UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from to

Commission file number 001-36385

BIOLASE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**87-0442441**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

27042 Towne Centre Drive, Suite 270
Lake Forest, California 92610
(Address of Principal Executive Offices) (Zip code)

(949) 361-1200
(Registrant's Telephone Number, including Area Code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal con trol over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the Registrant's common stock held by non-affiliates was $22,577,920 based on the last sale price of common stock on June 30, 2020.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.001 per share	BIOL	The NASDAQ Stock Market LLC (NASDAQ Capital Market)

Securities registered pursuant to Section 12(g) of the Act:
None.

As of March 25, 2021, there were 149,379,876 shares of the registrant's common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement related to its 2021 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the registrant's fiscal year ended December 31, 2020, are incorporated by reference into Part III of this Annual Report on Form 10-K.

BIOLASE, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	PART I	
Item 1.	Business	3
	Executive Officers of the Registrant	19
Item 1A.	Risk Factors	20
Item 1B.	Unresolved Staff Comments	35
Item 2.	Properties	35
Item 3.	Legal Proceedings	35
Item 4.	Mine Safety Disclosures	35
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	36
Item 6.	Selected Financial Data	36
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 8.	Financial Statements	50
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	50
Item 9A.	Controls and Procedures	50
Item 9B.	Other Information	50
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	51
Item 11.	Executive Compensation	51
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	51
Item 13.	Certain Relationships and Related Transactions, and Director Independence	51
Item 14.	Principal Accountant Fees and Services	51
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	52
Item 16.	Form 10-K Summary	53

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K"), particularly in Item 1, "Business," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the documents that we incorporate herein by reference, contain "forward-looking statements." Such forward-looking statements include statements, predictions, or expectations regarding market opportunities, our plans for future products and services and enhancements of existing products and services, future market growth and our anticipated growth strategies, future demand for improved dental care and dental laser equipment, expansion of our international operations, compliance with laws and regulatory requirements, the impact of cost-saving measures and future decreases in expenses, statements regarding the effects of seasonality on revenue, anticipated cash needs, capital requirements and capital expenditures, needs for additional financing, anticipated use of proceeds from debt or equity financing, use of working capital, plans to explore potential collaborations, potential acquisitions of products and technologies, effects of engineering and development efforts, plans to expand our field sales force, the development of distributor relationships, our ability to attract customers, the adequacy of our facilities, products and solutions from competitors, our ability to maintain product quality standards, protection of patents and other technology, the ability of third party payers to pay for costs of our products, limitations on capital expenditures, critical accounting policies and the impact of recent accounting pronouncements, recording tax benefits or other financial items in the future, plans, strategies, expectations, or objectives of management for future operations, our financial condition or prospects, and any other statement that is not historical fact. Forward-looking statements are identified by the use of words such as "may," "might," "will," "intend," "should," "could," "can," "would," "continue," "expect," "believe," "anticipate," "estimate," "predict," "outlook," "potential," "plan," "seek" and similar expressions and variations or the negatives of these terms or other comparable terminology.

Forward-looking statements are based on the expectations, estimates, projections, beliefs and assumptions of our management based on information available to management as of the date on which this Form 10-K was filed with the Securities and Exchange Commission (the "SEC") or as of the date on which the information incorporated by reference was filed with the SEC, as applicable, all of which are subject to change. Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and could cause actual results to differ materially from those stated or implied by our forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to:

- the coronavirus outbreak, the effects of the COVID-19 pandemic and the actions taken to contain it;
- losses that we have experienced for each of the past three years;
- global economic uncertainty and volatility in financial markets;
- inability to raise additional capital on terms acceptable to us;
- our relationships with, and the efforts of, third-party distributors;
- failure in our efforts to train dental practitioners or to overcome the hesitation of dentists and patients to adopt laser technologies;
- inconsistencies between future data and our clinical results;
- competition from other companies, including those with greater resources;
- our inability to successfully develop and commercialize enhanced or new products that remain competitive with products or alternative technologies developed by others;
- the inability of our customers to obtain third-party reimbursement for their use of our products;
- limitations on our ability to use net operating loss carryforwards;
- problems in manufacturing our products;
- warranty obligations if our products are defective;
- adverse publicity regarding our technology or products;
- adverse events to our patients during the use of our products, regardless of whether caused by our products;
- issues with our suppliers, including the failure of our suppliers to supply us with a sufficient amount or adequate quality of materials;

- rapidly changing standards and competing technologies;
- our inability to effectively manage and implement our growth strategies;
- risks associated with operating in international markets, including potential liabilities under the Foreign Corrupt Practices Act ("FCPA");
- breaches of our information technology systems;
- seasonality;
- litigation, including the failure of our insurance policies to cover certain expenses relating to litigation and our inability to reach a final settlement related to certain litigation;
- disruptions to our operations at our primary manufacturing facility;
- loss of our key management personnel or our inability to attract or retain qualified personnel;
- risks and uncertainties relating to acquisitions, including difficulties integrating acquired businesses successfully into our existing operations and risks of discovering previously undisclosed liabilities;
- failure to meet covenants in the Credit Agreement, dated as of November 9, 2018, (as amended from time to time, the "Credit Agreement"), by and between BIOLASE and SWK Funding, LLC ("SWK");
- interest rate risk, which could result in higher expense in the event of interest rate increases;
- obligations to make debt payments under the Credit Agreement;
- risks of foreclosure triggered by an event of default under the Credit Agreement;
- failure to comply with the reporting obligations of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act") or maintain adequate internal control over financial reporting;
- climate change initiatives;
- failure of our intellectual property rights to adequately protect our technologies and potential third-party claims that our products infringe their intellectual property rights;
- changes in government regulation or the inability to obtain or maintain necessary governmental approvals;
- our failure to comply with existing or new laws and regulations, including fraud and abuse and health information privacy and securities laws;
- changes in the regulatory requirements of the Food and Drug Administration ("FDA") applicable to laser products, dental devices, or both;
- recall or other regulatory action concerning our products after receiving FDA clearance or approval;
- our failure to comply with continued listing requirements of the NASDAQ Capital Market; and
- risks relating to ownership of our common stock, including low liquidity, low trading volume, high volatility and dilution.

Further information about factors that could materially affect the Company, including our results of operations, financial condition and stock price, is contained under the heading "Risk Factors" in Item 1A in this Form 10-K. Except as required by law, we undertake no obligation to revise or update any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information, or changes to future results over time or otherwise.

PART I

Item 1. *Business*

Overview

BIOLASE, Inc. ("BIOLASE" and, together with its consolidated subsidiaries, the "Company," "we," "our" or "us") isa leading provider of advanced laser systems for the dental industry. We develop, manufacture, market, and sell laser systems that provide significant benefits for dental practitioners and their patients. Our proprietary systems allow dentists, periodontists, endodontists, pediatric dentists, oral surgeons, and other dental specialists to perform a broad range of minimally invasive dental procedures, including cosmetic, restorative, and complex surgical applications. Our laser systems are designed to provide clinically superior results for many types of dental procedures compared to those achieved with drills, scalpels, and other conventional instruments. Potential patient benefits include less pain, fewer shots, faster healing, decreased fear and anxiety, and fewer appointments. Potential practitioner benefits include improved patient care and the ability to perform a higher volume and wider variety of procedures and generate more patient referrals.

We offer two categories of laser system products: Waterlase (all-tissue) systems and diode (soft-tissue) systems. Our flagship brand, the Waterlase, uses a patented combination of water and laser energy and is FDA cleared for over 80 clinical indications to perform most procedures currently performed using drills, scalpels, and other traditional dental instruments for cutting soft and hard tissue. For example, Waterlase safely debrides implants without damaging or significantly affecting surface temperature and is the only effective, safe solution to preserving sick implants. In addition, Waterlase disinfects root canals more efficiently than some traditional chemical methods. We also offer our diode laser systems to perform soft tissue, pain therapy, and cosmetic procedures, including teeth whitening. We have approximately 271 issued and 40 pending United States and international patents, the majority of which are related to Waterlase technology. From 1998 through December 31, 2020, we sold over 41,200 laser systems in over 80 countries around the world, and we believe that Waterlase iPlus is the world's best-selling all-tissue dental laser. Since 1998, we have been the global leading innovator, manufacturer, and marketer of dental laser systems.

We also manufacture and sell consumable products and accessories for our laser systems. Our Waterlase and diode systems use disposable laser tips of differing sizes and shapes depending on the procedure being performed. We also market flexible fibers and hand pieces that dental practitioners replace after initially purchasing laser systems. For our Epic systems, we sell teeth whitening gel kits. During the year ended December 31, 2020, the sale of lasers accounted for approximately 55% of our total sales, and consumables, accessories, and services accounted for approximately 45% of our total sales.

We currently operate in a single reportable business segment. We had net revenues of $22.8 million, $37.8 million, and $46.1 million, in 2020, 2019, and 2018, respectively, and we had net losses of $16.8 million, $17.9 million, and $21.5 million for the same periods, respectively. We had total assets of $41.0 million and $31.8 million as of December 31, 2020 and 2019, respectively. As discussed below, our business in 2020 has been adversely affected by the novel coronavirus outbreak and the COVID-19 pandemic.

Recent Developments

Other Recent Developments

The disclosure set forth under the Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments is hereby incorporated herein by reference.

Industry Background

General

Dental procedures, including medical and cosmetic treatment, are performed on hard tissue, such as bone and teeth, and soft tissue, such as gum and other oral tissue.

An estimated one-third of the worldwide population avoids going to the dentist because of "dental anxiety or fear," according to DentaVox. Such anxiety causes dental conditions, such as gum disease, to go under-diagnosed, under-treated, and under-managed. Due to the limitations associated with traditional and alternative dental instruments, we believe there is a large market opportunity for all-tissue dental laser systems that provide superior clinical outcomes, reduce the need to use anesthesia, help reduce trauma, pain, and discomfort associated with dental procedures, and increase patient acceptance for treatment protocols. We also believe there is a growing awareness among consumers globally of the value and importance of oral health and its connections to overall systemic health and wellness. The American Academy of Periodontology estimates that over 60 million people in the U.S. alone have periodontitis, and studies indicate a link between periodontitis and other health conditions such as heart disease, diabetes, and stroke.

As of 2018, according to the American Dental Association, there were 199,486 active private dental practitioners in the U.S. An April 2019 study published by Grandview Research estimated the global dental equipment market to be $7.7 billion in 2018 and projected it to grow at a compound annual rate of 4.5% through 2025. Factors cited contributing to the growth include rising demand for dental procedures, prevalence of dental disorders, a rising geriatric population, and demand for preventive, restorative, and surgical services. The study also highlighted that dental laser equipment is expected to be the fastest growing segment with compound annual growth of 6.8% over the forecast period. We believe that all-tissue laser systems have penetrated only 7% of U.S. dental practices and 1.4% worldwide, and we estimate a market opportunity in excess of $50 billion.

Traditional Dental Instruments

Dentists and other specialists utilize a variety of instruments depending on the tissue involved and the type of procedure. Most procedures require the use of multiple instruments to achieve desired results. Many of the instruments available today are based on decades-old practices. Examples are as follows:

High-Speed Drills. Most dentists use conventional high-speed drills for hard tissue procedures, such as preparing cavities for filling, gaining access for performing root canals, and shaving or contouring oral bone tissue. Potentially adverse effects associated with drills include thermal heat transfer, vibration, pressure and noise. The cutting and grinding action of high-speed drills can cause damage, such as microfractures, to the patient's teeth. The trauma can lead to longer recovery times and the need for future crowns and root canals. Additionally, this grinding action of high-speed drills may weaken the tooth's underlying structure, leading to fractures and broken cusps. Procedures involving high-speed drills typically require anesthesia and are often the source of patient anxiety and fear. Because many dentists do not recommend anesthetizing more than one or two sections of the mouth in a single appointment, patients may need to return several times to complete their treatment plan.

Cutting Instruments. Soft tissue procedures are typically performed by oral surgeons or periodontists using scalpels, scissors, and other surgical tools. Due to the pain, bleeding, post-operative swelling, and discomfort associated with these instruments, most soft tissue procedures require the use of local anesthetic which may result in numbness and longer recovery time, and often require stitches. Bleeding can impair the practitioner's visibility during the procedure, thereby reducing efficiency and is a particular problem for patients with immune deficiencies or blood disorders and for patients taking blood-thinning medications.

Film Radiography Equipment. Dentists have traditionally relied on radiographic images produced by exposing photographic film to X-ray radiation as part of the examination and diagnosis of patients. These X-ray images can help reveal tooth decay, periodontal disease, bone loss, infections, hidden dental structures, abscesses or cysts, developmental abnormalities, some types of tumors, and other issues that might not be detected during a visual examination or upon probing with a handheld instrument. Due to the chemical development process required for film, however, this process is time-consuming, inefficient, costly for dental offices, and not environmentally friendly. Mistakes in the development process can require retakes which expose patients to additional radiation. Film X-rays also restrict the ability of doctors to enhance or further manipulate images for easier and more accurate analysis and treatment planning. Furthermore, one of the most critical limitations of film is that it is restricted to two-dimensional images, which can potentially lead to misdiagnosis.

Alternative Dental Instruments

Alternative technologies have been developed over the years to address the problems associated with traditional methods used in dentistry. However, most alternatives have addressed either hard or soft tissue applications but not both, or have other limitations.

Electrosurge Systems. Electrosurge systems use an electrical current to heat a shaped tip that simultaneously cuts and cauterizes soft tissue, resulting in less bleeding than occurs with scalpels. However, electrosurge systems are generally less precise than lasers and can damage surrounding tissue. Electrosurge systems are also not suitable for hard tissue procedures and, due to the depth of penetration, generally require anesthesia and a lengthy healing process. Electrosurge systems generally cannot be used in areas near metal fillings and dental implants. Finally, electrosurge systems generally cannot be used to treat patients with implanted pacemakers and defibrillators.

Traditional Laser Systems. More recently, lasers have gained acceptance for use in general and cosmetic dentistry. Most lasers used in dentistry have been adapted from other medical applications, such as dermatology, but are not optimally designed to perform common dental procedures. Most dental lasers use thermal energy to cut tissue and are used primarily for soft tissue procedures.

Our Products

Our laser systems can provide dental professionals with enhanced capabilities for minimally invasive treatment. Our product offering consists of the following:

Waterlase all-tissue laser systems. Our all-tissue Waterlase dental laser systems currently consist of the new Waterlase Express, our flagship Waterlase iPlus, and the Waterlase MD and MDX. Each of these systems features a proprietary laser crystal that produces electromagnetic energy with specific absorption and tissue interaction characteristics specifically designed for dental procedures. It is minimally invasive and can precisely cut hard tissue, such as bone and teeth, and soft tissue, such as gums and skin, without the heat, vibration, bleeding, or pressure associated with traditional dental treatments. By combining the laser light and water, our Waterlase systems can eliminate the need for anesthesia in most cases and result in faster healing times compared to traditional methods of treatment, both of which could lead to improved patient-reported outcomes. The all-tissue Waterlase is especially effective for treating all types of dental cavities for both children and adults, moderate and advanced periodontal disease, root canals, and esthetic procedures for gummy smiles.

The Waterlase systems incorporate an ergonomic hand-piece and a user-friendly digital interface with presets for a wide range of clinical applications that control a combination of laser energy, air, and water, as well as the pulse rate for clinical efficiency and patient comfort. Each system also has been designed to be easily moved from operatory to operatory within a practice. We developed the Waterlase systems using internally developed intellectual property, as well as intellectual property obtained through various acquisitions. The Waterlase systems are FDA-cleared in the United States, CE mark-approved in Europe, and approved for sale in more than 80 other countries for dental uses. In the United States, we also have regulatory clearance for dermatological, aesthetic, and other general surgery uses.

Diode soft-tissue laser systems. Our diode soft tissue laser systems currently consist of the Epic X, Epic Hygiene, Epic Pro, Epic 10 and iLase diode lasers that perform soft tissue, hygiene, cosmetic procedures, teeth whitening, and provide temporary pain relief. Epic X, Epic 10, and iLase systems feature our proprietary 940nm wavelength and Epic Pro features our proprietary 940nm plus 980nm wavelength with patented pulse technology called ComfortPulse, which is designed for added patient comfort. iLase was the first “personal” laser with no wires, footswitch, or cumbersome cables to manage. Epic Hygiene is the Company’s latest innovation in proven Epic laser technology, which is designed to manage non-surgical periodontitis and increase clinical production. The system includes proven step-by-step clinical protocols, including pocket therapy and perio debridement, for implementation.

Our Epic Hygiene, which we introduced in December 2019, is designed tomanage non-surgical periodontitis and increase clinical production. Epic Hygiene now gives dental hygienists the ability to offer dental laser technology to their patients, including minimally invasive and less painful treatments that are designed to allow for quicker procedures and faster recovery times. Each system includes hygiene specific training, turnkey practice guidebooks with step-by-step practice integration tips, as well as access to exclusive on-call Epic expert support, with clinicians to provide peer to peer support.

Epic 10 is a portable, powerful diode laser that facilitates clinical versatility with surgical, pain therapy, and whitening capabilities and provides an exceptional laser with an attractive value proposition. In December 2014, we introduced the Epic X diode laser, an enhanced soft tissue laser system featuring upgrades and improvements from our Epic 10. Epic Pro, released in 2016, is a soft-tissue diode laser with Super Thermal Pulse and Automatic Power Control features for enhanced patient comfort and clinical outcomes. The iLase, Epic X, Epic10, and Epic Pro are FDA-cleared in the United States, CE mark-approved in Europe, and approved for sale in more than 80 other countries for dental uses. In the United States, we also have regulatory clearance for dermatological, aesthetic, and other general surgery uses.

Related Accessories and Consumable Products

We also manufacture and sell consumable products and accessories for our laser systems. Our Waterlase and diode systems use disposable laser tips of differing sizes and shapes depending on the procedure being performed. We also market flexible fibers and hand pieces that dental practitioners replace at some point after initially purchasing laser systems. For our Epic systems, we sell teeth whitening gel kits.

Our Laser Solutions

Due to the limitations associated with traditional and alternative dental instruments, we believe there is a large market opportunity for all-tissue dental laser systems that provide superior clinical outcomes, reduce the need to use anesthesia, help reduce trauma, pain, and discomfort associated with dental procedures, and increase patient acceptance for treatment protocols.

Our Waterlase systems precisely cut hard tissue, bone, and soft tissue with minimal or no damage to surrounding tissue and dental structures. Our diode systems are designed to complement our Waterlase systems, and are used only in soft tissue procedures, pain therapy, hygiene, and cosmetic applications, including teeth whitening. The diode systems, together with our Waterlase systems, offer practitioners a broad product line with a range of features and price points.

Benefits to Dental Professionals

- *Less Aerosols.* Waterlase all-tissue laser systems create 98% less aerosols than traditional dental handpieces, meeting the American Dental Association's recommendation of reduced aerosol production to limit the spread of COVID-19. Epic soft-tissue lasers do not use water, and meet recent guidance from the Center for Disease Control, which recommends avoiding aerosol generating procedures whenever possible, including the use of high-speed dental handpieces, air/water syringes, and ultrasonic scalers.to prevent the transmission of COVID-19. Ultrasonic scalers create a visible water spray that can contain particle droplets of water, saliva, blood, microorganisms, and other debris, which can serve as a conduit to spread the virus. In contrast, Epic technology allows dentists and hygienists to perform gentler, highly effective treatments without using water.

- *Expanded range of procedures and revenue opportunities.* Our laser systems allow general dentists to perform surgical and cosmetic procedures that they are unable or unwilling to perform using conventional methods and that would typically be referred to a specialist. Our laser systems allow dentists to perform these procedures easily and efficiently, increasing their range of skills, professional and patient satisfaction levels, patient retention rates, new patient attraction rates, and revenues.

