 2, 2006, the closing price as reported by the OTC Bulletin Board was \$0.031. As of June 2, 2006, there were 240,064,625 shares of common stock outstanding, held by 224 record holders and approximately 830 beneficial holders.

On June 6, 2006, due to its failure to file this document in a timely manner, NASDAQ determined that the Company's securities were not eligible for continued quotation on the OTCBB. Consequently since June 6, 2006 the Company's securities may only be traded pursuant to pink sheet listings. Upon the filing of this document the Company intends to apply to be re-listed.

The Company has never declared or paid cash dividends on its Common Stock and currently does not anticipate paying cash dividends in the future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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 contains 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. These sections provide that the safe harbor for forward looking statements does not apply to statements made in initial public offerings. The words, such as

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"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 KSB 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.

CORPORATE HISTORY

Advanced Refractive Technologies, Inc. (the "Company" or "ART") 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.

12

The Company was originally 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, the Company changed its name to Advanced Refractive Technologies, 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 revenue and expense recognition. The Company has consistently applied these policies in all material respects. The timing of revenue recognition and the amount of revenue actually recognized depends upon a variety of factors, including the specific terms of each arrangement and the nature of our deliverables and obligations. Determination of the appropriate amount of revenue recognized involves judgments and estimates that we believe are reasonable, but

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it is possible that actual results may differ from our estimates.

OVERVIEW

In May 2004, the Company initiated sales of the LasiTome and EpiLift systems, both of which were obtained pursuant to a license agreement with Gebauer Medizintechnik GmbH. Both systems may be used in the LASIK vision correction surgical procedure to expose the cornea prior to application of the excimer laser for reshaping of the cornea. The LasiTome is a mechanical device used for cutting a corneal flap, the methodology used in traditional LASIK procedures. The EpiLift system provides the LASIK surgeon with an alternative methodology for exposing the cornea in which the epithelium, or top layer of the eye, is separated in an intact sheet of tissue, and then returned to its original position for healing following the application of the laser.

Initial sales of the EpiLift and LasiTome systems were in Europe and certain countries in which the products had received required regulatory clearance for marketing. Marketing of the EpiLift System in the United States began in September 2004, following receipt of 510(K) clearance for marketing from the United States Food and Drug Administration ("FDA"). Revenues from both the EpiLift and LasiTome Systems were generated through both the initial sale of the respective devices and accessories and through recurring sales of disposable separators or blades.

In October 2005, the Company terminated the license agreement with Gebauer and discontinued sales of the LasiTome and EpiLift systems. Under the terms of the termination agreement, inventory was returned to Gebauer and unpaid invoices canceled and both parties were relieved from fulfilling any further responsibilities under the agreement. In accordance with the terms of the settlement, finished goods inventory of \$1,916,215 was returned to Gebauer and related Gebauer unpaid invoices for the inventory, totaling \$846,781, were cancelled. In addition, the net capitalized value of the distribution agreement of \$1,464,078 was impaired and charged to operating expense. These amounts were recorded during the three months ended September 30, 2005, and the net effect of the settlement upon the financial statements is as follows:

13

Finished goods inventory write off	\$ 1,916,215
Less: liability to Gebauer	(846,781)

Charge to Cost of Goods Sold	\$ 1,069,434

Operating expense - Impairment of capitalized distribution agreement	\$ 1,464,078

	\$ 2,533,512
	==+=====

Demonstration and clinical units of \$211,343 and \$164,385, respectively, were excluded from the settlement agreement and included in inventory at September 30, 2005. On October 12, 2005, all of the units were sold to CooperVision International for \$375,732. The sale eliminates all inventory balances and was recorded during October 2005 when the sale was completed.

As a result of termination of the Gebauer agreement, we currently have no products on the market and no source of operating revenues. Also, as a result of the termination, we laid off our entire sales force of four direct sales

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representatives, plus our sales manager. Two additional internal administrative managers and one administrative assistant were also laid off, leaving only individuals directly responsible for product development and administration on staff.

The Company has two ophthalmic surgery products under development utilizing proprietary waterjet technology. The first is Accupulse, a device designed for removal of cataracts using a pulsating stream of saline solution. The second is Hydrokeratome, a device that uses a high-pressure micro beam of water to cut a corneal flap during LASIK surgery. Both of these products require the successful completion of development and testing and receipt of 510(K) clearance from FDA prior to market introduction.

The primary markets to be addressed by our products are refractive surgery and cataract surgery, both of which are strong and continuing to grow. The refractive surgery market has benefited from an increased demand for laser vision corrective surgery due to the overall increased acceptance by consumers, as well as from technological advances that have led to better results and fewer complications. Cataract surgery is the most frequently performed surgical procedure, with over 14 million surgeries performed worldwide. As the development of cataracts is often associated with aging, we expect the demand for cataract surgery to continue to increase. We believe that our products, when completed and available for sale, will address important needs in each of these markets.

There are numerous factors that could affect our ability to achieve revenues, including but not limited to:

- o Our obtaining adequate financing to support debt obligations and working capital requirements
- o Successful completion of our product development efforts and receipt of 510(k) marketing clearance with respect to Accupulse and Hydrokeratome.
- o Market acceptance of our products
- o Competition
- o Technological advancement
- o Overall economic conditions

The Company is actively pursuing additional financing, and in this regard is in discussions with several parties related to potential financing arrangements. However, the Company does not currently have sufficient cash or working capital available to continue to fund operations, to meet its contractual obligations, or to complete its on-going product development efforts. As such, our ability to secure additional financing on a timely basis is critical to our ability to stay in business and to pursue planned operational activities.