- *Additional procedures through increased information and efficiency.* Our laser systems can shorten and reduce the number of patient visits, providing dental professionals with the ability to service more patients. For hard tissue procedures, our Waterlase systems can reduce the need for anesthesia, which enables the dental practitioner to perform multiple procedures in one visit. The Waterlase and diode systems cut soft tissue more precisely and with minimal bleeding when compared to traditional tools such as scalpels and electrosurge systems. We have FDA clearance for treatment indications for use that comprise our REPAIR Perio and REPAIR Implant, our proprietary periodontal protocols for subgingival calculus removal and debridement of root surfaces and implant surfaces using the Waterlase system and patented Radial and Side Firing Perio Tips. This is a minimally invasive treatment for moderate to advanced gum and peri-implant diseases, which are among the leading causes of dental health conditions for adults over age 35 and conditions that impact more than half of Americans over the age of 55. In addition, our Epic system can be used to quickly perform in-office teeth whitening with our proprietary whitening gel and to provide temporary pain relief. Our digital imaging systems allow dentists to diagnose and discover cases that they might not be able to detect with film images or other two-dimensional images, thereby giving them the ability to offer more treatment options for patients.

- *Increased loyalty and expanded patient base.* We believe the improved patient comfort and convenience offered by our laser systems, the reduction in chair time and radiation exposure of our digital imaging systems, and the benefits of in-office, chair-side milling helps improve patient retention rates, attract new patients, and increase revenue per patient, demand for elective procedures, acceptance of treatment plans, and word-of-mouth referrals.

- *Improved clinical outcomes.* Our laser systems can be used for dozens of clinical indications with reduced trauma, swelling, and general discomfort of the patient, resulting in improved clinical outcomes and less follow-up treatment. In parallel, our digital imaging systems provide greater clarity and information, making it possible for the doctor to determine the optimal diagnosis and treatment plan. Our products collectively improve clinical outcomes, making it possible for practitioners to devote time to new cases, rather than managing or treating complications.

Benefits to Patients

- *Comfort*. Our Waterlase systems allow dentists to perform minimally invasive dental procedures without anesthesia in many cases, and patients recover more comfortably, faster, and with less pain than when treated with conventional instruments. The heat, vibration, microfractures, trauma, or pressure associated with traditional dental methods are largely avoided.

- *Convenience and efficiency*. Procedures utilizing our Waterlase systems do not require anesthesia in many cases, which allows dental practitioners to perform multiple procedures in one appointment, which saves patients time. Digital images are available almost immediately, so patients do not have to spend extra time in the dental chair waiting for film to be developed.

- *Reduced trauma*. Waterlase systems allow for a faster and more pleasant patient recovery with less swelling, bleeding, and general discomfort than when treated with conventional instruments.

- *Broader range of available procedures*. Due to the comfort and convenience of procedures utilizing our Waterlase system, patients may be more likely to consider cosmetic and other elective procedures resulting in better smiles and oral health. Our Waterlase system received expanded clearance from the FDA for dermatological, aesthetic, and general surgery uses, as well as dental procedures. Since digital images are displayed on computer monitors, doctors can make treatment planning a more personal experience for patients. We believe that these factors will lead to greater patient case acceptance.

Business Strategy

Our business strategy includes the following key elements:

- *Increasing awareness of and demand for our products among dental practitioners*. We intend to increase demand for our products by educating dental practitioners and patients about the clinical benefits of our product suite. We plan to continue participation in key industry trade shows, the World Clinical Laser Institute ("WCLI") (which we founded in 2002), dental schools, and other educational forums. Our products are also used for clinical research, which often leads to published articles that can garner attention from dental practitioners.

- *Increasing awareness and education in laser dentistry*. During 2020, we hosted 38 webinars that reached approximately 11,500 attendees. We plan to continue these educational opportunities in 2021.

- *Increasing awareness of and demand for our laser systems among patients*. We also intend to increase demand for our products by educating patients about the clinical benefits of the Waterlase and diode systems. We believe that patients will understand the clinical benefits and seek out dental practitioners that offer the Waterlase and diode systems, which, in turn, will result in increased demand for our systems from dental practitioners.

- *Strengthening customer training and clinical education*. We provide introductory, advanced, and specialized training for dental practitioners to increase their proficiency and to certify them. Our goal is to provide our customers world class training that is accessible and can be executed with a practical technique.

- *Strengthening sales and distribution capabilities*. In the U.S., we have primarily distributed our products directly to dental practitioners via our field sales force. During 2016, we augmented our field sales force efforts with outbound, phone-based sales support initiatives. These initiatives are driven from our corporate headquarters and are comprised of sales representatives and lead generators working in partnership with the field sales team to maximize effectiveness in engaging and servicing customers. In addition to our field sales force in the U.S., we also use various independent distributors to sell and support our products throughout Canada, Europe, the Middle East, Latin America, and Asia-Pacific regions. We plan to continue to build out the infrastructure to support our customers and to drive revenue and profit growth, both domestically and internationally. This includes expanding our sales presence with respect to the rapidly growing group practices, group purchasing organizations, and government channels.

- *Improving product quality*. We plan to achieve the industry's highest rate of defect-free delivery of products, maintain high quality standards, and address and timely resolve customer complaints. In the U.S., we provide maintenance and support services to customers through our support hotline and dedicated staff of in-house and field service personnel. Outside the U.S., we maintain a network of factory-certified service technicians to provide maintenance and support services to customers.

- *Strengthening and defending technology leadership.* We plan to continue protecting our intellectual property rights by expanding our existing patent portfolio in the United States and internationally. We strategically enforce our intellectual property rights worldwide.

- *Expanding our product portfolio to dental practitioners.* We plan to continue to evaluate how to optimize the manner in which we market and sell additional products to supplement our core Waterlase and Epic franchises.

- *Creating value through innovation and leveraging existing technologies into adjacent medical applications.* We plan to expand our product line and clinical applications by developing enhancements and transformational innovations, including new clinical solutions for dental applications and for other adjacent medical applications. In particular, we believe that our existing technologies can provide significant improvements over existing standards of care in fields, including ophthalmology, otolaryngology, orthopedics, podiatry, pain management, aesthetics/dermatology, veterinary, and consumer products. We plan to continue to explore potential collaborations to bring our proprietary laser technologies with expanded FDA-cleared indications for other medical applications in the future. In addition, we may acquire complementary products and technologies. We also aim to increase our consumables revenue by selling more single-use accessories used by dental practitioners when performing procedures using our dental laser systems.

Warranties

Our Waterlase laser systems sold domestically are covered by a warranty against defects in material and workmanship for a period of up to one year from the date of sale to the end-user by us or a distributor. Our diode systems sold domestically are covered by a warranty against defects in material and workmanship for a period of up to two years from the date of sale to the end-user by us or a distributor. Waterlase systems and diode systems sold internationally are covered by a warranty against defects in material and workmanship for a period of up to 28 months from date of sale to the international distributor. Our laser systems warranty covers parts and service for sales in our North American territories and parts only for international distributor sales. In North America and select international locations, we sell extended warranty contracts to our laser systems end users that cover the period after the expiration of our standard warranty coverage for our laser systems. Extended warranty coverage provided under our service contracts varies by the type of system and the level of service desired by the customer. Products or accessories remanufactured, refurbished, or sold by unauthorized parties, voids all warranties in place for such products and exempts us from liability issues relating to the use of such products. We distribute extended warranties on certain imaging products, including our digital radiography products. However, all imaging products that we distribute are initially covered by manufacturer’s warranties.

Manufacturing

Our strategy is to manufacture products in-house when it is efficient for us to do so. We currently manufacture, assemble, and test all of our laser systems at our manufacturing facility in Corona, California. The 12,000 square foot facility is dedicated to manufacturing and warehousing. The facility is ISO 13485 certified. ISO 13485 certification provides guidelines for our quality management system associated with the design, manufacture, installation, and servicing of our products. In addition, our U.S. facility is registered with the FDA and complies in all material respects with the FDA’s Quality System Regulation.

We use an integrated approach to manufacturing, including the assembly of tips, laser hand pieces, fiber assemblies, laser heads, electro-mechanical subassembly, final assembly, and testing. We obtain components and subassemblies for our products from third-party suppliers, the majority of which are located in the United States. We generally purchase components and subassemblies from a limited group of suppliers through purchase orders. In general, we rely on these purchase orders and do not have written supply contracts with many of our key suppliers. Three key components used in our Waterlase system (power suppliers, laser crystals, and fiber components) are each supplied by separate single-source suppliers. In recent years, we have not experienced material delays from the suppliers of these three key components. However, an unexpected interruption from a single-source supplier could cause manufacturing delays, re-engineering, significant costs, and sales disruptions, any of which could have a material adverse effect on our operations. We regularly seek to identify and qualify alternate source suppliers for our key components, including but not limited to those noted above. There can be no assurance, however, that we will successfully identify and qualify an alternate source supplier for any of our key components or that we could enter into an agreement with any such alternate source supplier on terms acceptable to us.

As discussed below, we are subject to periodic inspections by the FDA as a manufacturer of medical devices. Such inspections can cover manufacturing, design, production, reporting, recordkeeping, and other processes and can lead to FDA observations requiring corrective action, which can disrupt normal processes.

Marketing and Sales

Marketing

We market our laser systems worldwide. Our marketing efforts are focused on driving brand awareness and demand for our laser solutions with dental practitioners. We also continue to test methods to increase awareness of our brands' benefits by marketing directly to patients.

Dental Practitioners. We market our laser systems to dental practitioners through regional, national, and international educational events, seminars, industry tradeshows, trade publications, digital/social media, field sales forces, and agents and distributors. We also use brochures, direct communications, public relations, and other promotional tools and materials.

Our primary marketing message to dental practitioners focuses on the ability of our lasers to resolve dental challenges and deliver improved cash flow and return on investment ("ROI"), which can be realized with improved patient-reported outcomes. Our WCLI is a leader in educating and training dental practitioners in laser dentistry. We believe that, as the community of dental practitioners that use our products expands, the WCLI will continue to deliver fresh and exciting laser educational opportunities utilizing the latest in learning methodologies and platforms. The WCLI conducts and sponsors educational programs domestically and internationally for dental practitioners, researchers, and academicians, including one, two, and three-day seminars and training sessions involving in-depth presentations on the use of lasers in dentistry. In addition, we have developed relationships with research institutions, dental schools, and dental laboratories that use our products for clinical research and in-clinical training. We believe these relationships will continue to increase awareness of and demand for our products.

Patients. We plan to continue to test ways to effectively market the benefits of our laser systems directly to patients through marketing and advertising programs, including the internet, search engine optimization, social media, print and broadcast media, and point-of-sale materials in dental practitioners' offices. We believe that making patients aware of our laser systems and their benefits will motivate them to request from dental practitioners laser procedures and their outcomes thereby increasing demand for our brands. We can be found online at www.biolase.com, and on Facebook, Twitter, LinkedIn, YouTube, and Instagram. Unless specifically stated otherwise, none of the information contained on any of these sites online is incorporated in this Form 10-K by reference.

Sales

We sell our products primarily to dentists in general practice through our field sales force and our distributor network. We expect our laser systems to continue to gain acceptance among periodontists, endodontists, oral surgeons, pediatric dentists, and other dental specialists as they become aware of the clinical benefits and minimally invasive treatment options available by using our laser systems.

The following table summarizes our net revenues by category (dollars in thousands):

	Years Ended December 31,					
	2020		2019		2018	
Laser systems	$ 12,342	54.2 %	$ 22,842	60.4 %	$ 29,733	64.4 %
Imaging systems	—	— %	619	1.6 %	1,694	3.7 %
Consumables and other	6,124	26.9 %	7,164	19.0 %	8,287	18.0 %
Services	4,314	18.9 %	7,162	19.0 %	6,429	13.9 %
Total products and services	22,780	100.0 %	37,787	100.0 %	46,143	100.0 %
License fees and royalty	—	— %	12	— %	12	— %
Net revenue	$ 22,780	100.0 %	$ 37,799	100.0 %	$ 46,155	100.0 %

Net revenue by geographic location based on the location of customers was as follows (in thousands):

	Years Ended December 31,		
	2020	2019	2018
United States	$ 16,195	$ 22,814	$ 28,661
International	6,585	14,985	17,494
	$ 22,780	$ 37,799	$ 46,155

International revenue accounts for a significant portion of our total revenue and accounted for approximately 29%, 40%, and 38% of our net revenue in 2020, 2019, and 2018, respectively. No individual country outside the United States represented more than 10% of our net revenue during the years ended December 31, 2020, 2019, and 2018.

For financial information about our long-lived assets, see Notes 3, 4, and 9 to the consolidated financial statements.

United States Sales. In the United States, we primarily sell our products directly to dental practitioners utilizing a field sales force consisting of laser sales representatives and regional managers. We also have an in-house sales force, which is located at our corporate headquarters and is comprised of sales representatives and lead generators who work in partnership with the field sales team to maximize sales by leveraging the existing installed customer base.

International Sales. Our distributors purchase laser systems and disposables from us at wholesale dealer prices and resell them to dentists in their sales territories. All sales to distributors are final, and we can terminate our arrangements with dealers, agents, and distributors for cause or non-performance. We have granted certain distributors the right to be our exclusive distributor in select territories. These distributors are generally required to satisfy certain minimum purchase requirements to maintain their exclusivity. We have sold our products directly to end users in Germany since 2011 and directly to end users in India and neighboring countries since 2012.

Customer Concentration. We sell our products through our field sales force, agents, and distributors. For the years ended December 31, 2020, 2019, and 2018, sales to our largest distributor worldwide accounted for approximately 5%, 4%, and 4%, respectively, of our net revenue. We had no customers that represented over 10% of our total outstanding accounts receivable as of December 31, 2020.

Customer Service. We provide high quality maintenance and support services in the United States through our support hotline and dedicated staff of in-house and field service personnel. Outside the United States, we maintain a network of factory-certified service technicians to provide maintenance and support services to customers. Our international distributors are responsible for providing maintenance and support services for products sold by them. We provide parts to distributors at no additional charge for products covered under warranty.

Financing Options. Most customers (other than distributors) finance their purchases through several third-party financial institutions with which we have established good relationships. In the United States, third-party customers enter into a financing agreement with one of the financial institutions that purchases the product from us or one of our distributors. We are not party to these financing agreements. Thus, if the customer agrees to pay the financial institution in installments, we do not bear the credit risk. The financial institutions do not have recourse to us for a customer's failure to make payments, nor do we have any obligation to take back the product.

Seasonality. Typically, we experience fluctuations in revenue from quarter to quarter due to seasonality. Revenue in the first quarter typically is lower than average and revenue in the fourth quarter typically is higher than average due to the buying patterns of dental practitioners. We believe that this trend exists because a significant number of dentists purchase their capital equipment towards the end of the calendar year to maximize their practice earnings while seeking to minimize their taxes. They often use certain tax incentives, such as accelerated depreciation methods for purchasing capital equipment, as part of their year-end tax planning. In addition, revenue in the third quarter may be affected by vacation patterns which can cause revenue to be flat or lower than in the second quarter of the year. Our historical seasonal fluctuations may also be impacted by sales promotions used by large dental distributors that encourage end-of-quarter and end-of-year buying in our industry. Because of these seasonal fluctuations, historically we have often used less cash in operations for the six months ended December 31 as compared to the six months ended June 30.

Engineering and Product Development

Engineering and product development activities are essential to maintaining and enhancing our business. We believe our engineering and product development team has demonstrated its ability to develop innovative products that meet evolving market needs. As of December 31, 2020, our engineering and product development group consists of 14 individuals with medical device or laser development experience. During the years ended December 31, 2020, 2019, and 2018, our engineering and product development expenses totaled approximately \$3.7 million, \$4.8 million, and \$5.2 million, respectively. Our current engineering and product development activities are focused on developing new product platforms, improving our existing products and technology and extending our product range in order to provide dental practitioners and patients with new and improved protocols or procedures that are less painful and have clinically superior results. Some examples of the improvements we are pursuing for our laser systems include faster cutting speed, improved ease of use, less need for anesthesia, interconnectivity, and an expanded portfolio of consumable products for use with our laser systems. Our engineering and product development activities encompass both fundamental and applied fields. We seek to improve methods to perform clinical procedures through the use of new laser wavelengths, laser operation modes and accessories.

We also devote engineering and product development resources toward markets outside of dentistry in which we might exploit our technology platform and capabilities. We believe our laser technology and development capabilities could address unmet needs in several other medical applications, including ophthalmology, otolaryngology, orthopedics, podiatry, pain management, aesthetics/dermatology, veterinary, and consumer products. We have already started to enter the otolaryngology, pain management, and veterinary markets to varying degrees.

To further our development efforts, we have entered into a development and distribution agreement with IPG Medical. The development and distribution agreement between the Company and IPG Medical covers several projects in various stages of development, with the expectation that these projects will culminate in commercialized joint dental laser products, accessories, or integral system components. The parties will collaborate in the design and development of these new products and applications, with each party contributing its technological expertise, know-how, and development resources. We will be responsible for U.S. and international registrations of all dental products resulting from the agreement, and we will have exclusive worldwide commercial distribution rights for certain products over a multi-year initial term after completion of development.

Intellectual Property and Proprietary Rights

We believe that to maintain a competitive advantage in the marketplace, we must develop and maintain protection of the proprietary aspects of our technology. We rely on a combination of patents, trademarks, trade secrets, copyrights and other intellectual property rights to protect our intellectual property. We have developed a patent portfolio internally, and to a lesser extent through acquisitions and licensing, that covers many aspects of our product offerings. As of December 31, 2020, we had approximately 271 issued patents and 40 pending patent applications in the United States, Europe and other countries. While we hold a variety of patents that cover a broad range of technologies and methods, the majority of these patents provide market protection for our core technologies incorporated in our laser systems and related accessories. Existing patents related to our core technology, which are at various stages of being incorporated into our products, are scheduled to expire as follows: 9 in 2021 and the majority of the remaining patents having expiration dates ranging from 2022 to 2042. With approximately 40 patent applications pending, we expect the number of new grants to exceed the number of patents expiring. We do not expect the expiration of the expired or soon-to-expire patents to have a material adverse effect on our business, financial condition, or results of operations.

There are risks related to our intellectual property rights. For further details on these risks, see Item 1A — “Risk Factors.”

Competition

We operate under relatively competitive market conditions. We believe that the principal competitive factors for companies that market technologies in dental and other medical applications include acceptance by leading dental and medical practitioners, product performance, product pricing, intellectual property protection, customer education and support, timing of new product research, and development of successful national and international distribution channels.

Our competitors vary by product and location. There are companies that market some, but not all, of the same types of products as ours. Our laser systems compete with other lasers, mostly with other wavelengths, patient outcomes, and benefit profiles, as well as with drills, scalpels, scissors, air abrasion systems, and a variety of other tools that are used to perform dental and medical procedures. We believe our products have key differentiating performance features. For example, we market diode lasers which also have FDA clearance for use in both pain management therapy and teeth whitening and our Waterlase systems have been FDA-cleared for a wide range of uses beyond dentistry, including dermatological, aesthetics, and other general surgery uses. Our teeth whitening technology competes with other in-office whitening products and high intensity lights used by dentists, as well as teeth whitening strips, and other over-the-counter products. Our pain management technology competes with a variety of traditional, advanced, and pharmaceutical pain management products and services. The dental imaging equipment and in-office milling machines that we offer compete with traditional dental laboratories, imaging centers and products and services.

Traditional tools are generally less expensive than our laser systems for performing similar procedures. For example, a high-speed drill or an electrosurge device can be purchased for less than $2,500. In addition, though our systems are superior to traditional tools in many ways, they are not intended to replace all of the applications of traditional tools, such as removing metal fillings and certain polishing and grinding functions.

Some of our competitors have significantly greater financial, marketing, and/or technical resources than we do. In addition, some competitors have developed, and others may attempt to develop, products with applications similar to those performed by our products. Because of the large size of the potential market for our products, it is possible that new or existing competitors may develop competing products, procedures, or clinical solutions that could prove to be more effective, safer, or less costly than procedures using our laser systems. The introduction of new products, procedures, or clinical solutions by competitors may result in price reductions, reduced margins, or loss of market share, or may render our products obsolete.