RESULTS OF OPERATIONS

FISCAL YEAR 2005 COMPARED TO FISCAL YEAR 2004

SALES AND COST OF SALES

Due to the discontinuance of the EpiLift and LasiTome product lines during 2005, the Company reported no revenues from continuing operations for either of

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the years ended December 31, 2005 or 2004. The losses from discontinued operations of \$4,273,298 and \$4,229,346 during 2005 and 2004 respectively, reflect the costs and expenses associated with those operations, less revenues generated by them.

General and administrative expenses relating to continuing operations declined by \$1,489,711, from \$3,281,455 in 2004 to \$1,791,744 in 2005, reflecting the effect of a reduction in personnel in 2005, as well as the discontinuance of the EpiLift and LasiTome product lines. Also, research and development expense decreased by \$516,899, from \$695,100 in 2004 to \$178,201, reflecting the change in direction as well as the lack of funds to finance research and development activities in 2005.

OTHER INCOME AND EXPENSE

ART incurred penalties and interest expense of \$2,792,582 during 2005, as a result of defaults under its outstanding Convertible Debentures. Interest expense during 2004 totaled \$392,251. Also, non-cash interest expense arising out of the beneficial conversion aspect of its Convertible Debentures totaled \$7,491,743 during 2005, compared to \$1,671,550 in 2004. This expense was recorded based on the intrinsic value of the beneficial conversion feature of convertible debt entered into during 2004 and 2005.

NET LOSS APPLICABLE TO COMMON SHARES

The combined effect of all these items was to increase the net loss by \$6,651,223, from \$11,910,530 in 2004 to \$18,561,753 in 2005.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2005, our cash and cash equivalents totaled \$1,085. 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, 2005 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.

Subject to availability of funding, we expect operating expenses, and related cash requirements, to increase during 2006 in connection with anticipated sales and marketing and product development activities.

ITEM 7. FINANCIAL STATEMENTS

See Financial Statements following Item 14 of this Annual Report on Form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A. CONTROLS AND PROCEDURES

Our Chief Executive Officer and our Treasurer, referred to in this context as certifying officers, are responsible for the establishing and maintaining our disclosure controls and procedures. Such officers have concluded (based on the evaluation conducted 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, that our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in this report is accumulated and communicated to our management as appropriate, to allow timely decisions regarding required disclosure. The certifying officers also have indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses

ITEM 8B. OTHER INFORMATION

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The executive officers and directors of ART are as follows:

Name ----	Age ---	Position -----	Director Since -----
Richard H. Keates, M.D. (1) (2)	72	Chairman of the Board of Directors	2003
Randal A. Bailey	62	President, Chief Executive Officer and a Director	2003
Laurence M. Schreiber	64	Chief Operating Officer, Secretary, Treasurer and a Director	2003
Norman Schwartz (1) (2)	62	Director	2003

(1) Member of the Executive Committee

(2) Member of the Audit Committee

Dr. Keates has been Chairman of the Board of Directors since February 2003. He is an ophthalmologist, consultant, and professor, and has been a Professor of Ophthalmology at New York Medical College since 1997. Dr. Keates has served on various boards of directors, including Frigitronics (NYSE), Med Chem (NYSE), Autonomous Technologies (NASDAQ) and Chiron Vision. Dr. Keates has consulted for leading health care companies including IO Lab, Alcon, and Bausch & Lomb. He is a founding partner of Intelligent Biocides, and has published over 100 articles in ophthalmology. Among his many faculty appointments, Dr. Keates has been a professor at Ohio State University, Professor and Chairman of the Ophthalmology Department at the University of California, Irvine. He is the President of the New York Introcular Lens Society and recently completed his term as the President of the New York Keratorefractive Society. Dr. Keates graduated from the University of Pennsylvania and from the Jefferson Medical College. He completed his Ophthalmology training at Harvard Basic Sciences in Ophthalmology and The Manhattan Eye, Ear & Throat Hospital.

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Mr. Bailey has served as President of Advanced Refractive Technologies, Inc. (formerly VisiJet) since February 2003, and was appointed to the Board of Directors in September 2003. Between 1995 and 2003 he had been affiliated with Advanced Refractive Technologies' predecessors in an executive management capacity. He has more than twenty-five years experience in management roles at both medical device and pharmaceutical companies. From 1991 to 1995, Mr. Bailey was the leader of the sales organization of Pharmacia Ophthalmics, Inc. Between 1989 and 1991, Mr. Bailey was the Vice President of Sales and Marketing for Novoste, Inc. (NASDAQ) a start up cardiovascular company. Mr. Bailey was a co-founder and Vice President of Sales and Marketing for Chiron Vision, Inc., which was acquired by Bausch & Lomb in 1997. Chiron Vision, now Bausch & Lomb Surgical, is a leader in the manufacturing and sales of ophthalmic devices worldwide. From 1980 to 1986 Mr. Bailey was the initial Vice President of Sales and Marketing for Allergan Medical Optics, Inc.

Mr. Schreiber has served as Chief Operating Officer, Secretary and Treasurer of Advanced Refractive Technologies since February 2003, and was appointed to the Board of Directors in September 2003. Prior to February 2003, Mr. Schreiber was an executive officer and a member of the Board of Directors of Ponte Nossa Acquisition Corporation, where he played an integral role in the merger between Ponte Nossa and Advanced Refractive Technologies that was finalized in February 2003. Prior to joining Ponte Nossa in 2001, he founded Diversified International, a multilevel marketing system, and served as Chief Executive Officer of Learn America, a multimedia productions company combining advanced computer technology and educational systems. Mr. Schreiber also served as President and a director of Philibus Systems, a private educational system, and was President of Advanced Nutritional Associates, which distributed health care products in the United Kingdom and Europe. He has developed an independent sales distribution system for Herbalife, and pioneered markets in the United Kingdom, Spain and Israel.