Government Regulations

FDA and Related Regulatory Requirements

Our products are subject to extensive regulation particularly as to safety, efficacy, and adherence to FDA Quality System Regulation and related manufacturing standards. Medical device products are subject to rigorous FDA and other governmental agency regulations in the United States and similar regulations of foreign agencies abroad. The FDA regulates the design, development, research, preclinical and clinical testing, introduction, manufacture, advertising, labeling, packaging, marketing, distribution, import and export, and record keeping for such products, in order to ensure that medical products distributed in the United States are safe and effective for their intended use. In addition, the FDA is authorized to establish special controls to provide reasonable assurance of the safety and effectiveness of most devices. Non-compliance with applicable requirements can result in import detentions, fines, civil and administrative penalties, injunctions, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow us to enter into supply contracts, and criminal prosecution.

Unless an exemption applies, the FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval ("PMA") before introducing it into the U.S. market. The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes (Class I, II, or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device's safety and effectiveness.

Our products currently marketed in the United States are marketed pursuant to 510(k) pre-marketing clearances and are either Class I, Class II, or Class III devices. The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and often clinical data, which in some cases can be extensive, to demonstrate that the device is "substantially equivalent" to a device that was on the market before 1976 or to a device that has been found by the FDA to be "substantially equivalent" to such a pre-1976 device (referred to as "predicate device"). As a result, FDA clearance requirements may extend the development process for a considerable length of time. In addition, in some cases, the FDA may require additional review by an advisory panel, which can further lengthen the process. The PMA process, which is reserved for new devices that are not substantially equivalent to any predicate device and for high-risk devices or those that are used to support or sustain human life, may take several years and requires the submission of extensive performance and clinical information.

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device has received 510(k) clearance for a specific intended use, any change or modification that significantly affects its safety or effectiveness, such as a significant change in the design, materials, method of manufacture, or intended use, may require a new 510(k) clearance or PMA approval and payment of an FDA user fee. The determination as to whether or not a modification could significantly affect the device's safety or effectiveness is initially left to the manufacturer using available FDA guidance; however, the FDA may review this determination to evaluate the regulatory status of the modified product at any time and may require the manufacturer to cease marketing and recall the modified device until 510(k) clearance or PMA approval is obtained. The manufacturer may also be subject to significant regulatory fines or penalties.

Any devices we manufacture and distribute pursuant to clearance or approval by the FDA are subject to extensive and continuing regulation by the FDA and certain state agencies. These include product listing and establishment registration requirements, which help facilitate FDA inspections and other regulatory actions. As a medical device manufacturer, all of our manufacturing facilities are subject to inspection on a routine basis by the FDA. We are required to adhere to applicable regulations setting forth detailed current good manufacturing practice ("cGMP") requirements, as set forth in the FDA's Quality System Regulation ("QSR"), which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process. Noncompliance with these standards can result in, among other things, fines, injunctions, civil penalties, recalls or seizures of products, total or partial suspension of production, refusal of the government to grant 510(k) clearance or PMA approval of devices, withdrawal of marketing approvals, and criminal prosecutions. We believe that our design, manufacturing, and quality control procedures are in compliance with the FDA's regulatory requirements.

We must also comply with post-market surveillance regulations, including medical device reporting requirements which require that we review and report to the FDA any incident in which our products may have caused or contributed to a death or serious injury. We must also report any incident in which any of our products has malfunctioned if that malfunction would likely cause or contribute to a death or serious injury if it were to recur.

Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission("FTC") and by state regulatory and enforcement authorities. Medical devices approved or cleared by the FDA may not be promoted for unapproved or uncleared uses, otherwise known as "off-label" promotion. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability, including substantial monetary penalties and criminal prosecution.

Promotional activities for FDA-regulated products of other companies have also been the subject of enforcement actions brought under health care reimbursement laws and consumer protection statutes. In addition, under the federal Lanham Act and similar state laws, competitors and others can initiate litigation relating to advertising claims. If the FDA determines that our promotional materials or training constitutes promotion of an uncleared or unapproved use, the FDA could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a notice of violation, a warning letter, an injunction, a seizure, a civil fine, or criminal penalties. In that event, our reputation could be damaged and adoption of the products could be impaired.

We have registered with the FDA as a medical device manufacturer and we have obtained a manufacturing license from the California Department of Health Services. As a manufacturer, we are subject to announced and unannounced facility inspections by the FDA and the California Department of Health Services to determine our compliance with various regulations. Our subcontractors' manufacturing facilities are also subject to inspection.

Foreign Regulation

Sales of medical devices outside the United States are subject to regulatory requirements that vary widely from country to country. In the EU, placing our medical devices on the market must comply with the requirements of Council Directive 93/42/EEC concerning medical devices ("MDD"). Applicable requirements include compliance with the essential requirements of the MDD (the "Essential Requirements") and the CE marking process. Our devices are classified as Class I, Class IIa, Class IIb or Class III devices.

Medical devices marketed in the EU must meet all proper regulatory requirements and have a CE marking affixed to them. For devices falling within Class I (low risk), the manufacturer is responsible for ensuring that the product complies with the Essential Requirements and must draw up a written statement to this effect (a "Declaration of Conformity"). Class I devices without a measuring function and supplied in non-sterile condition do not require the involvement of an organization designated by an EU-competent authority to assess the conformity of certain products before being placed on the EU market (a "Notified Body"). Manufacturers of sterile products and devices with a measuring function must apply to a Notified Body for certification of the aspects of manufacture relating to sterility or metrology.

For devices falling within Class IIa (low – medium risk), in order to affix the CE marking and place the product on the EU market, the manufacturer must follow one of several authorization procedures involving the engagement of a Notified Body. For Class I devices, the manufacturer is responsible for declaring conformity with the provisions of the MDD and ensuring that the products comply with the Essential Requirements. This declaration must be supported by a conformity assessment by a Notified Body. Once the manufacturer has received certification from the Notified Body and issued a Declaration of Conformity, it may affix the CE marking to the relevant products and place them on the EU market.

For devices falling within Class IIb (medium – high risk) and Class III (high risk), in order to affix the CE marking and place the product on the EU market, the manufacturer must follow one of several authorization procedures. For Class IIa devices, this requires the engagement of a Notified Body. The procedure for placing Class III devices on the market is similar to that applicable for Class IIb devices. However, the manufacturer must also submit a design dossier to the Notified Body for approval under Annex II of the MDD, and some of the authorization procedures permitted for Class IIb devices are not permitted.

Once medical devices correctly have a CE marking and comply with other applicable regulatory requirements, they may be placed on the market in any member state of the European Economic Area ("EEA"). However, a CE marking does not indicate that the manufacturer's quality system or that a product's safety profile has been approved or assessed by competent authority.

In addition, other EU regulatory requirements may apply to our medical devices, including other types of CE markings having different requirements, where applicable. For example, Directive 2014/35/EU relating to the making available on the market of electrical equipment designed for use within certain voltage limits, Directive 2014/30/EU on electromagnetic compatibility and Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment may apply to our electrical products. Moreover, we must ensure compliance with applicable EU chemical legislation such as Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment and Regulation 1907/2006 on the Registration, Evaluation, Authorization and Restriction of Chemicals. Additional EU requirements may also include safety, health, and environmental protection.

The European Association for the Co-ordination of Consumer Representation in Standardization has cautioned that, amongst other things, CE marking cannot be considered a "safety mark" for consumers.

In addition, CE marking is a self-certification program. Retailers sometimes refer to products as "CE approved," but the CE marking does not actually signify approval. As mentioned above, certain categories of products (such as Class IIa, Class IIb and Class III medical devices) require involvement of a Notified Body to ensure conformity with relevant technical standards, but CE marking by the manufacturer in itself does not certify that this has been done.

Our facilities manufacturing medical devices for the EEA market are EN ISO 13485 (Medical devices - Quality management systems - Requirements for regulatory purposes) Certified. Moreover, our Waterlase and diode laser systems have a CE marking. In addition, we have attained the proper licensing for Waterlase and diode laser systems for sale in Canada, meeting the Canadian Medical Device Regulation requirements as part of the ISO certification process.

Other U.S. Regulation

We and our subcontractors also must comply with numerous federal, state and local laws relating to matters such as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and hazardous substance disposal. Furthermore, we are subject to various reporting requirements including those prescribed by the Affordable Care Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act. We cannot be sure that we will not be required to incur significant costs to comply with these laws and regulations in the future or that these laws or regulations will not adversely affect our business, financial condition, and results of operations. Unanticipated changes in existing regulatory requirements or the adoption of new requirements could adversely affect our business, financial condition, and results of operations.

Environmental

Our manufacturing processes involve the use, generation, and disposal of hazardous materials and wastes, including alcohol, adhesives, and cleaning materials. As such, we are subject to stringent federal, state, and local laws relating to the protection of the environment, including those governing the use, handling, and disposal of hazardous materials and wastes. Future environmental laws may require us to alter our manufacturing processes, thereby increasing our manufacturing costs. We believe that our products and manufacturing processes at our facilities comply in all material respects with applicable environmental laws and worker health and safety laws. However, the risk of environmental liabilities cannot be completely eliminated.

Health Care Fraud and Abuse

As a medical device manufacturer, our operations and interactions with health care providers, including dentists, are subject to extensive laws and regulations imposed at the federal, state, and local level in the U.S., including, but not limited to, those discussed in this Form 10-K. In the U.S., there are federal and state anti-kickback statutes that generally prohibit the payment or receipt of kickbacks, bribes, or other remuneration in exchange for the referral of patients or other health-related business. For example, the federal Anti-Kickback Statute is a criminal statute that prohibits anyone from, among other things, knowingly and willfully offering, paying, soliciting, or receiving any bribe, kickback, or other remuneration intended to induce a referral for the furnishing of, or the purchase, order, or recommendation of, any item or service reimbursable under the Federal health care programs ("FHCPs"), including Medicare, Medicaid, and TRICARE. Recognizing that the federal Anti-Kickback Statute is broad and potentially applicable to many commonplace arrangements, the U.S. Congress and the Office of Inspector General ("OIG") within the Department of Health and Human Services ("HHS") have created statutory "exceptions" and regulatory "safe harbors" to the federal Anti-Kickback Statute. Exceptions and safe harbors exist for a number of arrangements relevant to our business, including, among other things, certain payments to bona fide employees, certain discount and rebate arrangements, and certain payment arrangements with health care providers, assuming all elements of the relevant exception/safe harbor have been satisfied. Although an arrangement that fits squarely into one or more of these exceptions or safe harbors generally will not be subject to prosecution, OIG has also cautioned in various contexts that even where each component of an arrangement has been structured to satisfy a safe harbor, the components, as part of an overall arrangement, may still violate the federal Anti-Kickback Statute. However, arrangements that do not fit squarely within an exception or safe harbor do not necessarily violate the federal Anti-Kickback Statute. Rather, OIG and/or other government enforcement authorities will examine the facts and circumstances relevant to the specific arrangement to determine whether it involves the sorts of abuses that the statute was designed to combat. Violations of this federal law constitute a felony offense punishable by imprisonment, criminal fines of up to $25,000, civil fines of up to $74,792 per violation (as adjusted for annual inflation) and three times the amount of the unlawful remuneration, and exclusion from Medicare, Medicaid, and other FHCPs. Exclusion of a manufacturer like us would preclude any FHCP from paying for the manufacturer's products. In addition, pursuant to the changes made by the Affordable Care Act, a claim resulting from a violation of the federal Anti-Kickback Statute may serve as the basis for a false claim under the federal Civil False Claims Act. Many states also have their own laws that parallel and implicate anti-kickback restrictions but may apply regardless of whether any FHCP business is involved. Federal and state anti-kickback laws may affect our sales, marketing and promotional activities, educational programs, pricing and discount practices and policies, and relationships with dental and medical providers by limiting the kinds of arrangements we may have with hospitals, alternate care market providers, physicians, dentists, and others in a position to purchase or recommend our products.

Federal and state false claims laws prohibit anyone from presenting, or causing to be presented, claims for payment to third-party payers that are false or fraudulent. For example, the federal Civil False Claims Act imposes liability on any person or entity that knowingly presents, or causes to be presented, a false or fraudulent claim for payment to the government, including FHCPs. Some suits filed under the Civil False Claims Act can be brought by a "whistleblower" or a "relator" on behalf of the government, and such individuals may share in any amounts paid by the entity to the government in fines or settlement. Manufacturers, like us, can be held liable under false claims laws, even if they do not submit claims to the government, where they are found to have caused submission of false claims by, among other things, providing incorrect coding or billing advice about their products to customers that file claims, or by engaging in kickback arrangements with customers that file claims. A violation of the Civil False Claims Act could result in fines of up to $21,916 (as adjusted for annual inflation) for each false claim, plus up to three times the amount of damages sustained by the government. A Civil False Claims Act violation may also provide the basis for the imposition of administrative penalties and exclusion from participation in FHCPs. In addition to the Civil False Claims Act, the federal government also can use several criminal statutes to prosecute persons who are alleged to have submitted false or fraudulent claims for payment to the federal government, or improperly retained funds received which were not due. Moreover, a number of states also have false claims laws, and some of these laws may apply to claims for items or services reimbursed under Medicaid and/or commercial insurance.

In addition to the general fraud statutes mentioned above, there are a variety of other fraud and abuse laws specific to health care. For example, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") created several new federal crimes, including health care fraud and false statements related to health care matters. The health care fraud statute prohibits, among other things, knowingly and willfully executing a scheme to defraud any health care benefit program, including private payers. A violation of this statute is a felony and may result in fines, up to ten years imprisonment (assuming no serious bodily injury or death results), or exclusion from FHCPs. The false statements statute prohibits, among other things, knowingly and willfully falsifying, concealing or covering up a material fact, or making any materially false, fictitious, or fraudulent statement in connection with the delivery of or payment for items or services under a health care benefit program . A violation of this statute is a felony and may result in fines and imprisonment and could potentially result in the government's pursuit of exclusion from FHCPs. Additionally, a person who offers or transfers to a Medicare or Medicaid beneficiary any remuneration that the person knows or should know is likely to influence the beneficiary's selection of a particular provider, practitioner, or supplier of items or services payable by Medicare or Medicaid may be liable for civil money penalties of up to $10,000 for each item or service and potential exclusion from FHCPs.

The Physician Payments Sunshine Act requires us to report annually to the Centers for Medicare and Medicaid Services ("CMS") certain payments and other transfers of value we make to U.S.-licensed physicians, dentists, and teaching hospitals. These annual reports are publicly available, which could impact the number of health care providers who are willing to work with us on the research and development of our products. In addition, several states have implemented similar transparency and disclosure laws applicable to medical device manufacturers, some of which require reporting of transfers of value made to a wider variety of health care professionals and institutions.

The federal physician self-referral prohibition (the "Stark Law") is a strict liability statute, which, in the absence of a statutory or regulatory exception, prohibits: (i) the referral of Medicare and Medicaid patients by a physician to an entity for the provision of designated health care services if the physician or a member of the physician's immediate family has a direct or indirect financial relationship, including an ownership interest in, or a compensation arrangement with, the entity and (ii) the submission of a bill to Medicare or Medicaid for services rendered pursuant to a prohibited referral. Penalties for violations of the Stark Law include denial of payment for the service, required refund of payments received pursuant to the prohibited referral, and civil monetary penalties for knowing violations of up to $24,253 per claim (as adjusted for annual inflation), up to $161,692 for circumvention schemes, and up to $11,052 per day for failing to report information concerning the entity's ownership, investment, and compensation arrangements upon HHS' request. Stark Law violations also may lead to False Claims Act liability and possible exclusion from FHCPs.

The FCPA's anti-bribery provisions generally prohibit companies and their intermediaries from offering to pay, promising to pay, or authorizing the payment of money or anything of value to non-U.S. officials for the purpose of influencing any act or decision of the foreign official in his/her capacity or to secure any other improper advantage to obtain or retain business. Violation of the anti-bribery provisions of the FCPA by a corporation or business entity can result in criminal fines of up to $2 million and civil penalties of up to $16,000 for each violation. Individuals, including officers, directors, stockholders, and agents of companies, can be subject to a criminal fine of up to $250,000 and/or imprisonment, in addition to civil penalties of up to $16,000, per violation.

The FCPA's accounting provisions require that all issuers 1) make and keep books, records, and accounts that, in reasonable detail, accurately and fairly reflect an issuer's transactions and dispositions of an issuer's assets; and 2) devise and maintain a system of internal accounting controls sufficient to ensure management's control, authority, and responsibility over the firm's assets. Violations of the accounting provisions by a corporation or other business entity can result in criminal fines of up to $25 million per violation and civil penalties of up to $725,000. Individuals can be subject to a criminal fine of up to $5 million per violation and/or imprisonment and civil penalties of up to $150,000.

Due to the breadth of some of these laws, it is possible that some of our current or future practices might be challenged under one or more of these laws. In addition, there can be no assurance that we would not be r equired to alter one or more of our practices to comply with these laws. Evolving interpretations of current laws or the adoption of new federal or state laws or regulations could adversely affect some of the arrangements we have with customers, physicians, and dentists. If our past or present operations are found to be in violation of any of these laws, we could be subject to civil and criminal penalties, which could hurt our business, financial condition, and results of operations.

Privacy and Security of Health Information

Numerous federal, state, and international laws and regulations govern the collection, use, and disclosure of patient-identifiable health information, including HIPAA. HIPAA applies to covered entities, which include, among other entities, a "health care provider" that transmits health information in electronic form in connection with certain transactions regulated under HIPAA. HIPAA also applies to "business associates," meaning persons or entities that create, receive, maintain, or transmit protected health information ("PHI") to perform a function on behalf of, or provide a service to, a covered entity. Although we are not a covered entity, most health care (including dental) facilities that purchase our products are covered entities under HIPAA. Due to activities that we perform for or on behalf of covered entities, we may sometimes act as a business associate, or our customers may ask us to enter Business Associate Agreements and assume business associate responsibilities.

Various implementing regulations have been promulgated under HIPAA. The HIPAA Security Rule requires implementation of certain administrative, physical, and technical safeguards to ensure the confidentiality, integrity, and availability of electronic PHI. The HIPAA Privacy Rule governs the use and disclosure of PHI and provides certain rights to individuals with respect to that information. For example, for most uses and disclosures of PHI, other than for treatment, payment, health care operations, and certain public policy purposes, the HIPAA Privacy Rule generally requires obtaining valid written authorization from the individual, including in the research context. With certain limited exceptions, the covered entity performing the research must obtain valid authorization from the research subject (or an appropriate waiver) before providing that subject's PHI to sponsors like us. Furthermore, in most cases, the HIPAA Privacy Rule requires that use or disclosure of PHI be limited to the minimum necessary to achieve the purpose of the use or disclosure.

The HIPAA Privacy and Security Rules require covered entities to contractually bind us, where we are acting as a business associate, to protect the privacy and security of individually identifiable health information that we may use, access, or disclose for purposes of services we may provide. Moreover, the Health Information Technology for Economic and Clinical Health Act ("HITECH") enacted in February 2009, made certain provisions of the HIPAA Privacy and Security Rules directly applicable to business associates.

HITECH also established new breach notification requirements, increased civil penalty amounts for HIPAA violations, and requires HHS to conduct periodic audits of covered entities and business associates to confirm compliance. In addition, HITECH authorizes state attorneys general to bring civil actions in response to HIPAA violations committed against residents of their respective states.

In 2013, the Office for Civil Rights ("OCR") of HHS released an omnibus final rule (the "Final Rule"), implementing HITECH. Among other provisions, the Final Rule made certain changes to the breach notification regulations, including requiring business associates to notify covered entities if a breach occurs at or by the business associate. Following a breach of unsecured PHI, covered entities must provide notification of the breach to affected individuals, the HHS Secretary, and, for breaches affecting more than 500 residents of a state or jurisdiction, prominent media outlets serving that state/jurisdiction. Breaches of health information can also give rise to class actions by affected individuals and result in significant reputational damage to the covered entity and/or business associates or other parties involved in the breach.

The Final Rule also provides for heightened governmental investigations of potential non-compliance. However, the Final Rule did not address accounting of disclosures, although such regulations are forthcoming. The proposed rule addressing accounting of disclosures, if finalized, could impose a significant burden on us, as it would require covered entities and their business associates to develop systems to monitor (1) which employees access an individual's electronic PHI contained in a designated record set, (2) the time and date such access occurs, and (3) the action taken during the access session (e.g., modification, deletion, viewing).

Failure to comply with HIPAA may result in civil and criminal penalties. Civil penalties for a single violation of the regulations occurring on or after February 18, 2009 range from $110 to more than $55,000 per violation, with a maximum penalty of $1,650,300 per year for violations of an identical provision of the regulations. Criminal penalties of up to $250,000 and imprisonment may also be imposed for certain knowing violations of HIPAA. We may be required to make costly system modifications, which may restrict our business operations, to comply with HIPAA, to the extent we act as a business associate. Our failure to comply may result in liability and adversely affect our business, financial condition, and results of operations.

Numerous other federal and state laws protect the confidentiality of patient information, including state medical privacy laws and federal and state consumer protection laws. These state laws may be similar to or possibly more stringent than the federal provisions. These laws in many cases are not preempted by the HIPAA rules and may be subject to varying interpretations by the courts and government agencies, creating complex compliance issues for us and our customers and potentially exposing us to additional expense, adverse publicity, and liability. Other countries also have, or are developing, laws governing the collection, use, and transmission of personal or patient information, which could create liability for us or increase our cost of doing business.

New health information standards, whether implemented pursuant to HIPAA, future Congressional action, or otherwise, could have a significant effect on the manner in which we handle health information, and the cost of complying with these standards could be significant. If we do not properly comply with existing or new laws and regulations related to patient health information, we could be subject to criminal or civil sanctions.

Third-Party Reimbursement

Dentists and other health care providers that purchase our products may rely on third-party payers, including Medicare, Medicaid, and private payers to cover and reimburse all or part of the cost of the clinical procedures performed using our products. As a result, demand for our products is dependent in part on the coverage and reimbursement policies of these payers. We believe that most of the procedures being performed with our current products generally are reimbursable, with the exception of cosmetic applications, such as teeth whitening.

No uniform coverage or reimbursement policy for dental and medical treatment exists among third-party payers, and coverage and reimbursement can differ significantly from payer to payer. Under Medicaid, for example, states are required to cover basic dental services for children, but retain discretion as to whether to provide coverage for dental services for adults. Under the Early Periodic Screening, Diagnostic, and Treatment benefit available to children, dental services determined to be "medically necessary" and provided at intervals that meet reasonable standards of dental practice (or at such other intervals, as indicated by medical necessity) are generally covered by Medicaid. Although not required to cover dental services for adults, most state Medicaid programs still provide a degree of coverage for at least emergency dental services.

Medicare covers dental services only in certain limited circumstances. For instance, Medicare will pay for certain dental services when provided in the inpatient hospital setting if the dental procedure itself made hospitalization necessary. Medicare will also pay for certain dental services that are an integral part of a covered procedure (e.g., jaw reconstruction following accidental injury), extractions done in preparation for certain radiation treatments, and oral examinations preceding kidney transplantation or heart valve replacement, under certain circumstances.

Future legislation, regulation or coverage and reimbursement policies of third-party payers may adversely affect the demand for our products. For example, the Affordable Care Act included various reforms impacting Medicare reimbursement and coverage, including revision to prospective payment systems, any of which may adversely impact any Medicare reimbursements received by our end-user customers. Moreover, the Budget Control Act of 2011, enacted on August 2, 2011, established a process to reduce federal budget deficits through an automatic "sequestration" process if deficit reductions targets are not otherwise reached. Under the terms of the Budget Control Act, sequestration imposes cuts to a wide range of federal programs, including Medicare, which is subject to a 2% cut. The Bipartisan Budget Act of 2015 extended the 2% sequestration cut for Medicare through fiscal year 2025 and realigned the fiscal year 2025 Medicare sequestration amounts so that there will be a 4% sequester for the first six months and a 0% sequester for the second six months, instead of a 2% sequester for the full 12-month period.

In addition, private payers and employer-sponsored health care plans became subject to various rules and potential penalties under the Affordable Care Act. For example, health plans in the individual and small group markets were required to begin providing a core package of health care services, known as "essential health benefits." Essential health benefits include ten general categories of care, including pediatric services, which requires coverage of dental and vision care, among other medical services, for children. The Affordable Care Act also required employers with 50 or more employees to offer health insurance coverage to full-time workers or pay a penalty, which could potentially increase the availability of third-party reimbursement for some medical procedures using our products, although we continue to assess the impact of the Affordable Care Act on our business.

We cannot be sure that government or private third-party payers will cover and reimburse the procedures using our products in whole or in part in the future or that payment rates will be adequate.

Because third-party payments may be less than a provider's actual costs in furnishing care, providers have incentives to lower their operating costs by utilizing products that will decrease labor or otherwise lower their costs. However, we cannot be certain that dental and medical service providers will purchase our products, despite the clinical benefits and opportunity for cost savings that we believe can be derived from their use. If providers cannot obtain adequate coverage and reimbursement for our products, or the procedures in which they are used, our business, financial condition, and results of operations could suffer.

Human Capital Resources

At December 31, 2020, the Company employed approximately 135 people in five countries, with 120 of those employees in the United States. We also leverage a limited number of temporary employee resources from time to time. Our employees are not represented by any collective bargaining agreement, and we believe our employee relations are good. As our employees are our most valuable asset, their safety during the COVID-19 pandemic was of utmost importance. We made remote work options available where possible, and COVID-19 prevention actions and requirements were implemented in Company facilities to prevent the spread of the virus in the workplace.

We are committed to diversity in our workforce, and we report diversity statistics to the BIOLASE board of directors (the "Board") on a quarterly basis. Continuing to develop an inclusive culture in which each employee has the opportunity to contribute his or her individual talents on a daily basis is also a high priority. As the Company's future depends on our ability to attract, engage and retain talented employees, the Company strives to select talent who share our passion for advancing dentistry and who can best help us achieve our objectives through interviews, as well as with externally-provided assessments for select positions. Compensation decisions are based on performance, external market data and internal equity. Employee retention data is reviewed on a monthly basis by Company leaders and on a quarterly basis by the Board. We strive to provide development opportunities for employees and encourage open sharing of ideas, as we know that each member of our team contributes to the Company's performance.

Information about Our Executive Officers

The executive officers of the Company are elected each year at the meeting of our Board, which follows the annual meeting of stockholders, and at other Board meetings, as appropriate.

At March 31, 2021, the only executive officer of the Company was as follows:

Name	Age	Position
John R. Beaver	59	President and Chief Executive Officer

John R. Beaver was named President and Chief Executive Officer in February 2021. Mr. Beaver was most recently the Company's Executive Vice President, Chief Operating Officer and Chief Financial Officer. He joined BIOLASE in 2017 as Senior Vice President and Chief Financial Officer. He assumed roles of varying responsibilities over the past few years, including Interim Chief Executive Officer of BIOLASE from April 2017 until August 2018. Prior to joining the Company, Mr. Beaver served as the Chief Financial Officer of Silicor Materials, Inc., a global leader in the production of solar silicon, from 2009 to 2013 and 2015 to 2017. Mr. Beaver also served on the Board of Directors of Silicor Materials, Inc. from 2013 to 2015. From 2013 to 2015, Mr. Beaver was Chief Financial Officer for Modumetal, Inc., a nano-laminated alloy coatings company focused on oil and gas applications. Prior to 2009, Mr. Beaver was Senior Vice President – Finance and Chief Financial Officer at Sterling Chemicals, a mid-sized public commodity chemical manufacturer. Mr. Beaver holds a Bachelor of Business Administration in Accounting from the University of Texas at Austin and is a Certified Public Accountant.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act, are available free of charge on our website at http://www.biolase.com, as soon as reasonably practicable after the Company electronically files such reports with, or furnishes those reports to, the SEC. We are providing our internet site solely for the information of investors. We do not intend the address to be an active link or to otherwise incorporate the contents of the website into this report.

Additional Information

BIOLASE®, ZipTip®, ezlase®, eztips®, ComfortPulse®, Waterlase®, Waterlase Dentistry®, Waterlase Express®, iLase®, iPlus®, Epic®, Epic Pro®, Epic Hygiene™, WCLI®, World Clinical Laser Institute®, Waterlase MD®, Waterlase Dentistry®, and EZLase® are registered trademarks of BIOLASE, and Pedolase™ is a trademark of BIOLASE. All other product and company names are registered trademarks or trademarks of their respective owners.

Item 1A. ***Risk Factors***

Investing in our securities involves a high degree of risk. You should carefully consider the following risk factors together with all of the other information included in this Form 10-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently consider to be immaterial could also adversely affect us. If any of the following risks come to fruition, our business, financial condition, results of operations, cash flows, and future growth prospects could be materially and adversely affected. In these circumstances, the market price of our stock could decline, and you could lose all or part of your investment.

RISK FACTORS

Investing in our common stock involves substantial risks. You should carefully consider the following risk factors before making an investment decision. Additional risks and uncertainties not presently known to us or that we presently consider to be immaterial could also adversely affect us. If any of those risks or uncertainties come to fruition, our business, financial condition, results of operations, cash flows, and future growth prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Business and Operations

The novel coronavirus outbreak and COVID-19 pandemic have adversely affected, and are likely to continue to adversely affect, our business, results of operations and financial condition. In addition, similar risks related to health epidemics and other outbreaks or pandemics may adversely affect our business, results of operations and financial condition.

We face risks related to health epidemics and other outbreaks, including the global outbreak of the novel coronavirus and the disease caused by it, COVID-19. During 2020, the spread of the novel coronavirus has led to disruption and volatility in the global capital markets. If such disruption and volatility recurs, there could be an increase our cost of capital and an adverse effect on our ability to access the capital markets. In addition, efforts to contain the COVID-19 pandemic have led to travel restrictions, prohibitions on public gatherings and closures of dental offices and clinics throughout much of Europe and the United States . The ability of our salespeople to call on dental customers during these closures were greatly limited. In addition, most dental shows and workshops scheduled in 2020 were canceled.As a result of reduced sales due to the COVID-19 pandemic and actions taken to contain it, cash generated from our operations during 2020 were negatively impacted. The full impact of the COVID-19 outbreak continues to evolve and the full magnitude that the pandemic may have on our financial condition, liquidity, and future results of operations remains uncertain. There is no assurance that sales will return to normal levels during 2021 or at any time thereafter.

We have experienced net losses for each of the past three years and we could experience additional losses and have difficulty achieving profitability in the future.

We had an accumulated deficit of $251.4 million at December 31, 2020. We recorded net losses of $16.8 million, $17.9 million, and $21.5 million for the years ended December 31, 2020, 2019, and 2018, respectively. In order to achieve profitability, we must increase net revenue through new sales and control our costs. Failure to increase our net revenue and decrease our costs could cause our stock price to decline and could have a material adverse effect on our business, financial condition, and results of operations.

We are vulnerable to continued global economic uncertainty and volatility in financial markets.

Our business is highly sensitive to changes in general economic conditions as a seller of capital equipment to end users in dental professional practices. Financial markets inside the United States and internationally have experienced extreme disruption in recent times, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, and declining valuations of investments. We believe these disruptions are likely to have an ongoing adverse effect on the world economy. A continuing economic downturn and financial market disruptions could have a material adverse effect on our business, financial condition, and results of operations.

We may need to raise additional capital in the future, and if we are unable to secure adequate funds on terms acceptable to us, we could be unable to execute our business plan.

As a result of reduced sales due to the COVID-19 pandemic and actions taken to contain it, we may need to raise additional funds through the issuance of equity or debt securities in the public or private markets, or through a collaborative arrangement or sale of assets. Additional financing opportunities may not be available to us, or if available, may not be on favorable terms. The availability of financing opportunities will depend, in part, on market conditions, and the outlook for our business. Any future issuance of equity securities or securities convertible into equity securities could result in substantial dilution to our stockholders, and the securities issued in such a financing could have rights, preferences or privileges senior to those of our common stock. In addition, if we raise additional funds through debt financing, we could be subject to debt covenants that place limitations on our operations. We could not be able to raise additional capital on reasonable terms, or at all, or we could use capital more rapidly than anticipated. If we cannot raise the required capital when needed, we may not be able to satisfy the demands of existing and prospective customers, we could lose revenue and market share and we may have to curtail our capital expenditures.

If we are unable to obtain sufficient capital in the future, we could have to curtail our capital expenditures. Any curtailment of our capital expenditures could result in a reduction in net revenue, reduced quality of our products, increased manufacturing costs for our products, harm to our reputation, or reduced manufacturing efficiencies and could have a material adverse effect on our business, financial condition, and results of operations.

Our success depends, in part, on our relationships with, and the efforts of, third-party distributors.

We rely on exclusive and non-exclusive third-party distributors for a portion of our sales in North America and a majority of our sales in countries outside of the U.S. For the fiscal years ended December 31, 2020, 2019, and 2018, revenue from distributors accounted for approximately 29%, 33%, and 34% of our total net revenue, respectively. Our distributors have significant discretion in determining the efforts and resources they apply to the sale of our products, and we face significant challenges and risks in expanding, training, and managing our third-party distributors, particularly given their geographically dispersed operations. Our distributors may not commit the necessary resources to market and sell our products to the level of our expectations, and, regardless of the resources they commit, they may not be successful. From time to time, we may face competition or pricing pressure from one or more of our non-exclusive distributors in certain geographic areas where those distributors are selling inventory to the same customer base as us. Additionally, most of our distributor agreements can be terminated with limited notice, and we may not be able to replace any terminating distributor in a timely manner or on terms agreeable to us, if at all. If we are not able to maintain our distribution network, if our distribution network is not successful in marketing and selling our products, or if we experience a significant reduction in, cancellation, or change in the size and timing of orders from our distributors, our revenues could decline significantly and lead to an inability to meet operating cash flow requirements, which would have a material adverse effect on our business, financial condition, and results of operations.

Dentists and patients have been hesitant in adopting laser technologies, and our inability to overcome this hesitation could limit the market acceptance of our products and our market share.

Our dental laser systems represent relatively new technologies in the dental market. Only a small percentage of dentists use lasers to perform dental procedures. Our future success will depend on our ability to increase demand for our products by demonstrating to a broad spectrum of dentists and patients the potential performance advantages of our laser systems over traditional methods of treatment and over competitive laser systems, and our inability to do so could have a material adverse effect on our business, financial condition, and results of operations. Historically, we have experienced long sales cycles because dentists have been, and could continue to be, slow to adopt new technologies on a widespread basis. As a result, we generally are required to invest a significant amount of time and resources to educate dentists about the benefits of our products in comparison to competing products and technologies before completing a sale, if any.

Any failure in our efforts to train dental practitioners could result in the misuse of our products, reduce the market acceptance of our products and have a material adverse effect on our business, financial condition, and results of operations.

There is a learning process involved for dental practitioners to become proficient users of our laser systems. It is critical to the success of our sales efforts to adequately train a sufficient number of dental practitioners. Following completion of training, we rely on the trained dental practitioners to advocate the benefits of our products in the broader marketplace. Convincing dental practitioners to dedicate the time and energy necessary for adequate training is challenging, and we cannot provide assurance that we will be successful in these efforts. If dental practitioners are not properly trained, they could misuse or ineffectively use our products, or could be less likely to appreciate our laser systems. This could also result in unsatisfactory patient outcomes, patient injury, negative publicity, FDA regulatory action, or lawsuits against us, any of which could negatively affect our reputation and sales of our laser systems.

If future data proves to be inconsistent with our clinical results or if competitors' products present more favorable results our revenues could decline and our business, financial condition, and results of operations could be materially and adversely affected.

If new studies or comparative studies generate results that are not as favorable as our clinical results, our revenues could decline. Additionally, if future studies indicate that our competitors' products are more effective or safer than ours, our revenues could decline. Furthermore, dental practitioners could choose not to purchase our laser systems until they receive additional published long-term clinical evidence and recommendations from prominent dental practitioners that indicate our laser systems are effective for dental applications.

Our ability to use net operating loss carryforwards could be limited.

Section 382 of the Internal Revenue Code of 1986 ("IRC") generally imposes an annual limitation on the amount of net operating loss carryforwards that may be used to offset taxable income when a corporation has undergone material changes in its stock ownership. In 2006, we completed an analysis to determine the applicability of the annual limitations imposed by IRC Section 382 caused by previous changes in our stock ownership and determined that such limitations should not be significant. Given our continued generation of losses since the completion of 2006 study, we have not updated the study. However, we plan to update the study if we expect to utilize net operating loss carryforwards in any future year. If we experience an ownership change as defined in IRC Section 382, utilization of the net operating loss carryforwards, research and development credit carryforwards, and other tax attributes, would be subject to an annual limitation under Section 382 of the IRC. In addition, our ability to utilize net operating loss carryforwards, research and development credit carryforwards, and other tax attributes may be limited by other changes outside our control, such as changes to applicable tax law. Any limitation may result in the expiration of a portion of the net operating loss or research and development credit carryforwards before utilization. If we lose our ability to use net operating loss carryforwards, any income we generate will be subject to tax earlier than it would be if we were able to use net operating loss carryforwards, resulting in lower profits which could have a material adverse effect on our business, financial condition, and results of operations.

We could incur problems in manufacturing our products.

In order to grow our business, we must expand our manufacturing capabilities to produce the systems and accessories necessary to meet any demand we may experience. We could encounter difficulties in increasing the production of our products, including problems involving production capacity and yields, quality control and assurance, component supply, and shortages of qualified personnel. In addition, before we can begin commercial manufacture of our products, we must ensure our manufacturing facilities, processes, and quality systems, and the manufacture of our laser systems, comply with FDA regulations governing facility compliance, quality control, and documentation policies and procedures. In addition, our manufacturing facilities are subject to periodic inspections by the FDA, as well as various state agencies and foreign regulatory agencies. From time to time, we could expend significant resources in obtaining, maintaining, and addressing our compliance with these requirements. Our success will depend in part upon our ability to manufacture our products in compliance with the FDA's Quality System Regulation and other regulatory requirements. We have experienced quality issues with components of our products supplied by third parties, and we could continue to do so. Our future success depends on our ability to manufacture our products on a timely basis with acceptable manufacturing costs, while at the same time maintaining good quality control and complying with applicable regulatory requirements, and an inability to do so could have a material adverse effect on our product sales, cash collections from customers, and our ability to meet operating cash flow requirements, which could have a material adverse effect on our business, financial condition, and results of operations.

We could be subject to significant warranty obligations if our products are defective, which could have a material adverse effect on our business, financial condition, and results of operations.

In manufacturing our products, we depend upon third parties for the supply of various components. Many of these components require a significant degree of technical expertise to design and produce. If we fail to adequately design, or if our suppliers fail to produce components to specification, or if the suppliers, or we, use defective materials or workmanship in the manufacturing process, the reliability and performance of our products will be compromised. We have experienced such non-compliance with manufacturing specifications in the past and could continue to experience such non-compliance in the future, which could lead to higher costs and reduced margins.

Our products could contain defects that cannot be repaired easily and inexpensively, and we have experienced in the past and could experience in the future some or all of the following:

- loss of customer orders and delay in order fulfillment;
- damage to our brand reputation;

- increased cost of our warranty program due to product repair or replacement;
- inability to attract new customers;
- diversion of resources from our manufacturing and engineering and development departments into our service department; and
- legal action.

Product liability claims against us could be costly and could harm our reputation.