Mr. Schwartz has been a member of the board of directors since February 2003, and has served as Advanced Refractive Technologies' contract and legal coordinator since March 2003. Mr. Schwartz has over thirty years of experience in providing legal and financial advice to individuals and companies. He has acted as Chief Financial Officer and president of several companies, both public and private, including Acubid International, Ameritrust, and Farm Energy Corp. He served on the Board of International Acuvision Systems, a public company that developed and patented vision Training equipment. He is a member of the Arizona Bar Association. Mr. Schwartz graduated from Arizona State University, completed his JD at the University Of Arizona, and received his LLM in taxation from New York University.

Directors hold office until a successor is elected and qualified or until their earlier resignation in the manner provided in the Bylaws.

SCIENTIFIC ADVISOR

Richard Lindstrom, M.D. is the Chief Ophthalmic Consultant to Advanced Refractive Technologies, and is in charge of assisting and advising us in connection with product development in the ophthalmic surgical arena. After serving as Clinical Professor of Ophthalmology at the University of Minnesota from 1980 to 1990, Dr. Lindstrom entered private practice and now directs an outpatient clinic adjacent to the Phillips Eye Institute in Minneapolis. He conceptualized the Phillips Eye Institute Center for Teaching and Research, a state-of-the-art ophthalmic research and surgical skills education facility, where he currently serves as Medical Director. Dr. Lindstrom plays an active

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role in the teaching program at the Phillips Eye Institute and at the University of Minnesota Hospital. He also serves as an Associate Director of the Minnesota Lions Eye Bank. Dr. Lindstrom holds 27 patents in ophthalmology in intraocular lens implant technology, corneal preservation, irrigation solutions, viscoelastic solutions, intracorneal lenses, and associated surgical instruments. Dr. Lindstrom serves on the editing board of a variety of medical journals, including Journal of Cataract and Refractive Surgery, Ophthalmic Surgery, European Journal of Implant and Refractive Surgery, Implants in Ophthalmology, Ocular Surgery News, Ophthalmology Times, and Journal Review of Ophthalmology. He is Chief Medical Advisor to Laser Vision Centers and Vision 21 Centers.

DIRECTORS' COMPENSATION

The members of the Board of Directors do not receive any monetary compensation for their service as directors, but are eligible for reimbursement of their expenses incurred in connection with attendance at Board meetings in accordance with Company policy.

17

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities (the "10% Stockholders"), to file reports of ownership and changes of ownership with the Securities and Exchange Commission. Officers, directors and 10% Stockholders of the Company are required by Commission regulation to furnish the Company with copies of all Section 16(a) forms so filed.

Based solely upon a review of filings made and other information available to it, the Company believes that each of the Company's present Section 16 reporting persons filed all forms required of them by Section 16(a) during the year 2005.

COMMITTEES OF THE BOARD OF DIRECTORS

Currently, the Company's Audit Committee of the Board of Directors is comprised of two directors, as noted above. The Audit Committee held no meetings during 2005. The Company has no Nominating Committee. and these functions are performed by the Board of Directors.

ITEM 10. EXECUTIVE COMPENSATION

The following table summarizes the annual compensation paid to our named executive officers during the three years ended December 31, 2005:

Name and Principal Position	Year	Annual Compensation			Long Term Co
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awa
					Restricted Stock Awards U

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Randal A. Bailey,	2005	90,000	-	-	-
President and Chief	2004	172,500	-	-	-
Executive Officer (1) (2)	2003	165,000	-	6,800	-
Laurence M. Schreiber,	2005	90,000	-	-	-
Chief Operating Officer,	2004	225,000	-	-	-
Treasurer, Secretary (2) (3)	2003	97,000	-	22,500	-
Larry Hood,	2005	84,375	-	-	-
Director of Research and	2004	129,375	-	-	-
Development, Chief Engineer (1) (2)	2003	122,500	-	-	-

(1) During 2003, Advanced Refractive Technologies issued 164,319 shares of common stock, and issued a two year promissory note in the amount of \$150,000 to Mr. Bailey and 46,948 shares of common stock, and issued a one year promissory note in the amount of \$100,000 to Mr. Hood in satisfaction of an aggregate of \$700,000 of unpaid compensation accrued between 1999 and 2002. Amounts noted as All Other Compensation represent respective payments made by the Company pursuant to these promissory notes.

(2) Messrs. Bailey, Schreiber, and Hood became President and CEO, Chief Operating Officer, Dir. of Research & Development respectively, on March 1, 2003 and earned consulting income from January to February 2003. Amounts noted as Other Annual Compensation represent respective consulting fees paid in 2003 prior to March 1, 2003. Messrs. Bailey, Schreiber, and Hood did not receive any compensation from Advanced Refractive Technologies in 2001 and 2002.

(3) Mr. Schreiber's salary for 2004 includes back pay of \$85,000 that was accrued under the merger agreement in the amount \$5,000 per month until July of 2004.

18

STOCK OPTIONS

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.

As of December 31, 2005, a total of 1,975,000 options to purchase shares of our common stock were outstanding pursuant to the 2003 Option Plan.

No stock options were issued during 2005.

No named executive officer exercised options in the fiscal year ended December 31, 2005. The following table presents the number and values of exercisable and unexercisable options as of December 31, 2005:

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Name	Number of securities underlying unexercised options/SARS at FY-end (#) Exercisable/Unexercisable	Value of unexercised in-the-money options/SARS at FY-end (\$) Exercisable/Unexercisable
Randal A. Bailey	400,000	\$0.00
Laurence M. Schreiber	400,000	\$0.00

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below lists the beneficial ownership of our common stock, as of May 1, 2006, by each person known by us to be the beneficial owner of more than 5% of our common stock, by each of our directors and officers, and by all of our directors and officers as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1) (2)	Percent of Class
Florencia Mate Garabito 6, Rue Adolphe Fischer, L-1520 Luxemburg	178,571,428	76%
Randal A. Bailey ** 1062 Calle Negocio, Suite D San Clemente, CA 92673	510,357(3)	*
Richard H. Keates, M.D.** 20 Sutton Place South New York, NY 10022	425,000(3)	*
Laurence Schreiber** 1062 Calle Negocio, Suite D San Clemente, CA 92673	243,478(3)	*
Norman Schwartz** 1062 Calle Negocio, Suite D San Clemente, CA 92673	125,664(3)	*

All directors and executive officers as a group (4 persons)

19

* Denotes less than one percent. ** Denotes Member of the Board of Directors.