The sale of dental and medical devices involves the risk of product liability claims against us. Claims could exceed our product liability insurance coverage limits. Our insurance policies are subject to various standard coverage exclusions, including damage to the product itself, losses from recall of our product, and losses covered by other forms of insurance such as workers compensation. We cannot be certain that we will be able to successfully defend any claims against us, nor can we be certain that our insurance will cover all liabilities resulting from such claims. In addition, we cannot provide assurance that we will be able to obtain such insurance in the future on terms acceptable to us, or at all. Regardless of merit or eventual outcome, any product liability claim brought against us could result in harm to our reputation, decreased demand for our products, costs related to litigation, product recalls, loss of revenue, an increase in our product liability insurance rates, or the inability to secure coverage in the future, and could have a material adverse effect on our business by reducing cash collections from customers and limiting our ability to meet our operating cash flow requirements.

Our suppliers may not supply us with a sufficient amount or adequate quality of materials, which could have a material adverse effect on our business, financial condition, and results of operations.

Our business depends on our ability to obtain timely deliveries of materials, components, and subassemblies of acceptable quality and in acceptable quantities from third-party suppliers. We generally purchase components and subassemblies from a limited group of suppliers through purchase orders, rather than written supply contracts. Consequently, many of our suppliers have no obligation to continue to supply us on a long-term basis. In addition, our suppliers manufacture products for a range of customers, and fluctuations in demand for the products those suppliers manufacture for others could affect their ability to deliver components for us in a timely manner. Moreover, our suppliers could encounter financial hardships, be acquired, or experience other business events unrelated to our demand for components, which could inhibit or prevent their ability to fulfill our orders and satisfy our requirements.

Certain components of our products, particularly specialized components used in our laser systems, are currently available only from a single source or limited sources. For example, the crystal, fiber, and hand pieces used in our Waterlase systems are each supplied by a separate single supplier. Our dependence on single-source suppliers involves several risks, including limited control over pricing, availability, quality, and delivery schedules.

If any of our suppliers cease to provide us with sufficient quantities of our components in a timely manner or on terms acceptable to us, or ceases to manufacture components of acceptable quality, we could incur manufacturing delays and sales disruptions while we locate and engage alternative qualified suppliers, and we might be unable to engage acceptable alternative suppliers on favorable terms. In addition, we could need to reengineer our components, which could require product redesign and submission to the FDA of a 510(k) application, which could significantly delay production. Any interruption or delay in the supply of components or materials, or our inability to obtain components or materials from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and cause them to cancel orders or switch to competitive procedures. We are continually in the process of identifying and qualifying alternate source suppliers for our key components. There can be no assurance, however, that we will successfully identify and qualify an alternate source supplier for any of our key components or that we could enter into an agreement with any such alternate source supplier on terms acceptable to us, or at all.

We have significant international sales and are subject to risks associated with operating internationally.

International sales comprise a significant portion of our net revenue, and we intend to continue to pursue and expand our international business activities. For the fiscal years ended December 31, 2020, 2019, and 2018, international sales accounted for approximately 29%, 40%, and 38% of our net revenue, respectively. Political, economic, and health conditions outside the United States, could make it difficult for us to increase our international revenue or to operate abroad. For example, efforts to contain the outbreak of COVID-19 in Asia and Europe included travel restrictions and closures of dental offices and clinics, significantly adversely impacting our international sales in the first quarter of 2020.

In addition, international operations are subject to many inherent risks, which could have a material adverse effect on our revenues and operating cash flow, including among others:

- adverse changes in tariffs and trade restrictions;
- political, social, and economic instability and increased security concerns;
- fluctuations in foreign currency exchange rates;
- longer collection periods and difficulties in collecting receivables from foreign entities;
- exposure to different legal standards;
- transportation delays and difficulties of managing international distribution channels;
- reduced protection for our intellectual property in some countries;
- difficulties in obtaining domestic and foreign export, import, and other governmental approvals, permits, and licenses, and compliance with foreign laws;
- the imposition of governmental controls;
- unexpected changes in regulatory or certification requirements;
- difficulties in staffing and managing foreign operations; and
- potentially adverse tax consequences and the complexities of foreign value-added tax systems.

We believe that international sales will continue to represent a significant portion of our net revenue, and we intend to expand our international operations further. In international markets where our sales are denominated in U.S. dollars, an increase in the relative value of the dollar against the currency in such markets could indirectly increase the price of our products in those markets and result in a decrease in sales. We do not currently engage in any transactions as a hedge against risks of loss due to foreign currency fluctuations. However, we could do so in the future.

We could be subject to breaches of our information technology systems, which could damage our reputation and customer relationships. Such breaches could subject us to significant reputational, financial, legal, and operational consequences.

We rely on information systems (“IS”) in our business to obtain, rapidly process, analyze and manage data. A cyber-attack that bypasses our IS security, or employee error, malfeasance or other disruptions that cause an IS security breach could lead to a material disruption of our IS and/or the loss of business information. Such an attack could result in, among other things: the theft, destruction, loss, misappropriation or release of confidential data and intellectual property; operational or business delays; liability for a breach of personal financial and health information belonging to our customers and their patients or to our employees; and damage to our reputation.

Any of these results could have a material adverse effect on our business due to the time and expense to respond to such an attack, recover data, and remediate IS weaknesses, which would disrupt our daily business operations. Further, in the event of an attack, we would be exposed to a risk of loss or litigation and possible liability, including under laws that protect the privacy of personal information.

Our revenue and operating results fluctuate due to seasonality and other factors, so you should not rely on quarter-to-quarter comparisons of our operating results as an indication of our future performance.

Our revenue typically fluctuates from quarter to quarter due to a number of factors, many of which are beyond our control. Revenue in the first quarter typically is lower than average, and revenue in the fourth quarter typically is stronger than average due to the buying patterns of dental practitioners. We believe that this trend exists because a significant number of dentists purchase their capital equipment towards the end of the calendar year in order to maximize their practice earnings while seeking to minimize their taxes. They often use certain tax incentives, such as accelerated depreciation methods for purchasing capital equipment, as part of their year-end tax planning. In addition, revenue in the third quarter could be affected by vacation patterns, which can cause revenue to be flat or lower than in the second quarter of the year. Our historical seasonal fluctuations could also be impacted by sales promotions used by large dental distributors that encourage end-of-quarter and end-of-year buying in our industry.

The expenses we incur are based, in large part, on our expectations regarding future net revenue. Since many of our costs are fixed in the short term, we could be unable to reduce expenses quickly enough to avoid losses if we experience a decrease in expected net revenue. Accordingly, you should not rely on quarter-to-quarter comparisons of our operating results as an indication of our future performance.

Litigation against us could be costly and time-consuming to defend and could materially and adversely affect our business, financial condition, and results of operations.

We are from time to time involved in various claims, litigation matters and regulatory proceedings incidental to our business, including claims for damages arising out of the use of our products or services and claims relating to intellectual property matters, employment matters, commercial disputes, competition, sales and trading practices, environmental matters, personal injury, and insurance coverage. Some of these lawsuits include claims for punitive as well as compensatory damages. The defense of these lawsuits could divert our management's attention, and we could incur significant expenses in defending these lawsuits. In addition, we could be required to pay damage awards or settlements or become subject to unfavorable equitable remedies. Moreover, any insurance or indemnification rights that we could have may be insufficient or unavailable to protect us against potential loss exposures.

Our manufacturing operations are consolidated primarily in one facility. A disruption at this facility could result in a prolonged interruption of our business and have a material adverse effect on our business, financial condition, and results of operations.

Substantially all of our manufacturing operations are located at our facility in Corona, California, which is near known earthquake fault zones. Although we have taken precautions to safeguard our facilities including disaster recovery planning and off-site backup of computer data, a natural disaster such as an earthquake, fire, or flood, could seriously harm our facility and significantly disrupt our operations. Additionally, labor disputes, maintenance requirements, power outages, equipment failures, civil unrest, or terrorist attacks affecting our Corona, California facility could significantly disrupt our operations. Our business interruption insurance coverage may not cover all or any of our losses from natural disasters or other disruptions.

If we lose our key management personnel, or are unable to attract or retain qualified personnel, it could adversely affect our ability to execute our growth strategy.

Our success is dependent, in part, upon our ability to hire and retain management, engineers, marketing and sales personnel, and technical, research and other personnel who are in high demand and are often subject to competing employment opportunities. Our success will depend on our ability to retain our current personnel and to attract and retain qualified like personnel in the future. Competition for senior management, engineers, marketing and sales personnel, and other specialized technicians is intense and we may not be able to retain our personnel. If we lose the services of any executive officers or key employees, our ability to achieve our business objectives could be harmed or delayed, which could have a material adverse effect on our daily operations, operating cash flows, results of operations, and ultimately share price. In general, our officers could terminate their employment at any time without notice for any reason.

Failure to meet covenants in the Credit Agreements with our debt agreements could result inacceleration of our payment obligations thereunder, and we may not be able to find alternative financing.

Under the Credit Agreement dated November 9, 2018, as amended from time to time, between BIOLASE, Inc. and SWK, we are required to maintain a specified amount of consolidated unencumbered liquid assets as of the end of each fiscal quarter, generate minimum levels of revenue as of the end of each period specified in the Credit Agreement and maintain specified levels of consolidated EBITDA as of the end of each period specified in the Credit Agreement. Our ability to comply with these covenants may be affected by factors beyond our control.

If we fail to comply with the covenants contained in the Credit Agreement or if the Required Lenders (as defined in the Credit Agreement) contend that we have failed to comply with these covenants or any other restrictions, it could result in an event of default under the Credit Agreement, which would permit or, in certain events, require SWK to declare all amounts outstanding thereunder to be immediately due and payable. There can be no assurances that we will be able to repay all such amounts or able to find alternative financing in an event of a default. Even if alternative financing is available in an event of a default under the Credit Agreement, it may be on unfavorable terms, and the interest rate charged on any new borrowings could be substantially higher than the interest rate under the Credit Agreement, thus adversely affecting cash flows, results of operations, and ultimately, our ability to meet operating cash flow requirements.

The restrictive covenants in the Credit Agreement and the PMB Loan Agreement (as defined below) and BIOLASE's obligation to make debt payments under these loans may limit our operating and financial flexibility and may adversely affect the Company's business, financial condition, and results of operations.

The Credit Agreement imposes operating and financial restrictions and covenants, which may limit or prohibit our ability to, among other things:

- incur additional indebtedness;
- make investments, including acquisitions;
- create liens;
- make dividends, distributions or other restricted payments;
- effect affiliate transactions;
- enter into mergers, divisions, consolidations or sales of substantially all of our or our subsidiaries' assets;
- change business activities and issue equity interests; or
- sell material assets (without using the proceeds thereof to repay the obligations under the Credit Agreement).

In addition, we are required to comply with certain financial covenants under the Credit Agreement as described above.

Such restrictive covenants in the Credit Agreement and our loan and security agreement (the "PMB Loan Agreement") with Pacific Mercantile Bank ("PMB") and our repayment obligations under the Credit Agreement could have adverse consequences to us, including:

- limiting our ability to use cash;
- limiting our flexibility in operating our business and planning for, or reacting to, changes in our business and our industry;
- requiring the dedication of a substantial portion of any cash flow from operations to the payment of principal of, and interests on, the indebtedness, thereby reducing the availability of such cash flow to fund our operations, working capital, capital expenditures, future business opportunities and other general corporate purposes;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing;

- limiting our ability to adjust to changing market conditions; and

- placing us at a competitive disadvantage relative to our competitors who are less highly leveraged.

If we fail to comply with the terms of the Credit Agreement and there is an event of default, the creditor(s) may foreclose upon the assets securing our obligations thereunder.

To secure the performance of our obligations under the Credit Agreement, we granted SWK security interests in substantially all of the assets of BIOLASE and certain of our foreign and domestic subsidiaries. In addition, the loan under the PMB Loan Agreement (the “PMB Loan”) is secured by substantially all of the Company’s assets. Our failure to comply with the terms of the Credit Agreement could result in an event of default thereunder. In that event, SWK will have the option to (and, in certain circumstances, will have the obligation to) foreclose on the assets of BIOLASE and certain of our subsidiaries pledged as collateral under the Credit Agreement or the other documents executed in connection with the Credit Agreement. The foreclosure on the Company’s assets could severely and negatively impact our business, financial condition, and results of operations.

If certain individuals (or permitted replacements thereof) no longer serve as our Chairman, Chief Executive Officer or Chief Financial Officer, we may be obligated to pay all outstanding obligations and certain fees under our debt agreements.

The Credit Agreement provides that, unless such actions are consented to in advance in writing by SWK, if two or more of the three of Jonathan Lord, Todd Norbe and John Beaver (or, in each case, his approved successor) at any one time no longer serves in their current positions with the Company and we do not find individuals to replace such individuals within 150 days (or in certain circumstances 210 days), with individuals of appropriate qualification and experience approved in writing by SWK (which approval may not be unreasonably withheld or delayed), there is a “Key Person Event” and all outstanding obligations and certain fees under the Credit Agreement become immediately due and payable. Similarly, under the PMB Loan, if our President, Chief Executive Officer or Chief Financial Officer is changed and not replaced with another person acceptable to PMB as one of our lenders, within 20 days of such change, there would be an event of default under the PMB Loan Agreement. Mr. Norbe resigned as President and Chief Executive Officer on February 22, 2021. Whether Mr. Lord and Mr. Beaver remain our Chairman and Chief Financial Officer, respectively, is not entirely under our control. Although we intend to find an appropriate replacement satisfactory to the applicable lender for Mr. Norbe and if either of Mr. Lord or Mr. Beaver leaves his current position, there is no assurance that we will be able find a replacement acceptable to the applicable lender within the time period permitted, if at all. If there is a Key Person Event or an event of default under the PMB Loan Agreement, there can be no assurance that we will be able to repay all outstanding obligations and fees payable or able to find alternative financing. Even if alternative financing is available, it may be on unfavorable terms, and the interest rate charged on any new borrowings could be substantially higher than the interest rate under our current agreements, thus adversely affecting our business, financial condition, and results of operations.

If we fail to comply with the reporting obligations of the Exchange Act and Section 404 of the Sarbanes-Oxley Act, or if we fail to maintain adequate internal control over financial reporting, our business, financial condition, and results of operations, and investors’ confidence in us, could be materially and adversely affected.

As a public company, we are required to comply with the periodic reporting obligations of the Exchange Act, including preparing annual reports, quarterly reports, and current reports. Our failure to prepare and disclose this information in a timely manner and meet our reporting obligations in their entirety could subject us to penalties under federal securities laws and regulations of the NASDAQ Stock Market, LLC (“NASDAQ”), expose us to lawsuits, and restrict our ability to access financing on favorable terms, or at all.

In addition, pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to evaluate and provide a management report of our systems of internal control over financial reporting. During the course of the evaluation of our internal control over financial reporting, we could identify areas requiring improvement and could be required to design enhanced processes and controls to address issues identified through this review. This could result in significant delays and costs to us and require us to divert substantial resources, including management time, from other activities.

In 2019, we identified a material weakness in our internal control over financial reporting, specifically, our controls relating to the accounting for our Series E Convertible Preferred Stock ("Series E Preferred Stock"). During our review of the consolidated financial statements as of December 31, 2019, we determined that the classification of the Series E Preferred Stock on the consolidated balance sheet was incorrect and that due to the fact that the Series E Preferred Stock is redeemable at the control of the stockholder, it should have been classified as mezzanine equity pursuant to the accounting guidance in Accounting Standards Codification Topic 480 – "*Distinguishing Liabilities from Equity,"* and not a component of permanent equity. We believe that these control deficiencies were a result of and misinterpretation of the terms and conditions of the Preferred Stock Agreement which led to the misclassification. The error was corrected and the material weakness did not result in any identified misstatements to the financial statements, and there were no changes to previously released financial results. Based on this material weakness, the Company's management concluded that at December 31, 2019, the Company's internal control over financial reporting was not effective.

Although the material weakness has been remediated as of December 31, 2020, any failure to maintain compliance with the requirements of Section 404 on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could, negatively impact the trading price of our stock, and adversely affect investors' confidence in the Company and our ability to access capital markets for financing.

Risks Related to Our Intellectual Property

If the patents that we own or license, or our other intellectual property rights, do not adequately protect our technologies, we could lose market share to our competitors and be unable to operate our business profitably.

Our future success depends, in part, on our ability to obtain and maintain patent protection for our products and technology, to preserve our trade secrets and to operate without infringing the intellectual property of others. We rely on patents to establish and maintain proprietary rights in our technology and products. We currently possess a number of issued patents and patent applications with respect to our products and technology. However, we cannot ensure that any additional patents will be issued, that the scope of any patent protection will be effective in helping us address our competition, or that any of our patents will be held valid if subsequently challenged. It is also possible that our competitors could independently develop similar or more desirable products, duplicate our products, or design products that circumvent our patents. The laws of foreign countries may not protect our products or intellectual property rights to the same extent as the laws of the United States. In addition, there have been recent changes in the patent laws and rules of the U.S. Patent and Trademark Office, and there could be future proposed changes that, if enacted, have a significant impact on our ability to protect our technology and enforce our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitive position could be adversely affected, and there could be a material adverse effect on our business, financial condition, and results of operations.

If third parties claim that we infringe their intellectual property rights, we could incur liabilities and costs and have to redesign or discontinue selling certain products, which could have a material adverse effect on our business, financial condition, and results of operations.

We face substantial uncertainty regarding the impact that other parties' intellectual property positions will have on dental and other medical laser applications. The medical technology industry has in the past been characterized by a substantial amount of litigation and related administrative proceedings regarding patents and intellectual property rights. From time to time, we have received, and we expect to continue to receive, notices of claims of infringement, misappropriation, or misuse of other parties' proprietary rights. Some of these claims could lead to litigation. We may not prevail in any future intellectual property infringement litigation given the complex technical issues and inherent uncertainties in litigation. Any claims, with or without merit, could be time-consuming and distracting to management, result in costly litigation, or cause product shipment delays. Adverse determinations in litigation could subject us to significant liability and could result in the loss of proprietary rights. A successful lawsuit against us could also force us to cease selling or redesign products that incorporate the infringed intellectual property. Additionally, we could be required to seek a license from the holder of the intellectual property to use the infringed technology, and we may not be able to obtain a license on acceptable terms, or at all.

Risks Related to Our Regulatory Environment

Changes in government regulation or the inability to obtain or maintain necessary government approvals could have a material adverse effect on our business, financial condition, and results of operations.

Our products are subject to extensive government regulation, both in the United States and in other countries. To clinically test, manufacture, and market products for human use, we must comply with regulations and safety standards set by the FDA and comparable state and foreign agencies. Regulations adopted by the FDA are wide-ranging and govern, among other things, product design, development, manufacture and control testing, labeling control, storage, advertising, and sales. Generally, products must meet regulatory standards as safe and effective for their intended use before being marketed for human applications. The clearance process is expensive, time-consuming, and uncertain. Failure to comply with applicable regulatory requirements of the FDA can result in an enforcement action, which could include a variety of sanctions, including fines, injunctions, civil penalties, recall or seizure of our products, operating restrictions, partial suspension, or total shutdown of production and criminal prosecution. The failure to receive or maintain requisite approvals for the use of our products or processes, or significant delays in obtaining such approvals, could prevent us from developing, manufacturing, and marketing products and services necessary for us to remain competitive.

If we develop new products and applications or make any significant modifications to our existing products or labeling, we will need to obtain additional regulatory clearances or approvals. Any modification that could significantly affect a product's safety or effectiveness, or that would constitute a change in its intended use, will require a new FDA 510(k) clearance, or could require a PMA application. The FDA requires each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination, the FDA can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or PMA is obtained. If 510(k) clearance is denied and a PMA application is required, we could be required to submit substantially more data and conduct human clinical testing and would very likely be subject to a significantly longer review period.