(1) Except as set forth, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) Applicable percentage of ownership is based on 240,064,025 shares outstanding as of June 2, 2006, together with applicable warrants, options and convertible debt for such stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Shares subject to options, warrants and convertible debt

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currently exercisable/convertible or exercisable/convertible within 60 days are included in the number of shares beneficially owned and are deemed outstanding for purposes of computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for computing the percentage of any other stockholder.

(3) Includes shares issuable upon exercise of currently exercisable options or warrants, or conversion of debt.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

ITEM 13. EXHIBITS

Exhibit No. -----	Exhibit Description -----
2.1	Second Amended and Restated Agreement and Plan of Merger, dated December 20, 2002 among Ponte Nossa Acquisition Corp., VisiJet, Inc., and VisiJet Acquisition Corporation (1)
2.2	Amendment No. 1, dated January 15, 2003, to Second Amended and Restated Agreement and Plan of Merger (2)
3.1	Restated Certificate of Incorporation of the Company (3)
3.2	Certificate of Designation of Rights and Preferences of Series A 0% Convertible Preferred Stock (9)
3.3	Certificate of Amendment of Certificate of Incorporation (9)
3.4	Amended and Restated Bylaws (4)

20

10.1	Patent License Agreement between SurgiJet, Inc. and VisiJet, Inc., dated October 23, 1998 (4)
10.2	Amendment No. 1 to Patent License Agreement, dated November 6, 2002 (3)
10.3	Technology License Agreement between SurgiJet, Inc. and VisiJet, Inc., dated October 23, 1998 (4)
10.4	Amendment No. 1 to Technology License Agreement, dated 2002 (3)
10.5	Trademark License Agreement between SurgiJet, Inc. and VisiJet, Inc., dated October 23, 1998 (4)
10.6	Amendment No. 1 to Trademark License Agreement, dated November 6, 2002 (3)
10.7	Warrant, dated February 11, 2003, issued to PCL Associates (4)
10.8	Warrant, dated February 11, 2003, issued to David E. Eisenberg Trust (4)

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- 10.9 Warrant, dated February 11, 2003, issued to Laurence Schreiber (4)
- 10.10 Warrant, dated February 11, 2003, issued to Financial
Entrepreneurs Incorporated (4)
- 10.11 Form of Stock Purchase Warrant Used in February 2004 Private
Placement(5)
- 10.12 Form of 24% Secured Subordinated Debenture Used in February 2004
Private Placement (5)
- 10.13 Securities Purchase Agreement, dated June 24, 2004, between the
Company, Bushido Capital Master Fund, L.P. and Bridges & Pipes,
LLC (6)
- 10.14 Form of Convertible Debenture Issued Pursuant to June 24, 2004
Stock Purchase Agreement (6)
- 10.15 Form of Warrant (stepped price) issued pursuant to June 24, 2004
Stock Purchase Agreement (6)
- 10.16 Form of Warrant (fixed price) issued pursuant to June 24, 2004
Stock Purchase Agreement (6)
- 10.17 Registration Rights Agreement, dated June 24, 2004, between the
Company, Bushido Capital Master Fund, L.P. and Bridges & Pipes,
LLC (6)
- 10.18 Pledge and Escrow Agreement, dated June 24, 2004, between the
Company, Bushido Capital Master Fund, L.P., Bridges & Pipes, LLC,
and Tarter Krinsky & Drogin LLP, as Escrow Agent (6)
- 10.19 Term Credit Agreement, dated May 6, 2004, between the Company and
HIT Credit Union (7)

21

- 10.20 Form of \$750,000 Term Note, dated May 6, 2004, issued by the
Company to HIT Credit Union(7)
- 10.21 Security Agreement, dated May 6, 2004, between the Company and HIT
Credit Union(7)
- 10.22 Stock Purchase Agreement, dated May 6, 2004 between the Company,
Platinum Long Term Growth LLC and Rock II, LLC (7)
- 10.23 10% Convertible Debenture for \$550,000,dated May 6, 2004, issued
by the Company to Platinum Long Term Growth LLC (7)
- 10.24 10% Convertible Debenture for \$250,000,dated May 6, 2004, issued
by VisiJet, Inc., to Rock II, LLC (7)
- 10.25 Warrant To Purchase 366,666 Shares of Common Stock of the Company,
issued to Platinum Long Term Growth LLC (7)
- 10.26 Warrant To Purchase 166,667 Shares of Common Stock of the Company,
issued to Rock II, LLC (7)

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- 10.27 Form of Registration Rights Agreement, dated May 6, 2004 between the Company, Platinum Long Term Growth LLC and Rock II, LLC (7)
- 10.28 Manufacturing, Supply and Distribution Agreement, dated May 7, 2004 between the Company and Gebauer Medizintechnik GmbH (7)
- 10.29 Securities Purchase Agreement, dated July 23, 2004 between the Company and Libertyview Special Opportunities Fund, LP (7)
- 10.30 8% Convertible Note for \$1,000,000, dated July 23, 2004, issued by the Company to Libertyview Special Opportunities Fund, LP (7)
- 10.31 Warrant To Purchase 750,000 Shares of Common Stock of Company, issued to Libertyview Special Opportunities Fund, LP (7)
- 10.32 Registration Rights Agreement, dated July 23, 2004, between the Company and Libertyview Special Opportunities Fund, LP (7)
- 10.33 Convertible Preferred Stock Purchase Agreement, dated August 24, 2004 between the Company and Langley Park Investments PLC
- 10.34 Securities Purchase Agreement, dated October 6, 2004, between the Company and certain investors relating to \$885,000 in convertible debentures (8)
- 10.35 Form of Convertible Debenture issued under October 6, 2004 Securities Purchase Agreement (8)
- 10.36 Form of Stock Purchase Warrant issued under October 6, 2004 Securities Purchase Agreement (8)
- 10.37 Registration Rights Agreement, dated October 6, 2004 between the Company, Bushido Capital Master Fund L.P., Bridges & Pipes LLC, Libertyview Special Opportunities Fund, LP, Gamma Opportunity Capital Partners LP, Blue Fin Partners, Inc. and Little Gem Life Sciences Fund, LLC (8)

22

- 10.38 Amendment To Securities Purchase Agreement dated October 6, 2004 between the Company, Gamma Opportunity Capital Partners L.P., Bridges & PIPES LLC, Libertyview Special Opportunities Fund, LP, Blue Fin Partners, Inc. and Little Gem Life Sciences Fund, LLC (8)
- 10.39 Securities Purchase Amendment Agreement dated October 7, 2004, between the Company, Bushido Capital Master Fund L.P., Bridges & Pipes LLC, and Libertyview Special Opportunities Fund, LP (8)
- 10.40 Amended Convertible Debenture, dated October 7, 2004, issued to Bridges & Pipes LLC (8)
- 10.41 Amended Convertible Debenture, dated October 7, 2004, issued to Bushido Capital Master Fund LP (8)
- 10.42 \$1,000,000 Convertible Note, dated July 23, 2004, as amended October 6, 2004, issued to Libertyview Special Opportunities Fund,

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LP (8)

- 10.43 Warrant to Purchase 750,000 shares, dated October 6, 2004, issued to Libertyview Special Opportunities Fund, LP (8)
- 10.44 Warrant to Purchase 250,000 shares, dated October 6, 2004, issued to Libertyview Special Opportunities Fund, LP (8)
- 10.45 Patent License Agreement, dated September 17, 2003, between the Company and Robert M. Campbell, M.D. (9)
- 10.46 Subscription Agreement, dated December 30, 2005 between the Company and Alpha Capital Aktiengesellschaft (9)
- 10.47 Form of International Distributor Agreement (9)
- 10.48 Form of Securities Purchase Agreement used in January 2005 Financing (9)
- 10.49 Form of Convertible Debenture used in January 2005 Financing (9)
- 10.50 Form of Stock Purchase Warrant used in January 2005 Financing(9)
- 10.51 Amended and Restated Registration Rights Agreement, dated January 14, 2005, between the Company and the Investors named therein(9)
- 10.52 Amended and Restated Security Agreement, dated January 14, 2005, between the Company and the Investors named therein (9)
- 10.53 Settlement Agreement, dated October 13, 2005 between the Company and Gebauer Medizintechnik GmbH (10)

23

- 10.54 Asset Purchase Agreement, dated October 12, 2005, between the Company and CooperVision International Holding Company, LP (10)
- 10.55 Agreement and Plan of Acquisition, dated December 13, 2005, between the Company, Optimetrix Technologies, Inc. and UTEK Corporation
- 10.56 Workout Consulting Services Agreement, dated March 3, 2006 between the Company and Florencia Mate Garabito
- 14 Code of Ethics(5)
- 23 Consent of Peterson & Co., LLP
- 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

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

- (1) Incorporated by reference from Report on Form 8-K of the Company, filed January 7, 2003
- (2) Incorporated by reference from Report on Form 8-K of the Company, filed February 14, 2003
- (3) Incorporated by reference from Quarterly Report on Form 10-QSB of the Company for the quarter ended June 30, 2003, filed August 15, 2003
- (4) Incorporated by reference from Annual Report on Form 10K-SB of the Company for the year ended December 31, 2002, filed on April 14, 2003.
- (5) Incorporated by reference from Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, filed April 14, 2004.
- (6) Incorporated by reference from Report on Form 8-K of the Company, dated June 24, 2004, filed on
- (7) Incorporated by reference from Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004, filed on August 18, 2004.
- (8) Incorporated by reference from Registration Statement on Form SB-2 (Registration No. 333-120449), filed on November 12, 2004.
- (9) Incorporated by reference from Amendment No. 1 to Registration Statement on Form SB-2 (Registration No. 333-120449), filed on February 15, 2005.
- (10) Incorporated by reference from Amendment No. 2 to Registration Statement on Form SB-2 (Registration No. 333-120449), filed on June 6, 2005.

24

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Summarized below is the aggregated amount of various professional fees billed by our principal accountants, Peterson & Co., LLP with respect to the last two fiscal years:

	2005	2004
	-----	-----
Audit fees	\$ 98,086	\$ 105,182
Audit - related fees	1,470	14,145
Tax fees		4,040
All other fees, including tax consultation and preparation	--	--
	-----	-----
	\$ 99,556	\$ 123,367

All audit fees were approved by our audit committee and board of directors. Peterson & Co., LLP did not provide any non-audit services other than tax services to the Company.

Advanced Refractive Technologies, Inc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....	F-1
FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS.....	F-2
CONSOLIDATED STATEMENTS OF OPERATIONS.....	F-3
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	F-4
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT AND COMPREHENSIVE INCOME.....	F-5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	F-6

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Advanced Refractive Technologies, Inc., Inc.