Products sold in international markets are also subject to the regulatory requirements of each respective country or region. The regulations of the European Union require that a device have a CE Mark, indicating conformance with European Union laws and regulations before it can be sold in the European Union. The regulatory international review process varies from country to country. We rely on our distributors and sales representatives in the foreign countries in which we market our products to comply with the regulatory laws of such countries. Failure to comply with the laws of such countries could prevent us from continuing to sell products in such countries. In addition, unanticipated changes in existing regulatory requirements or the adoption of new requirements could impose significant costs and burdens on us, which could increase our operating expenses.

Changes in health care regulations in the U.S. and elsewhere could adversely affect the demand for our products as well as the way in which we conduct our business. For example, in 2010, President Obama signed the Affordable Care Act into law, which included various reforms impacting Medicare coverage and reimbursement, including revision to prospective payment systems, any of which could adversely impact any Medicare reimbursements received by our end-user customers. New legislation may be enacted as President Trump and Congress consider further reform. In addition, as a result of the focus on health care reform, there is risk that Congress could implement changes in laws and regulations governing health care service providers, including measures to control costs, and reductions in reimbursement levels. We cannot be sure that government or private third-party payers will cover and reimburse the procedures using our products, in whole or in part, in the future, or that payment rates will be adequate. If providers cannot obtain adequate coverage and reimbursement for our products, or the procedures in which they are used, our business, results of operations, and financial condition could suffer.

We could be subject to or otherwise affected by federal and state health care laws, including fraud and abuse and health information privacy and security laws, and we could face substantial penalties if we are unable to fully comply with such regulations.

We are directly or indirectly, through our customers, subject to extensive regulation by both the federal government and the states and foreign countries in which we conduct our business. If our past or present operations are found to be in violation of governmental laws or regulations to which we or our customers are subject, we could be subject to the applicable penalty associated with the violation, which could include civil and criminal penalties, damages, fines, exclusion from FHCPs, and the curtailment or restructuring of our operations. If we are required to obtain permits or licensure under these laws that we do not already possess, we could become subject to substantial additional regulation or incur significant expense. Any penalties, damages, fines, or curtailment or restructuring of our operations could be significant. The risk of potential non-compliance is increased by the fact that many of these laws have not been fully interpreted by applicable regulatory authorities or the courts, and their provisions are open to a variety of interpretations and additional legal or regulatory change. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business, damage our reputation, and cause a material adverse effect on sales, cash collections, and our ability to meet operating cash flow requirements.

We could be exposed to liabilities under the FCPA, and any determination that we violated the FCPA could have a material adverse effect on our business, financial condition, and results of operations.

In light of our operations outside the United States, we are subject to the FCPA, which generally prohibits companies and their intermediaries from offering to pay, promising to pay, or authorizing the payment of money or anything of value to non-U.S. officials for the purpose of influencing any act or decision of the foreign official in his/her capacity or to secure any other improper advantage to obtain or retain business. Violation of the anti-bribery provisions of the FCPA can result in criminal fines of up to $2 million and civil penalties of up to $16,000 for each violation. Individuals, including officers, directors, stockholders, and agents of companies, can be subject to a criminal fine of up to $250,000 and imprisonment, in addition to civil penalties of up to $16,000, per violation. We could be held liable for actions taken by our distributors in violation of the FCPA, even though such partners are foreign companies that may not be subject to the FCPA. Any determination that we violated the FCPA could result in sanctions that could have a material adverse effect on our business, financial condition, and results of operations.

Product sales or introductions could be delayed or canceled as a result of the FDA regulatory requirements applicable to laser products, dental devices, or both, which could cause our sales or profitability to decline and have a material adverse effect on our business, financial condition, and results of operations.

The process of obtaining and maintaining regulatory approvals and clearances to market a medical device from the FDA and similar regulatory authorities abroad can be costly and time-consuming, and we cannot provide assurance that such approvals and clearances will be granted. Pursuant to FDA regulations, unless exempt, the FDA permits commercial distribution of a new medical device only after the device has received 510(k) clearance or is the subject of an approved PMA. The FDA will clear marketing of a medical device through the 510(k) process if it is demonstrated that the new product is substantially equivalent to other 510(k)-cleared products. The PMA process is more costly, lengthy and uncertain than the 510(k) process, and must be supported by extensive data, including data from preclinical studies, and human clinical trials. Because we cannot provide assurance that any new products, or any product enhancements, that we develop will be subject to the shorter 510(k) clearance process, significant delays in the introduction of any new products or product enhancement could occur. We cannot provide assurance that the FDA will not require a new product or product enhancement to go through the lengthy and expensive PMA process. Delays in obtaining regulatory clearances and approvals could:

- delay or eliminate commercialization of products we develop;
- require us to perform costly procedures;
- diminish any competitive advantages that we may attain; and
- reduce our ability to collect revenues or royalties.

Although we have obtained 510(k) clearance from the FDA to market our dental laser systems, we cannot provide assurance that we will not be required to obtain new clearances or approvals for modifications or improvements to our products.

Our products are subject to recalls and other regulatory actions after receiving FDA clearance or approval.

The FDA and similar governmental bodies in other countries have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. A government mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors, or design defects, including defects in labeling. Any recall would divert management’s attention and financial resources and harm our reputation with customers. Any recall involving our laser systems would be particularly harmful to us, because our laser systems comprise such an important part of our portfolio of products. However, any recall could have a material adverse effect on our business, financial condition, and results of operations.

Risks Related to Our Stock

Failure to meet NASDAQ's continued listing requirements could result in the delisting of our common stock, negatively impact the price of our common stock and negatively impact our ability to raise additional capital.

We have received deficiency letters from NASDAQ in the past. For example, on December 3, 2019, we received a deficiency letter from NASDAQ's Listing Qualifications Department (the "Staff"), notifying us that we violated the continued listing requirements of NASDAQ listing rule 5550(a)(2) (the "Minimum Bid Price Rule") , which requires that BIOLASE common stock maintain a minimum bid price of at least $1.00 per share, and onMarch 31, 2020, we received a deficiency letter from NASDAQ notifying us that, based on the Company's stockholders' equity of $377,000 as of December 31, 2019, as reported in the 2019 Form 10-K, we were no longer in compliance with the minimum stockholders' equity requirement for continued listing on NASDAQ under NASDAQ Listing Rule 5550(b)(1), which requires listed companies to maintain stockholders' equity of at least $2.5 million.

As of the date of this annual report on Form 10-K, we are in compliance with both NASDAQ listing rule 5550(a)(2) and 5550(b)(1). However, ifin the future, we fail to comply with NASDAQ's continued listing requirements, our common stock will be subject to delisting. If that were to occur, our common stock would be subject to rules that impose additional sales practice requirements on broker-dealers who sell our securities. The additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from effecting transactions in our common stock. This would adversely affect the ability of investors to trade our common stock and would adversely affect the value of our common stock. These factors could contribute to lower prices and larger spreads in the bid and ask prices for our common stock. If we seek to implement a further reverse stock split in order to remain listed on NASDAQ, the announcement or implementation of such a reverse stock split could negatively affect the price of our common stock.

Our stock price has been, and could continue to be, volatile.

There has been significant volatility in the market price and trading volume of equity securities, which may be unrelated to the financial performance of the companies issuing the securities. These broad market fluctuations could negatively affect the market price of our stock. The market price and volume of our common stock could fluctuate, and in the past has fluctuated, more dramatically than the stock market in general. During the twelve months ended December 31, 2020, the market price of our common stock has ranged from a high of $0.87 per share to a low of $0.23 per share. You may not be able to resell your shares at or above the price you paid for them due to fluctuations in the market price of our stock caused by changes in our operating performance or prospects or other factors. Some factors, in addition to the other risk factors identified above, that could have a significant effect on our stock market price include but are not limited to the following:

- actual or anticipated fluctuations in our operating results or future prospects;
- our announcements or our competitors' announcements of new products;
- the public's reaction to our press releases, our other public announcements, and our filings with the SEC;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- changes in our growth rates or our competitors' growth rates;
- developments regarding our patents or proprietary rights or those of our competitors;
- our inability to raise additional capital as needed;
- concerns or allegations as to the safety or efficacy of our products;
- changes in financial markets or general economic conditions;

- sales of stock by us or members of our management team, our Board, our significant stockholders, or certain institutional stockholders; and
- changes in stock market analyst recommendations or earnings estimates regarding our stock, other comparable companies or our industry generally.

You could experience substantial dilution of your investment as a result of future sales of our equity, subsequent exercises of our outstanding warrants and options, or the future grant of equity by us.

As of the date of the filing of this annual report on Form 10-K, management is evaluating all options to conserve cash and to obtain additional debt or equity financing and/or enter into a collaborative arrangement or sale of assets, to permit the Company to continue operations. Moreover, we may choose to raise additional capital from time to time, even if we believe we have sufficient funds for our current or future operating plans. During February 2021, we sold 14.0 million shares of our common stock in an underwritten bought deal offering for gross proceeds of approximately $14.4 million before deducting underwriting discounts and commissions and estimated offering expenses. During 2020, we consummated a registered direct offering of 10.8 million shares of BIOLASE common stock to certain accredited institutional investors and a concurrent private placement of warrants to purchase 10.8 million shares of BIOLASE common stock with an exercise price of $0.515 per share. We received aggregate gross proceeds of approximately $6.9 million in the offering, before deducting placement agent fees and other offering expenses. Also in 2020, we completed a registered rights offering under which we sold an aggregate of 18,000 units consisting of an aggregate of 18,000 shares of Series F Convertible Preferred Stock (“Series F Preferred Stock”) and warrants to purchase 45 million shares of BIOLASE common stock, resulting in net proceeds to us of approximately $15.8 million after deducting expenses relating to the rights offering.

During 2019, we consummated an underwritten public offering of approximately 9.0 million shares of BIOLASE common stock and a private placement of 69,565 shares of our Series E Preferred Stock, resulting in net proceeds of approximately $7.8 million after deducting underwriter discounts and other fees and expenses. During 2017, we sold approximately 6.9 million shares of common stock in a rights offering and private placement with gross proceeds totaling approximately $22.5 million. During 2016, we sold approximately 1.8 million shares of common stock in private placements with gross proceeds totaling approximately $10.0 million. During 2014, we sold approximately 4.5 million shares of common stock in private placements with gross proceeds totaling approximately $52.0 million. To the extent that we raise additional funds through the future sale of equity or convertible securities, the issuance of such securities will result in dilution to our stockholders. The price per share at which we sell additional shares of our common stock, or securities convertible or exchangeable into common stock, in future transactions may be higher or lower than the price per share paid by investors in the offering. Investors purchasing shares or other securities in the future could have rights superior to existing stockholders.

In addition, you could experience substantial dilution of your investment as a result of subsequent exercises of outstanding warrants and outstanding options and vesting of restricted stock units issued as compensation for services performed by employees, directors, consultants, and others, warrants issued in past sales of our equity, or the grant of future equity-based awards. As of December 31, 2020, an aggregate of 4,746,000 shares of common stock were reserved for issuance under our equity incentive plans, 2,658,000 of which were subject to options outstanding as of that date at a weighted-average exercise price of $3.30 per share and 4,622,000 of which were subject to restricted stock units outstanding or expected to be issued under our leadership bonus program as of that date. Of the 7,281,000 stock options and restricted stock units outstanding, 2,268,000 stock options were vested and exercisable. In addition, as of December 31, 2020, 54,085,000 shares of our common stock were subject to warrants at a weighted-average exercise price of $0.62 per share and 500,000 shares were expected to be issued under our restricted stock agreement with CAO Group, Inc. (“CAO”), relating to the Confidential Settlement Agreement, dated January 25, 2019, by and between BIOLASE and CAO. Additionally, as of December 31, 2020, the 882 shares of Series F Preferred Stock are convertible into 2,205,000 shares of our common stock if converted. To the extent that outstanding warrants or options are exercised or the convertible preferred stock is converted, our existing stockholders could experience dilution. We rely heavily on equity awards to motivate current employees and to attract new employees. The grant of future equity awards by us to our employees and other service providers could further dilute our stockholders’ interests in the Company.

Because we do not intend to pay dividends, our stockholders will benefit from an investment in our common stock only if it appreciates in value.

We intend to retain our future earnings, if any, to finance the expansion of our business and do not expect to pay any cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value or even maintain the price at which our stockholders purchased their shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common stock will depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. There can be no assurance that analysts will cover us or provide favorable coverage. If one or more of the analysts who cover us downgrade our stock or change their opinion of our stock, our share price would likely decline. If one or more of these analysts cease coverage of the Company or fail to regularly publish reports on the Company, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of December 31, 2020, we owned or leased a total of approximately 28,000 square feet of space worldwide. We lease our corporate headquarters, which consists of approximately 11,000 square feet in Foothill Ranch, California. Our lease expires on December 31, 2025. We lease our manufacturing facility, which consists of approximately 13,000 square feet in Corona, California. Our lease expires on June 30, 2025. For additional information, see Note 7 to the consolidated financial statements.

We believe that our current facilities are sufficient for the current operations of our business, and we believe that suitable additional space in various applicable local markets is available to accommodate any needs that may arise.

Item 3. *Legal Proceedings*

From time to time, we are involved in legal proceedings and regulatory proceedings arising out of our operations. We establish reserves for specific liabilities in connection with legal actions that we deem to be probable and estimable. The ability to predict the ultimate outcome of such matters involves judgments, estimates, and inherent uncertainties. The actual outcome of such matters could differ materially from management's estimates.

Intellectual Property Litigation

On April 24, 2012, CAOfiled a lawsuit against BIOLASE in the District of Utah alleging that BIOLASE's ezlase dental laser infringes on U.S. Patent No. 7,485,116 (the "116 Patent"). On September 9, 2012, CAO amended its complaint, adding claims for (1) business disparagement/injurious falsehood under common law and (2) unfair competition under 15 U.S.C. Section 1125(a). The additional claims stem from a press release that BIOLASE issued on April 30, 2012, which CAO claims contained false statements that are disparaging to CAO and its diode product. The amended complaint sought injunctive relief, treble damages, attorneys' fees, punitive damages, and interest. Until January 24, 2018, this lawsuit was stayed in connection with the USPTO proceedings relating to the 116 Patent, which proceedings ultimately culminated in a January 27, 2017 decision by the United States Court of Appeals for the Federal Circuit, affirming the findings of the Patent Trial and Appeal Board, which were generally favorable to the Company. On January 25, 2018, CAO moved for leave to file a second amended complaint to add certain claims, which filing the Company is not opposing. This matter was transferred to the Central District of California and consolidated with the matter described below.

On January 23, 2018, CAO filed a lawsuit against BIOLASE in the Central District of California alleging that BIOLASE's diode lasers infringe on U.S. Patent Nos. 8,337,097, 8,834,497, 8,961,040 and 8,967,883. The complaint sought injunctive relief, treble damages, attorneys' fees, punitive damages, and interest.

On January 25, 2019 BIOLASE entered into a confidential settlement agreement with CAO, which provided that the lawsuits and claims (described above) were dismissed with prejudice with each party to bear its own costs and attorneys' fees. See Note 7 to the consolidated financial statements for additional information.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities*

Market Information

Our common stock is traded on the NASDAQ Capital Market under the symbol "BIOL."

As of March 25, 2021, the closing price of our common stock on the NASDAQ Capital Market was $0.96 per share, and the number of stockholders of record was 93. We believe that the number of beneficial owners is substantially greater than the number of record holders because a large portion of our stock is held of record through brokerage firms in "street name."

Dividend Policy

We intend to retain our available funds from earnings and other sources for future growth and, therefore, do not anticipate paying any cash dividends in the foreseeable future. Additionally, we are prohibited from declaring and paying dividends under our Credit Agreement with SWK. As a result, we do not anticipate paying any stock dividends in 2021. Our dividend policy may be changed at any time, and from time to time, by our Board. We did not pay or declare any dividends in 2020, 2019, or 2018.

Equity Compensation Plan Information

At our annual meeting of stockholders held on May 9, 2018, the Company's stockholders approved the BIOLASE, Inc. 2018 Long-Term Incentive Plan (the "2018 Plan"), which was amended by Amendment No. 1 to the 2018 Plan, approved by the Company's stockholders on September 21, 2018. Amendment No. 2 to the 2018 Plan, approved by the Company's stockholders on May 15, 2019 and Amendment No. 3 to the 2018 Plan, approved by the Company's stockholders on May 13, 2020 The purposes of the 2018 Plan are (i) to align the interests of the Company's stockholders and recipients of awards under the 2018 Plan by increasing the proprietary interest of such recipients in the Company's growth and success; (ii) to advance the interests of the Company by attracting and retaining non-employee directors, officers, other employees, consultants, independent contractors and agents; and (iii) to motivate such persons to act in the long-term best interests of the Company and its stockholders. The 2018 Plan replaced the BIOLASE, Inc. 2002 Stock Incentive Plan, (as amended, the "2002 Plan"), with respect to future awards.

The 2002 Plan and the 2018 Plan are designed to attract and retain the services of individuals essential to the Company's long-term growth and success. The following table summarizes information as of December 31, 2020 with respect to the shares of our common stock that may be issued upon exercise of options, warrants or rights under the 2002 Plan and the 2018 Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Release of Restricted Stock Units	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plan Approved by Stockholders	2,024,000	$ 5.63	439,000
Equity Compensation Plan Not Approved by Stockholders	—	—	—
Total	2,024,000	$ 5.63	439,000

Item 6. *Selected Financial Data*

As a smaller reporting company, the Company is not required to provide the information called for under this Item.

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

The following information should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions, which could cause actual results to differ materially from management's expectations. Please see the "Cautionary Statement Regarding Forward-Looking Statements" section immediately preceding Part I, Item 1 of this Form 10-K and the "Risk Factors" section in Part I, Item 1A of this Form 10-K.

Overview

We are a leading provider of advanced laser systems for the dental industry. We develop, manufacture, market, and sell laser systems that provide significant benefits for dental practitioners and their patients. Our proprietary systems allow dentists, periodontists, endodontists, oral surgeons, and other dental specialists to perform a broad range of minimally invasive dental procedures, including cosmetic, restorative, and complex surgical applications. Our laser systems are designed to provide clinically superior results for many types of dental procedures compared to those achieved with drills, scalpels, and other conventional instruments. Potential patient benefits include less pain, fewer shots, faster healing, decreased fear and anxiety, and fewer appointments. Potential practitioner benefits include improved patient care and the ability to perform a higher volume and wider variety of procedures and generate more patient referrals.

We offer two categories of laser system products: Waterlase (all-tissue) systems and diode (soft-tissue) systems. Our flagship brand, the Waterlase, uses a patented combination of water and laser energy and is FDA cleared for over 80 clinical indications to perform most procedures currently performed using drills, scalpels, and other traditional dental instruments for cutting soft and hard tissue. For example, Waterlase safely debrides implants without damaging or significantly affecting surface temperature and is the only effective, safe solution to preserving sick implants. In addition, Waterlase disinfects root canals more efficiently than some traditional chemical methods. We also offer our diode laser systems to perform soft tissue, pain therapy, and cosmetic procedures, including teeth whitening. We have approximately 271 issued and 40 pending United States and international patents, the majority of which are related to Waterlase technology. From 1998 through December 31, 2020, we sold over 41,200 laser systems in over 80 countries around the world. Contained in this total are approximately 13,600 Waterlase systems, including over 9,100 Waterlase MD, MDX, Express and iPlus systems.

Consistent with our goal to focus our energies on strengthening our leadership, and worldwide competitiveness and increasing the amount of attention we pay to our professional customers and their patients, we have made strategic personnel additions to our senior management team.

Recent Developments

Impact of Coronavirus (COVID-19) on Our Operations

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. The novel coronavirus spread to over 100 countries, including every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to the coronavirus outbreak. This outbreak severely impacted global economic activity, and many countries and many states in the United States have reacted to the outbreak by instituting quarantines, mandating business and school closures and restricting travel. These mandated business closures included dental office closures in Europe and the United States for all but emergency procedures. Our salespeople were unable to call on dental customers during these closures. In addition, most dental shows and workshops scheduled in 2020 were canceled. There is no assurance that the Company's sales will return to normal levels during 2021 or at any time thereafter. See Item 1A — "Risk Factors" for additional information regarding the potential impact of the COVID-19 pandemic on our business, results of operations and financial condition.