We have audited the accompanying consolidated balance sheets of Advanced Refractive Technologies, Inc., Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles

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used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Advanced Refractive Technologies, Inc., as of December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring losses from operations and has a net capital deficiency. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PETERSON & CO., LLP

San Diego, California
June 9, 2006

F-1

ADVANCED REFRACTIVE TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2005	Dece
	-----	----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,085	\$
Marketable securities	--	
Prepays and deposits	27,413	
Assets of discontinued operations	60,872	2
	-----	----
Total current assets	89,370	3
Property and equipment, net	76,833	
Goodwill	1,225,000	
License agreement, net	74,809	
Patents and trademarks, net	78,347	
Deferred debt costs	426,857	
	-----	----
Total assets	\$ 1,971,216	\$ 3
	=====	=====
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	940,364	

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Customer deposits	427	
Accrued interest	1,307,085	
Warrant derivative liability	102,951	
Accrued settlement agreement	54,863	
Accrued expenses	915,801	
Income tax payable	800	
Royalty payable	49,027	
Notes payable to related parties	780,232	
Notes payable	10,000	
Convertible debenture debt, net	3,589,071	
Accrued penalties on debentures	1,518,524	
Secured debenture debt, net	--	1
Liabilities of discontinued operations	563,436	
	-----	-----
Total current liabilities	9,832,581	5
Convertible debenture debt - long term , net	--	1
Series A convertible preferred stock, 450,000 shares authorized, issued and outstanding at December 31, 2005 and December 31, 2004, net of unamortized discount of \$656,250 and 1,031,250, respectively (redemption value \$4,500,000)	880,404	
Series B Convertible Preferred stock, 100,000 shares authorized, issued and outstanding at December 31, 2005, no shares issued and outstanding at December 31 2004 (redemption value \$1,500,000)	1,500,000	
	-----	-----
Total liabilities	12,212,985	7
	-----	-----
Shareholders' deficit:		
Common stock, 750,000,000 shares authorized, \$.001 par value, 56,379,756 shares issued and outstanding at December 31, 2005, and 28,909,662 shares issued and outstanding at December 31, 2004	56,380	
Additional paid in capital	30,950,353	19
Accumulated other comprehensive loss	--	
Accumulated deficit	(41,248,502)	(22)
	-----	-----
Shareholders' deficit	(10,241,769)	(3)
	-----	-----
Total liabilities and shareholders' deficit	\$ 1,971,216	\$ 3
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

F-2

ADVANCED REFRACTIVE TECHNOLOGIES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	Twelve Months Ended	
	December 31, 2005	December 31, 2004
	-----	-----
Operating expenses:		
General and administrative expenses	1,791,744	3,281,455

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Research and development expenses	178,201	695,100
Depreciation and amortization	50,834	16,359
	-----	-----
Total operating expenses	2,020,779	3,992,914
	-----	-----
Loss from operations	(2,020,779)	(3,992,914)
Other income (expense):		
Amortization of debt discount and debt issuance fees	(8,413,570)	(3,222,917)
Interest and penalties expense	(2,792,582)	(392,251)
Loss on sale of securities	(714,733)	--
Loss on warrant derivative liability	(8,122)	--
Other income - net	37,131	--
Gain on debt restructure	--	21,448
Interest cost of preferred stock accretion	(375,000)	(93,750)
	-----	-----
Total other expense net of other income	(12,266,876)	(3,687,470)
	-----	-----
Loss from continuing operations before provision for taxes	(14,287,655)	(7,680,384)
Provision for income taxes	800	800
	-----	-----
Loss from continuing operations	(14,288,455)	(7,681,184)
Discontinued operations		
Loss from discontinued operations	(4,273,298)	(4,229,346)
	-----	-----
Net loss	(18,561,753)	(11,910,530)
	=====	=====
Net loss per common share - basic and diluted:		
Continuing operations	\$ (0.39)	\$ (0.29)
Discontinued operations	\$ (0.12)	\$ (0.16)
	-----	-----
Total loss per share	\$ (0.51)	\$ (0.45)
	=====	=====
Basic and diluted weighted average number of common shares outstanding	36,715,726	26,688,583
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

F-3

ADVANCED REFRACTIVE TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended December 31, 2005	December 3 2004
	-----	-----
Cash flows from operating activities		

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Net loss	(\$18,561,753)	(\$11,910,5
Less: Net loss from discontinued operations	4,273,298	4,229,3
	-----	-----
Net loss from continuing operations	(14,288,455)	(7,681,1
Adjustments to reconcile net loss from continuing operations to net cash used by operating activities:		
Operating activities of discontinued operations	(1,835,813)	(5,451,7
Depreciation and amortization	50,834	41,7
Debt discount amortization	8,386,331	1,533,9
Accretion of interest cost on preferred stock	375,000	93,7
Adjustment for beneficial conversion of debt	--	1,671,5
Commission from preferred shares conversion	--	153,6
Common stock issued for services	533,878	3,277,1
Common stock issued for origination fees	64,286	
Loss on sale of securities	721,968	
Warrant repricing for debt guarantee	--	546,4
Gain from debt restructure	--	(21,4
Loss on warrant derivative liability	8,122	
Changes in operating assets and liabilities:		
Prepaid expenses	14,812	66,5
Deferred debt costs	27,239	
Accounts payable	427,167	(166,6
Accrued penalties on debentures	1,518,524	
Customer deposits	(48,771)	49,1
Royalties payable	34,027	(45,0
Accrued Settlement agreement	(11,539)	(37,7
Other accrued expense	217,366	239,5
Accrued interest	1,029,300	243,4
	-----	-----
Net cash flow used in operating activities	(2,775,724)	(5,486,9
Cash flows from investing activities:		
Cash received in acquisition	200,000	
Purchase of property and equipment	(30,230)	(15,6
	-----	-----
Net cash provided by (used in) investing activities	169,770	(15,6
Cash flows from financing activities:		
Advance from related party	--	272,6
Repayment of advances from related parties	(67,428)	(260,6
Repayment of notes payable	(2,550,000)	(4,0
Proceeds from secured debenture	--	1,109,6
Proceeds from convertible debt	4,540,500	3,845,3
Proceeds from private placement - net	--	526,5
Proceeds from marketable securities	661,021	
	-----	-----
Net cash provided by financing activities	2,584,093	5,489,5
Net decrease in cash	(21,861)	(12,9
Cash, beginning of the year	22,946	35,8
	-----	-----
Cash, end of the year	\$ 1,085	\$ 22,9
	=====	=====
Supplemental disclosures of cash flow information		
Interest paid	\$ --	\$ 170,2
Taxes paid	--	8