SWK Loan Amendment

On February 24, 2021, we entered into the Seventh Amendment to the Credit Agreement (the "Seventh Amendment") with SWK Funding, LLC. The Seventh Amendment amends the Credit Agreement by providing for minimum aggregate revenue requirements at the end of certain periods, to the extent that liquid assets are less than $15 million.

Equity Offering

On February 10, 2021, BIOLASE issued and sold in an underwritten bought deal offering an aggregate of 14,000,000 shares of common stock at a price of $1.03 per share less underwriting discounts and commissions. The Company received gross proceeds of approximately $14.4 million before deducting underwriting discounts and commissions and estimated offering expenses. The Company intends to use the aggregate net proceeds of the Offering primarily for working capital and general corporate purposes.

Warrants

As of March 25, 2021, BIOLASE issued an aggregate of 35,460,000 shares of common stock from the exercise of warrants outstanding as of December 31, 2020. The exercise of the warrants resulted in cash proceeds of $15.0 million during 2021.

Deficiency Letter from NASDAQ

On December 3, 2019, BIOLASE received a deficiency letter from NASDAQ notifying BIOLASE that it violated the continued listing requirements of "NASDAQ's Minimum Bid Price Rule, which requires that BIOLASE common stock maintain a minimum bid price of at least $1.00 per share In accordance with NASDAQ rules, BIOLASE was provided an initial period of 180 calendar days, or until June 1, 2020 (the "Compliance Date"), to submit a plan to regain compliance. In accordance with NASDAQ rules, BIOLASE was provided an initial period of 180 calendar days, or until June 1, 2020, to regain compliance. In response to the COVID-19 pandemic and related extraordinary market conditions, NASDAQ provided temporary relief from the continued listing requirements, as a result, the Company's deadline to regain compliance was extended to August 15, 2020. Because the Company did not regain compliance with the Bid Price Rule by the Com pliance Date, we provided written notice to NASDAQ of our intention to cure the deficiency during an additional 180 calendar day compliance period by effecting a reverse stock split, if necessary. On February 4, 2021, BIOLASE received formal notification via letter from NASDAQ confirming that the Company had regained compliance with the Minimum Bid Price Rule, and that the matter is now closed.

On March 31, 2020, BIOLASE received a deficiency letter from NASDAQ notifying BIOLASE that, based on BIOLASE's stockholders' equity of $377,000 as of December 31, 2019, as reported in the 2019 Form 10-K, BIOLASE was no longer in compliance with the minimum stockholders' equity requirement for continued listing on the NASDAQ Capital Market under NASDAQ Listing Rule 5550(b)(1), which requires listed companies to maintain stockholders' equity of at least $2.5 million. BIOLASE has responded to NASDAQ with a specific plan to achieve and sustain compliance with the foregoing listing requirement. If the Company's plan to regain compliance is accepted, NASDAQ may grant an extension of up to 180 calendar days from the date of the letter for the Company to evidence compliance. On June 4, 2020, NASDAQ granted the Company's request for an extension of time to regain compliance to August 31, 2020. In July 2020, the Company consummated a registered rights offering (the "Rights Offering") for gross proceeds of $18.0 million, and on August 14, 2020, the Company received notification from NASDAQ that it had regained compliance with this requirement.

Resignation of President and Chief Executive Officer, and Director

On February 22, 2021, Todd Norbe resigned as President and Chief Executive Officer of Biolase, Inc. (the "Company"), and resigned as a member of the Board.

Appointment of President and Chief Executive Officer

Effective February 23, 2021, the Board appointed John R. Beaver President and Chief Executive Officer of the Company. Mr. Beaver was most recently the Company's Executive Vice President, Chief Operating Officer and Chief Financial Officer. He joined BIOLASE in 2017 as Senior Vice President and Chief Financial Officer. He assumed roles of varying responsibilities over the past few years, including Interim Chief Executive Officer of BIOLASE from April 2017 until the hiring of Mr. Norbe.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with generally accepted accounting principles in the United States ("GAAP") requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The following is a summary of those accounting policies that we believe are necessary to understand and evaluate our reported financial results.

Revenue Recognition. Revenue for sales of products and services is derived from contracts with customers. The products and services promised in customer contracts include delivery of laser systems, imaging systems, and consumables as well as certain ancillary services such as product training and support for extended warranties. Contracts with each customer generally state the terms of the sale, including the description, quantity and price of each product or service. Payment terms are stated in the contract and vary according to the arrangement. Because the customer typically agrees to a stated rate and price in the contract that does not vary over the life of the contract, our contracts do not contain variable consideration. We establish a provision for estimated warranty expense. For further information on warranty, see the discussion under "Warranty Cost" below.

At contract inception, we assess the products and services promised in our contracts with customers. We then identify performance obligations to transfer distinct products or services to the customers. In order to identify performance obligations, we consider all of the products or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Revenue from products and services transferred to customers at a single point in time accounted for 81%, 81% and 86% of net revenue for the years ended December 31, 2020, 2019, and 2018, respectively. The majority of the revenue recognized at a point in time is for the sale of laser systems, imaging systems, and consumables. Revenue from these contracts is recognized when the customer is able to direct the use of and obtain substantially all of the benefits from the product which generally coincides with title transfer during the shipping process.

Revenue from services transferred to customers over time accounted for 19%, 19%, and 14% of net revenue for the years ended December 31, 2020, 2019, and 2018, respectively. The majority of our revenue that is recognized over time relates to training and extended warranties.

The transaction price for a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, each performance obligation is satisfied. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in a contract. The primary method used to estimate standalone selling price is the observable price when the good or service is sold separately in similar circumstances and to similar customers.

Revenue is recorded for extended warranties over time as the customer benefits from the warranty coverage. This revenue will be recognized equally throughout the contract period as the customer receives benefits from our promise to provide such services. Revenue is recorded for product training as the customer attends a training program or upon the expiration of the obligation.

We also have contracts that include both the product sales and product training as performance obligations. In those cases, we record revenue for product sales at the point in time when the product has been shipped. The customer obtains control of the product when it is shipped, as all shipments are made FOB shipping point, and after the customer selects its shipping method and pays all shipping costs and insurance. We have concluded that control is transferred to the customer upon shipment.

We perform our obligations under a contract with a customer by transferring products and/or services in exchange for consideration from the customer. We invoice our customers as soon as control of an asset is transferred and a receivable due to us is established. We recognize a contract liability when a customer prepays for goods and/or services and we have not transferred control of the goods and/or services.

Accounts receivable are stated at estimated net realizable value. The allowance for doubtful accounts is based on an analysis of customer accounts and our historical experience with accounts receivable write-offs.

Accounting for Stock-Based Payments. Stock-based compensation expense is estimated at the grant date of the award, is based on the fair value of the award and is recognized ratably over the requisite service period of the award. For restricted stock units we estimate the fair value of the award based on the number of awards and the fair value of our common stock on the grant date and apply an estimated forfeiture rate. For stock options, we estimate the fair value of the option award using the Black-Scholes option pricing model. This option-pricing model requires us to make several assumptions regarding the key variables used to calculate the fair value of its stock options. The risk-free interest rate used is based on the U.S. Treasury yield curve in effect for the expected lives of the options at their grant dates. Since July 1, 2005, we have used a dividend yield of zero, as we do not intend to pay cash dividends on our common stock in the foreseeable future. The most critical assumptions used in calculating the fair value of stock options are the expected life of the option and the expected volatility of our common stock. The expected life is calculated in accordance with the simplified method, whereby for service-based awards, the expected life is calculated as a midpoint between the vesting date and expiration date. We use the simplified method, as there is not a sufficient history of share option exercises. We believe the historic volatility of our common stock is a reliable indicator of future volatility, and accordingly, a stock volatility factor based on the historical volatility of our common stock over a lookback period of the expected life is used in approximating the estimated volatility of new stock options. Compensation expense is recognized using the straight-line method for all service-based employee awards and graded amortization for all performance-based awards. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated at the date of grant based on historical experience and future expectations. Forfeitures are estimated at the time of the grant and revised in subsequent periods as actual forfeitures differ from those estimates. During the year ended December 31, 2020, we applied a forfeiture rate of 10.87% and 49.43% to awards granted to executives and employees, respectively, *Valuation of Inventory.* Inventory is valued at the lower of cost or net realizable value, with cost determined using the first-in, first-out method. We periodically evaluate the carrying value of inventory and maintain an allowance for excess and obsolete inventory to adjust the carrying value as necessary to the lower of cost or net realizable value . We evaluate quantities on hand, physical condition, and technical functionality, as these characteristics may be impacted by anticipated customer demand for current products and new product introductions. Unfavorable changes in estimates of excess and obsolete inventory would result in an increase in cost of revenue and a decrease in gross profit.

Valuation of Long-Lived Assets. Property, plant, and equipment and certain intangibles with finite lives are amortized over their estimated useful lives. Useful lives are based on our estimate of the period that the assets will generate revenue or otherwise productively support our business goals. We monitor events and changes in circumstances that could indicate that the carrying balances of long-lived assets may exceed the undiscounted expected future cash flows from those assets. If such a condition were to exist, we would determine if an impairment loss should be recognized by comparing the carrying amount of the assets to their fair value.

Valuation of Goodwill and Other Intangible Assets. Goodwill and other intangible assets with indefinite lives are not subject to amortization but are evaluated for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired. We conducted our annual impairment analysis of our goodwill as of June 30, 2019 and concluded there had been no impairment in goodwill. We closely monitor our stock price and market capitalization and perform such analysis when events or circumstances indicate that there may have been a change to the carrying value of those assets.

Warranty Cost. We provide warranties against defects in materials and workmanship of our laser systems for specified periods of time. For the years ended December 31, 2020, 2019, and 2018 laser systems sold were covered by our warranty for a period of up to two years from the date of sale by us or the distributor to the end-user. In 2017, for Waterlase systems sold domestically and purchased in 2017 or later, we decreased the warranty period from two years to one year. Laser systems sold internationally were co vered by our warranty for a period of up to 28 months from the date of sale to the international distributor. Estimated warranty expenses are recorded as an accrued liability with a corresponding provision to cost of revenue. This estimate is recognized concurrent with the recognition of revenue on the sale to the distributor or end-user. Warranty expenses expected to be incurred after one year from the time of sale to the distributor are classified as a long-term warranty accrual. Our overall accrual is based on our historical experience and our expectation of future conditions, taking into consideration the location and type of customer and the type of laser, which directly correlate to the materials and components under warranty, the duration of the warranty period, and the logistical costs to service the warranty. Additional factors that may impact our warranty accrual include changes in the quality of materials, leadership and training of the production and services departments, knowledge of the lasers and workmanship, training of customers, and adherence to the warranty policies. Additionally, an increase in warranty claims or in the costs associated with servicing those claims would likely result in an increase in the accrual and a decrease in gross profit. We offer extended warranties on certain imaging products. However, all imaging products are initially covered by the manufacturer’s warranties.

Litigation and Other Contingencies. We regularly evaluate our exposure to threatened or pending litigation and other business contingencies. Because of the uncertainties related to the amount of loss from litigation and other business contingencies, the recording of losses relating to such exposures requires significant judgment about the potential range of outcomes. As additional information about current or future litigation or other contingencies becomes available, we assess whether such information warrants the recording of expense relating to contingencies. To be recorded as expense, a loss contingency must be both probable and reasonably estimable. If a loss contingency is significant but is not both probable and estimable, we disclose the matter in the notes to our consolidated financial statements.

Income Taxes. Based upon our operating losses during 2020, 2019, and 2018 and the available evidence, management has determined that it is more likely than not that the deferred tax assets as of December 31, 2020 will not be realized in the near term. Consequently, we have established a valuation allowance against our net deferred tax asset totaling $56.0 million and $53.2 million as of December 31, 2020 and 2019, respectively. In this determination, we considered factors such as our earnings history, future projected earnings, and tax planning strategies. If sufficient evidence of our ability to generate sufficient future taxable income tax benefits becomes apparent, we may reduce our valuation allowance, resulting in tax benefits in our statement of operations and in additional paid-in-capital. Management evaluates the potential realization of our deferred tax assets and assesses the need for reducing the valuation allowance periodically.

Fair Value of Financial Instruments

Our financial instruments, consisting of cash and cash equivalents, accounts receivable, accounts payable, capital lease obligations and accrued liabilities, approximate fair value because of the liquid or short-term nature of these items.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or, if non e exists, the most advantageous market) for the specific asset or liability at the measurement date (referred to as the "exit price"). The fair value is based on assumptions that market participants would use, including a consideration ofnon-performance r isk. Under the accounting guidance for value hierarchy, there are three levels of measurement inputs. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable, either directly or indirectly. Level 3 inputs are unobservable due to little or no corroborating market data.

Results of Operations

The following table sets forth certain data from our operating results, expressed in thousands and as percentages of revenue:

	Years Ended December 31,					
	2020		2019		2018	
Products and services revenue	$ 22,780	100.0 %	$ 37,787	100.0 %	$ 46,143	100.0 %
License fees and royalty revenue	—	— %	12	— %	12	— %
Net revenue	22,780	100.0 %	37,799	100.0 %	46,155	100.0 %
Cost of revenue	16,607	72.9 %	23,511	62.2 %	29,260	63.4 %
Gross profit	6,173	27.1 %	14,288	37.8 %	16,895	36.6 %
Operating expenses:						
Sales and marketing	11,242	49.4 %	14,396	38.1 %	18,121	39.3 %
General and administrative	9,772	42.9 %	10,748	28.4 %	11,771	25.5 %
Engineering and development	3,695	16.2 %	4,765	12.6 %	5,203	11.3 %
Disposal of internally developed software	—	— %	—	— %	1,185	2.6 %
Loss on patent litigation settlement	—	— %	—	— %	1,500	3 %
Total operating expenses	24,709	108.5 %	29,909	79.1 %	37,780	81.9 %
Loss from operations	(18,536)	(81.4) %	(15,621)	(41.3) %	(20,885)	(45.2) %
Non-operating (expense) income, net	1,835	8.1 %	(2,278)	(6.0) %	(568)	(1.2) %
Loss before income tax provision	(16,701)	(73.3) %	(17,899)	(47.4) %	(21,453)	(46.5) %
Income tax provision (benefit)	128	0.6 %	(44)	(0.1) %	63	0.1 %
Net loss	$ (16,829)	(73.9) %	$ (17,855)	(47.2) %	$ (21,516)	(46.6) %

The following table summarizes our net revenues by category (dollars in thousands):

	Years Ended December 31,					
	2020		2019		2018	
Laser systems	$ 12,342	54.2 %	$ 22,842	60.4 %	$ 29,733	64.4 %
Imaging systems	—	— %	619	1.6 %	1,694	3.7 %
Consumables and other	6,124	26.9 %	7,164	19.0 %	8,287	18.0 %
Services	4,314	18.9 %	7,162	19.0 %	6,429	13.9 %
Total products and services	22,780	100.0 %	37,787	100.0 %	46,143	100.0 %
License fees and royalty	—	— %	12	— %	12	— %
Net revenue	$ 22,780	100.0 %	$ 37,799	100.0 %	$ 46,155	100.0 %

Non-GAAP Disclosure

In addition to the financial information prepared in conformity with GAAP, we provide certain historical non-GAAP financial information. Management believes that these non-GAAP financial measures assist investors in making comparisons of period-to-period operating results and that, in some respects, are indicative of our ongoing core performance. In 2019, we revised our non-GAAP financial measures to include the change in allowance for doubtful accounts in an effort to better align Adjusted EBITDA with our loan covenants and how management evaluates business performance.

Management believes that the presentation of this non-GAAP financial information provides investors with greater transparency and facilitates comparison of operating results across a broad spectrum of companies with varying capital structures, compensation strategies, derivative instruments, and amortization methods, which provides a more complete understanding of our financial performance, competitive position, and prospects for the future. However, the non-GAAP financial measures presented in this Form 10-K have certain limitations in that they do not reflect all of the costs associated with the operations of our business as determined in accordance with GAAP. Therefore, investors should consider non-GAAP financial measures in addition to, and not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. Further, the non-GAAP financial measures presented by us may be different from similarly named non-GAAP financial measures used by other companies.

Adjusted EBITDA

Management uses Adjusted EBITDA in its evaluation of our core results of operations and trends between fiscal periods and believes that these measures are important components of its internal performance measurement process. Adjusted EBITDA is defined as net loss before interest, taxes, depreciation and amortization, stock-based compensation, allowance for doubtful accounts, and other (income) expense, net. Management uses adjusted EBITDA in its evaluation of the our core results of operations and trends between fiscal periods and believes that these measures are important components of its internal performance measurement process. Therefore, investors should consider non-GAAP financial measures in addition to, and not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. Further, the non-GAAP financial measures presented by us may be different from similarly named non-GAAP financial measures used by other companies.

The following table contains a reconciliation of non-GAAP Adjusted EBITDA to GAAP net loss attributable to common stockholders (in thousands):

	Years Ended December 31,		
	2020	2019	2018
GAAP net loss attributable to common stockholders	$ (34,207)	$ (17,855)	$ (21,516)
Deemed dividend on convertible preferred stock	17,378	—	—
GAAP net loss	$ (16,829)	$ (17,855)	$ (21,516)
Adjustments:			
Interest expense, net	2,359	2,157	510
Income tax provision (benefit)	128	(44)	63
Depreciation and amortization	499	982	945
Change in allowance for doubtful accounts	1,328	1,695	469
Disposal of internally developed software	—	—	1,185
Loss on patent litigation settlement	—	—	1,500
Stock-based and other non-cash compensation	3,370	2,742	2,768
Other (income) expense, net	(4,215)	—	—
Adjusted EBITDA	$ (13,360)	$ (10,323)	$ (14,076)

Other (income) expense for the year ended December 31, 2020, is comprised of a $5.8 million gain on the change in fair value of the 45,000,000 warrants sold by the Company on July 23, 2020 through the Rights Offering (the “July 2020 Warrants”) partially offset by the costs to issue the July 2020 Warrants of approximately $1.6 million.

Comparison of Results of Operations

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Net Revenue. Net revenue for the year ended December 31, 2020 was $22.8 million, a decrease of $15.0 million, or 40%, as compared with net revenue of $37.8 million for the year ended December 31, 2019. Domestic revenues were $16.2 million, or 71% of net revenue, for the year ended December 31, 2020 compared to $22.8 million, or 60% of net revenue, for the year ended December 31, 2019. International revenues for year ended December 31, 2020 were $6.7 million, or 29 % of net revenue, compared to $15.0 million, or 40% of net revenue for year ended December 31, 2019.

The decrease in year-over-year net revenue primarily resulted from dental office closures due to the COVID-19 pandemic.

Laser system net revenues decreased by $10.5 million, or 46%, for the year ended December 31, 2020 compared to the same period in 2019. The laser systems revenue decrease was driven by a 29% decrease in domestic revenue and a 56% decrease in international revenue. The decrease in revenue was primarily due todental office closures related to the COVID-19 pandemic.

Consumables and other net revenue, which includes products such as disposable tips and shipping revenue, decreased $1.0 million, or 15%, for the year ended December 31, 2020, as compared to the same period in 2019. The decrease was driven primarily by dental office closures related to the COVID-19 pandemic during 2020 along with an increase in expense associated with inventory reserves.

Cost of Revenue. Cost of revenue decreased by $6.9 million, or approximately 29%, to $16.6 million, or 73% of net revenue for the year ended December 31, 2020, compared to cost of revenue of $23.5 million, or 62% of net revenue, for the same period in 2019. The decrease in cost of revenue for the year ended December 31, 2020 as compared to the same period in 2019 is primarily due to the decline is sales for the year ended December 31, 2020.