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Non-cash investing and financing transactions:

Debenture costs and fees	--	562,1
Reclass of interest to current liability	--	67,0
Warrants issued in connection with secured debenture	--	417,9
Warrants issued in connection with convertible debenture	543,785	1,264,3
Warrants issued for debt modification	--	866,0
Common stock issued in connection with convertible debenture	--	267,3
Common stock issued for debt default and penalties	--	248,1
Conversion of debt to stock	(1,108,000)	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

F-4

ADVANCED REFRACTIVE TECHNOLOGIES, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT AND COMPREHENSIVE INCOME

	Common Shares	Stock Amount	Common Stock Subscriptions	Additi Paid Capit
	-----	-----	-----	-----
Balance, December 31, 2003	21,691,163	\$ 21,691	\$ 1,018,500	\$ 7,84
	-----	-----	-----	-----
Common stock issued in connection with private placements	585,000	585	--	58
Costs of private placements	--	--	--	(5
Common stock given for services	2,730,000	2,730	--	2,50
Common stock subscriptions	998,500	999	(1,018,500)	1,01
Common stock issued for distribution agreement	750,000	750	--	71
Common stock issued with debt agreements and collateral	1,303,571	1,304	--	26
Common stock issued with debt default and penalties	611,428	611	--	37
Common stock issued with litigation settlements	240,000	240	--	12
Warrants issued with secured and convertible debt	--	--	--	1,67
Warrants issued for debt modification	--	--	--	86
Warrants issued for debt guarantee	--	--	--	54
Warrants issued for services	--	--	--	20
Warrants issued for				

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commissions	--	--	--	28
Adjustment for beneficial conversion - convertible debt	--	--	--	1,67
Adjustment for beneficial conversion - preferred stock	--	--	--	1,12
Accumulated Comprehensive Adjustment	--	--	--	3
Stock Option Expense	--	--	--	
Net Loss	--	--	--	
	-----	-----	-----	-----
Balance, December 31, 2004	28,909,662	\$ 28,910	--	\$ 19,78
	-----	-----	-----	-----
Common stock given for services	15,243,256	15,243	--	52
Common stock issued with debt agreements	1,039,370	1,039	--	56
Common stock given for origination fees	142,857	143	--	6
Common stock issued for conversion of debt	11,687,013	11,687	--	53
Common stock cancelled	(642,400)	(642)	--	(8
Warrants issued with secured and convertible debt	--	--	--	2,01
Adjustment for beneficial conversion - convertible debt	--	--	--	6,99
Accumulated Comprehensive Adjustment	--	--	--	
Reclass of debt discount to interest	--	--	--	56
Net Loss	--	--	--	
	-----	-----	-----	-----
Balance, December 31, 2005	56,379,756	\$ 56,380	\$ --	\$ 30,95
	=====	=====	=====	=====

(CONTINUED ON NEXT PAGE)

F-5a

ADVANCED REFRACTIVE TECHNOLOGIES, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT AND COMPREHENSIVE INCOME

(CONTINUED)

	Other Comprehensive Loss	Accumulated Deficit	Net Shareholders' Deficit
	-----	-----	-----
Balance, December 31, 2003	\$ --	\$ (10,776,219)	\$ (1,890,662)

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	-----	-----	-----
Common stock issued in connection with private placements	--	--	585,000
Costs of private placements	--	--	(58,500)
Common stock given for services	--	--	2,512,100
Common stock subscriptions	--	--	--
Common stock issued for distribution agreement	--	--	712,500
Common stock issued with debt agreements and collateral	--	--	267,394
Common stock issued with debt default and penalties	--	--	379,214
Common stock issued with litigation settlements	--	--	125,250
Warrants issued with secured and convertible debt	--	--	1,679,379
Warrants issued for debt modification	--	--	866,017
Warrants issued for debt guarantee	--	--	546,403
Warrants issued for services	--	--	205,903
Warrants issued for commissions	--	--	282,183
Adjustment for beneficial conversion - convertible debt	--	--	1,671,550
Adjustment for beneficial conversion - preferred stock	--	--	1,125,000
Accumulated Comprehensive Adjustment	(792,009)	--	(792,009)
Stock Option Expense	--	--	30,506
Net Loss	--	(11,910,530)	(11,910,530)
	-----	-----	-----
Balance, December 31, 2004	\$ (792,009)	\$ (22,686,749)	\$ (3,663,302)
	-----	-----	-----
Common stock given for services	--	--	539,156
Common stock issued with debt agreements	--	--	561,260
Common stock given for origination fees	--	--	64,286
Common stock issued for conversion of debt	--	--	543,785
Common Stock Cancelled	--	--	(90,254)
Warrants issued with secured and convertible debt	--	--	2,012,211
Adjustment for beneficial conversion			

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- convertible debt	--	--	6,994,351
Accumulated Comprehensive Adjustment	792,009	--	792,009
Reclass of debt discount to interest	--	--	566,482
Net Loss	--	(18,561,753)	(18,561,753)
	-----	-----	-----
Balance, December 31, 2005	\$ --	\$ (41,248,502)	\$ (10,241,769)
	=====	=====	=====

F-5b

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

HISTORY of the Company

Advanced Refractive Technologies, Inc. ("ART", or "the Company") is a medical device company focused on the marketing and development of ophthalmic surgery products for use in the laser eye surgery and cataract surgery markets. Through June 30, 2004, the Company was in the development stage, as its efforts had been principally devoted to organizational activities, raising capital and research and development. However, based on operating revenues generated by the Company in the third quarter of 2004, the Company is no longer considered to be in the development stage.

The Company was incorporated on February 2, 1996, as VisiJet, Inc., a wholly owned subsidiary of SurgiJet, Inc. to develop and distribute medical products based on patented waterjet-based technology licensed from SurgiJet. 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.

In December 2002 VisiJet entered into a merger agreement with Ponte Nossa Acquisition Corp., a Delaware corporation ("the Merger") 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, VisiJet Acquisition Corporation, into VisiJet. The merger was consummated on February 11, 2003, and immediately thereafter, VisiJet was merged into Ponte Nossa Acquisition Corp., and the surviving company's name was changed to "VisiJet, Inc."

In April 2004, the Company entered into a Manufacturing, Supply and Distribution Agreement with a German company pursuant to which the Company acquired exclusive worldwide distribution, sales and marketing rights for ophthalmic surgical products used in LASIK refractive surgery procedures.

In October 2005, the Company terminated the license agreement with Gebauer and discontinued sales of the LasiTome and EpiLift systems. Under the terms of the termination agreement, inventory was returned to Gebauer and unpaid invoices were canceled and both parties were relieved from fulfilling any further responsibilities under the agreement. As a result, we currently have no products for sale and no sources of revenue.

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The Company has two ophthalmic surgery products under development utilizing proprietary waterjet technology. The first is Accupulse, a device designed for removal of cataracts using a pulsating stream of saline solution. The second is Hydrokeratome, a device that uses a high-pressure micro beam of water to cut a corneal flap during LASIK surgery. Both of these products require the successful completion of development and testing and receipt of 510(K) clearance from FDA prior to market introduction.

In November 2005, the Company acquired all the outstanding stock of OptiMetrix Technologies, Inc.(OTI). OTI has an exclusive license to a patented technology that takes the application of fiber-optic, OMA based instrumentation as an in vivo diagnostic tool for the human ocular lens.

GOING CONCERN

The accompanying 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.

F-6

For the fiscal year 2005, the Company incurred net losses of approximately \$18.6 million and through December 31, 2005 has incurred cumulative losses of approximately \$41.2 million. In addition, at December 31, 2005 the Company's current liabilities exceeded its current assets by approximately \$ 9.8 million, and the Company had a net capital deficiency of approximately 10.2 million. The Company's future capital requirements will depend on many factors, including but not limited to its ability to complete development efforts and successfully market and 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 is currently in discussions with several parties regarding additional financing arrangements. However, the Company does not currently have sufficient cash or working capital available to continue to fund operations, to meet its contractual obligations, to market the recently licensed products or to complete its on-going product development efforts. As such, our ability to secure additional financing on a timely basis is critical to our ability to stay in business and to pursue planned operational activities.

While the Company believes that the additional financing arrangements will be completed, there can be no assurance that new financing will be completed or that the proceeds from new financing 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

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REVENUE RECOGNITION

Revenue during 2005 and 2004 was from sales of ophthalmic surgical products pursuant to the Manufacturing, Supply and Distribution Agreement completed in May 2004 and terminated in October 2005. Revenue from such sales was recognized when the earnings process was complete, as evidenced by an agreement with the customer, transfer of title and acceptance, a firm price and probable collection. Revenues for 2005 and 2004 were entirely from operations now discontinued, as described above. The Company will adhere to this process of revenue recognition in the future as new products become available for sale.

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.

ACCOUNTS RECEIVABLE

The Company regularly reviews accounts receivable and records an allowance for doubtful accounts based on a specific identification basis of those accounts that they consider to be uncollectible. Accounts receivable of \$194,500 are included in assets of discontinued operations and as of December 31, 2005, the allowance for doubtful accounts was \$133,660.

INVENTORY

Inventory was valued at lower of cost or market on first-in, first-out method. Reserves for obsolescence or slow moving inventory were recorded when such conditions were identified. Inventory that was held at December 31, 2004 has been reclassified to Assets of Discontinued Operations.

ADVERTISING

Advertising costs are charged to expense as incurred during the years ended December 31, 2005 and 2004. The Company incurred \$14,515 and \$5,453 in advertising expenses respectively.

F-7

MARKETABLE SECURITIES

Investments in available-for-sale securities are accounted for in accordance with Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("FAS") 115 "Accounting for Certain Investments in Debt and Equity Securities". Per FAS 115, the securities are stated at their fair market value and any difference between cost and market value is recorded as an unrealized gain or loss classified as a separate component of stockholders' equity - accumulated other comprehensive income. As of December 31, 2004, the Company recognized an initial unrealized loss on available for sale securities of \$792,009 which was included in other comprehensive income. The loss was recognized as of December 31, 2005 with the sale of available for sale securities as follows:

2005

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Fair market value of marketable securities	\$590,980
Proceeds from sale	(661,021)
Gross realized gain	(70,041)
Reclassification of comprehensive income	792,009

Net loss	\$721,968
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CLASSIFICATION OF FINANCIAL INSTRUMENTS

In accordance to FASB Statement of Financial Accounting Standards ("SFAS") 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity", financial instruments with a mandatory redemption rights are to be recorded as liabilities unless the redemption is to occur upon the liquidation or termination of the issuer. SFAS 150 also specifies that a financial instrument that embodies a conditional obli