Gross Profit. Gross profit as a percentage of revenue typically fluctuates with product and regional mix, selling prices, product costs and revenue levels. Gross profit for the year ended December 31, 2020 was $6.2 million, or 27% of net revenue, a decrease of $8.1 million, or 57%, as compared with gross profit of $14.3 million, or 38% of net revenue, for the same period in 2019. The decrease in gross profit is commensurate with the decline in sales, while the decrease in gross profit percentage was primarily due to unfavorable dilution of fixed expenses and inventory write-offs.

Operating Expenses. Operating expenses for the year ended December 31, 2020 were $24.7 million, or 109% of net revenue, a decrease of $5.2 million, or 17%, as compared with $29.9 million, or 79% of net revenue, for the same period in 2019. See the following expense categories for further explanations.

Sales and Marketing Expense. Sales and marketing expense for the year ended December 31, 2020 decreased by $3.2 million, or 22%, to $11.2 million, or 49% of net revenue, as compared with $14.4 million, or 38% of net revenue, during the year ended December 31, 2019. The decrease for the year ended December 31, 2020 was primarily a result of decreases in payroll and consulting-related expense of $0.9 million primarily due to lower sales commissions from lower revenue $0.5 million and travel and entertainment expenses of $2.2 million.

General and Administrative Expense. General and administrative expense for the year ended December 31, 2020 decreased by $1.0 million, or 9%, to $9.8 million, or 43% of net revenue, as compared with $10.7 million, or 28% of net revenue, for the same period in 2019. The decrease in general and administrative expense was primarily due to decreases in payroll and consulting-related expense of $0.5 million, a decrease in the provision for doubtful accounts of $0.4 million, and a decrease in other expenses including bank fees of $0.3 million, partially offset by an increase in stock based compensation expense of $0.4 million, as compared to the same period in 2019.

Engineering and Development Expense. Engineering and development expense for the year ended December 31, 2020 decreased by $1.1 million, or 22%, to $3.7 million, or 16% of net revenue, as compared with $4.8 million, or 13% of net revenue, for the same period in 2019. The decrease was primarily related to decreased payroll and consulting-related expense of $0.8 million, and operating supplies expense and other of $0.3 million as compared to the same period in 2019. We expect to continue our investment in engineering and development activity.

Non-Operating Income (Loss)

Gain (Loss) on Foreign Currency Transactions. We recognized a loss of $21 thousand on foreign currency transactions for the year ended December 31, 2020 compared to a $0.1 million loss for the same period in 2019, due to exchange rate fluctuations primarily between the U.S. dollar and the Euro.

Interest Expense, Net. Net interest expense increased by $0.2 million to $2.4 million for the year ended December 31, 2020 compared to $2.2 million of net interest expense for the same period in 2019. During 2019, the increase in interest expense was the result of the interest relating to the additional $2.5 million of principal amount drawn from the $12.5 million loan under the five-year secured Credit Agreement entered into with SWK on November 9, 2018 (“SWK Loan”).

Other (Income) Expense, Net. Other (Income) Expense for the year ended December 31, 2020, is comprised of a $5.8 million gain on the change in fair value to the 45,000,000 warrants sold by the Company on July 23, 2020 through the Rights Offering (the “ July 2020 Warrants”) partially offset by the costs to issue the July 2020 Warrants of approximately $1.6 million.

Provision (benefit) for Income Taxes. Our provision for income taxes was a provision of $0.1 million for the year ended December 31, 2020, an increase of $0.2 million as compared with our benefit for income taxes of $44 thousand for the same period in 2019. The increase in our provision for 2020 is primarily due to an increase to our current income taxes in our European subsidiary.

Net Loss. For the reasons stated above, our net loss was $16.8 million for the year ended December 31, 2020 compared to a net loss of $17.9 million for the same period in 2019.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Net Revenue. Net revenue for the year ended December 31, 2019 was $37.8 million, a decrease of $8.4 million, or 18%, as compared with net revenue of $46.2 million for the year ended December 31, 2018. Domestic revenues were $22.8 million, or 60% of net revenue, for the year ended December 31, 2019 compared to $28.7 million, or 62% of net revenue, for the year ended December 31, 2018. International revenues for year ended December 31, 2019 were $15.0 million, or 40% of net revenue, compared to $17.5 million, or 38% of net revenue for year ended December 31, 2018. Given the recent dental office closures, we expect our first quarter for the year ended December 31, 2020, to be lower.

The decrease in year-over-year net revenue primarily resulted from decreases in domestic sales due to open sales territories, which were the result of strategic decisions we made to realign a significant portion of our U.S. sales force and change the culture through increased transparency and accountability. As of result of these decisions, we had approximately one-third of our sales territories open.

Laser system net revenues decreased by $6.9 million, or 23%, for the year ended December 31, 2019 compared to the same period in 2018. The laser systems revenue decrease was driven by a 28% decrease in domestic revenue and a 18% decrease in international revenue. The decrease in domestic revenue was primarily due to the open sales territories discussed above.

Imaging system net revenue decreased by $1.0 million, or 63%, for the year ended December 31, 2019 as compared to the same period in 2018 and is due to our decision in 2018 to exit this business.

Consumables and other net revenue, which includes products such as disposable tips and shipping revenue, decreased $1.1 million, or 14%, for the year ended December 31, 2019, as compared to the same period in 2018. The decrease was driven primarily by the drop in total net revenue for the year ended December 31, 2019 as compared to the same period in 2018.Cost of Revenue. Cost of revenue decreased by $5.7 million, or approximately 20%, to $23.5 million, or 62% of net revenue for the year ended December 31, 2019, compared to cost of revenue of $29.3 million, or 63% of net revenue, for the same period in 2018. The decrease in cost of revenue for the year ended December 31, 2019 as compared to the same period in 2018 is primarily due to the decline is sales for the year ended December 31, 2019.

Gross Profit. Gross profit as a percentage of revenue typically fluctuates with product and regional mix, selling prices, product costs and revenue levels. Gross profit for the year ended December 31, 2019 was $14.3 million, or 38% of net revenue, a decrease of $2.6 million, or 15%, as compared with gross profit of $16.9 million, or 37% of net revenue, for the same period in 2018. The decrease in gross profit is commensurate with the decline in sales, while the increase in gross profit percentage was primarily due to our continued efforts at cost reduction.

Operating Expenses. Operating expenses for the year ended December 31, 2019 were $29.9 million, or 79% of net revenue, a decrease of $7.9 million, or 21%, as compared with $37.8 million, or 82% of net revenue, for the same period in 2018. See the following expense categories for further explanations.

Sales and Marketing Expense. Sales and marketing expense for the year ended December 31, 2019 decreased by $3.7 million, or 21%, to $14.4 million, or 38% of net revenue, as compared with $18.1 million, or 39% of net revenue, during the year ended December 31, 2018. The decrease for the year ended December 31, 2019 was primarily a result of decreases in payroll and consulting-related expense of $2.4 million primarily due to lower headcount from the open territories, advertising and marketing expense of $0.5 million as we continued to use more digital media, other including travel and entertainment expenses of $0.6 million, and sales commission of $0.2 million.

General and Administrative Expense. General and administrative expense for the year ended December 31, 2019 decreased by $1.0 million, or 9%, to $10.7 million, or 28% of net revenue, as compared with $11.8 million, or 25.5% of net revenue, for the same period in 2018. The decrease in general and administrative expense was primarily due to decreases in patent and legal expense of $1.4 million, payroll and consulting-related expense of $0.6 million, other expenses including bank fees of $0.3 million, offset by an increase in provision for doubtful accounts of $1.2 million, as compared to the same period in 2018. The increase in the provision for doubtful accounts relates to balances owed from our distributor in China. We do not expect similar increases in our allowance for doubtful accounts going forward, however, as previously discussed, there were uncertainties surrounding the impact of the COVID-19 pandemic on our financial results that we are not reasonably able to predict. We expect general and administrative expenses to decrease as a percentage of revenue in 2020 primarily due to decreased legal expenses.

Engineering and Development Expense. Engineering and development expense for the year ended December 31, 2019 decreased by $0.4 million, or 8%, to $4.8 million, or 13% of net revenue, as compared with $5.2 million, or 11% of net revenue, for the same period in 2018. The decrease was primarily related to decreased payroll and consulting-related expense of $0.2 million, and operating supplies expense of $0.2 million as compared to the same period in 2018. We expect to continue our investment in engineering and development activity. However, our primary focus will be on our sales and marketing efforts. Therefore, we expect engineering and development expenses to decrease as a percentage of revenue in 2019.

Non-Operating Income (Loss)

Gain (Loss) on Foreign Currency Transactions. We recognized a $0.1 million loss on foreign currency transactions for the year ended December 31, 2019 compared to a $0.1 million loss for the same period in 2018, due to exchange rate fluctuations primarily between the U.S. dollar and the Euro.

Interest Expense, Net. Net interest expense increased by $1.7 million to $2.2 million for the year ended December 31, 2019 compared to $0.5 million of net interest expense for the same period in 2018. The increase in interest expense was the result of the interest relating to the SWK Loan we entered into in 2018.

Provision (benefit) for Income Taxes. Our provision for income taxes was a benefit of $44,000 for the year ended December 31, 2019, an increase of $0.1 million as compared with our provision for income taxes of $63,000 for the same period in 2018. The decrease in our provision for 2019 is primarily due to the release of our valuation allowance against our deferred tax asset in our European subsidiary.

Net Loss. For the reasons stated above, our net loss was $17.9 million for the year ended December 31, 2019 compared to a net loss of $21.5 million for the same period in 2018. The decrease in net loss of $3.7 million, or 17%, was primarily due to the decline in operating expenses.

Liquidity and Capital Resources

The disclosure set forth under the Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments is hereby incorporated herein by reference.

The Company has reported losses from operations of $18.5 million, $15.6 million, and $20.9 million for the years ended December 31, 2020, 2019, and 2018, respectively, and has not generated positive net cash from operations for the years ended December 31, 2020, 2019, and 2018.

At December 31, 2020, we had $17.9 million in cash and cash equivalents, including restricted cash equivalents. Management defines cash and cash equivalents as highly liquid deposits with original maturities of 90 days or less when purchased. The increase in our cash and cash equivalents by $11.8 million from December 31, 2019 was primarily due to cash provided by financing activities of $24.3 million, partially offset by cash used in operating activities of $12.8 million. The $12.8 million of net cash used in operating activities in 2020 was primarily driven by our net loss of $16.8 million during the year.

At December 31, 2020, we had $23.9 million in working capital. Our principal sources of liquidity at December 31, 2020, consisted of $17.9million in cash, cash equivalents and restricted cash and $3.1 million of net accounts receivable. However, under the Credit Agreement, we are required to maintain at least $3.0 million of cash and availability under the PMB Loan Agreement.

Sales were reduced due to the COVID-19 pandemic, and there is no assurance that sales will return to normal levels during 2021 or at any time thereafter.

Although the Company received gross proceeds of approximately $24.0 million from equity offerings in the second and third quarters of 2020 and gross proceeds of approximately $14.4 million from an equity offering in February 2021 and $15.0 million for warrant exercises subsequent to December 31, 2020, the Company may still have to raise additional capital in the future. Additional capital requirements may depend on many factors, including, among other things, the rate at which the Company's business grows, the COVID-19 pandemic and the actions taken to contain it, demands for working capital, manufacturing capacity, and any acquisitions that the Company may pursue. From time to time, the Company could be required, or may otherwise attempt, to raise capital through either equity or debt offerings. The Company cannot provide assurance that it will be able to successfully enter into any such equity or debt financings in the future or that the required capital would be available on acceptable terms, if at all, or that any such financing activity would not be dilutive to its' stockholders.

In order for us to continue operations beyond the next 12 months and be able to discharge our liabilities and commitments in the normal course of business, we must increase sales of our products, control or potentially reduce expenses, and establish profitable operations in order to generate cash from operations or obtain additional funds when needed.

We intend to improve our financial condition and ultimately improve our financial results by increasing revenues through expansion of our product offerings, continuing to expand and develop our field sales force and distributor relationships both domestically and internationally, forming strategic arrangements within the dental and medical industries, educating dental and medical patients as to the benefits of our advanced medical technologies, and reducing expenses.

Term Loan

The information set forth in Note 6 – Debt – Term Loan and Note 11 – Subsequent Events – SWK Seventh Amendment is hereby incorporated herein by reference.

Revolving Credit Facility

The information set forth in Note 6 – Debt – Lines of Credit – Pacific Mercantile Bank is hereby incorporated herein by reference.

Paycheck Protection Program Loan

The information set forth in Note 6 – Debt – Paycheck Protection Program Loan is hereby incorporated herein by reference.

EIDL Loan

The information set forth in Note 6 – Debt – EIDL Loan is hereby incorporated herein by reference.

Registered Direct Offering and Concurrent Private Placement

On June 10, 2020, we consummated a registered direct offering of 10,800,000 shares of BIOLASE common stock to certain accredited institutional investors and a concurrent private placement of warrants to purchase 10,800,000 shares of BIOLASE common stock with an exercise price of $0.515 per share (the "June 2020 Warrants"). The June 2020 Warrants are exercisable commencing on the date of their issuance and will expire on June 10, 2025.

The combined purchase price for one share of BIOLASE common stock and one June 2020 Warrant in the offering was $0.64. We received aggregate gross proceeds of approximately $6.9 million in the offering, before deducting approximately $0.7 million in fees to the placement agents and other offering expenses.

Rights Offering

On July 22, 2020, we completed the Rights Offering, which resulted in net proceeds to us of approximately $15.8 million, after deducting expenses relating to the Rights Offering, including dealer-manager fees and expenses, and excluding any proceeds received upon exercise of any warrants. Pursuant to the Rights Offering, we sold an aggregate of 18,000 units consisting of an aggregate of 18,000 shares of Series F Convertible Preferred Stock, par value $0.001 per share ("Series F Preferred Stock"), and 45,000,000 warrants (the "July 2020 Warrants"), with each warrant exercisable for one share of BIOLASE common stock, resulting in net proceeds to the Company of approximately $16.1 million, after deducting expenses relating to the Rights Offering, including dealer-manager fees and expenses, and excluding any proceeds received upon exercise of any warrants. See Note 8 – Redeemable Preferred Stock and Stockholders' Equity for additional information.

Public Offering of Common Shares and Private Placement of Unregistered Preferred Shares

The information set forth in Note 8 – Redeemable Preferred Stock and Stockholders' Equity – Public Offering of Common Shares and Private Placement of Unregistered Preferred Shares is hereby incorporated herein by reference. Additional capital requirements may depend on many factors, including, among other things, the rate at which our business grows, demands for working capital, manufacturing capacity, and any acquisitions that we may pursue. From time to time, we could be required, or may otherwise attempt, to raise capital through either equity or debt offerings. We cannot provide assurance that we will enter into any such equity or debt financings in the future or that the required capital will be available on acceptable terms, if at all, or that any such financing activity will not be dilutive to our stockholders.

Concentration of Credit Risk

Financial instruments, which potentially expose us to a concentration of credit risk, consist principally of cash and cash equivalents, restricted cash, and trade accounts receivable. We maintain our cash and cash equivalents and restricted cash with established commercial banks. At times, balances may exceed federally insured limits. To minimize the risk associated with trade accounts receivable, we perform ongoing credit evaluations of customers' financial condition and maintain relationships with our customers that allow us to monitor changes in business operations so we can respond as needed. We do not, generally, require customers to provide collateral before we sell them our products. However, we have required certain distributors to make prepayments for significant purchases of our products.

Receivables and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in the existing accounts receivable. We determine the allowance based on a quarterly specific account review of past due balances. All other balances are reviewed on a pooled basis by age of receivable. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

Consolidated Cash Flows

The following table summarizes our statements of cash flows (in thousands):

	Years Ended December 31,		
	2020	**2019**	**2018**
Net cash (used in) provided by:			
Operating activities	$ (12,795)	$ (12,746)	$ (14,147)
Investing activities	(96)	(207)	(522)
Financing activities	24,349	10,721	11,235
Effect of exchange rates on cash	317	(23)	(106)
Net change in cash and cash equivalents	$ 11,775	$ (2,255)	$ (3,540)

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Net cash used in operating activities consists of our net loss, adjusted for our non-cash charges, plus or minus working capital changes. Cash used in operating activities for the year ended December 31, 2020 totaled $12.8 million and was primarily comprised of our net loss of $16.8 million and a gain on the change in fair value of the July 2020 Warrants of $5.9 million, partially offset by non-cash adjustments for depreciation and amortization expenses of $0.5 million, stock-based compensation expenses of $3.4 million, our provision for bad debt of $1.3 million, inventory disposals of $1.3 million, issuance costs for the July 2020 Warrants of $1.6 million, and a net increase in our operating assets and liabilities. The net increase in our operating assets and liabilities was primarily due to a $4.3 million decrease in accounts receivable primarily due to the impact of the COVID-19 pandemic on our revenues, partially offset by a decrease in accounts payable and accrued liabilities of $2.1 million.

Cash used in investing activities for the year ended December 31, 2020 was minimal and primarily driven by our capital expenditures related to the relocation of our headquarters and manufacturing facility. We expect cash flows from investing activities to remain consistent through 2021.

Net cash provided by financing activities for the year ended December 31, 2020 was $24.3 million primarily due to the funds borrowed on the PPP Loan and the sale of common stock from our registered direct private placement and sale of preferred stock. See Note 6 – Debt and Note 8 – Redeemable Preferred Stock and Stockholders' Equity for additional information.

The $0.3 million effect of exchange rate on cash for the year ended December 31, 2020 was due to a recognized gain on foreign currency transactions, primarily driven by changes in the Euro during the year ended December 31, 2019.

Contractual Obligations

Leases

We lease our primary facility under a non-cancellable operating lease that expires in April 2020. In January 2020, we entered into two new non-cancellable operating leases.

On January 22, 2020, the Company entered into a five-year real property lease agreement for an approximately 11,000 square foot facility in Corona, California where it will move its manufacturing operations. The lease commences on July 1, 2020. Future minimum rent payments under this lease are approximately $0.7 million.

On February 4, 2020, the Company also entered into a sixty-six month real property lease agreement for office space of approximately 11,000 square feet of office space in Foothill Ranch, California. The lease commences on July 1, 2020. Future minimum rent payments under this lease are approximately $1.9 million.

Loans

On November 9, 2018, we entered into the Credit Agreement with SWK, which provides us with the SWK Loan, a variable-rate term loan in the amount of $12.5 million. The SWK Loan bears interest at LIBOR plus 10% and is interest-only for the first two years of the five-year loan term, with the possibility of extending the interest-only period beyond two years. Principal repayments will begin in 2021, and will be approximately $0.7 million per quarter until the loan matures in November 2023.

On October 28, 2019, we entered into the PMB Loan Agreement, which provides us with the PMB Loan. Borrowings under the PMB Loan may be used for working capital. The PMB Loan matures on October 29, 2021, unless earlier terminated. There were no draws on the PMB Loan as of December 31, 2020.

Paycheck Protection Program Loan

On April 14, 2020, we were granted the PPP Loan pursuant to the Paycheck Protection Program from PMB in the aggregate amount of $2,980,000, under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). See Note 6 – Debt for additional information.

EIDL Loan

On May 22, 2020, the Company executed the standard loan documents required for securing a loan from the United States Small Business Administration under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on our business. The principal amount of the EIDL Loan is $150,000, with proceeds to be used for working capital purposes. The information set forth in Note 6 – Debt – EIDL Loan is hereby incorporated herein by reference.

Purchase Obligations

Purchase obligations relate to purchase orders with suppliers that we expect to complete primarily during the year ended December 31, 2020. In conformity with current GAAP, purchase obligations are not reported in the consolidated balance sheet as of December 31, 2020.

The following table presents our expected cash requirements for contractual obligations outstanding for the years ended as indicated below (in thousands):

	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 years	Total
Operating lease obligations	$ 549	$ 1,747	$ 489	$ —	$ 2,785
Purchase obligations	11,148	246	—	—	11,394
SWK Loan interest (1)	1,795	5,046	81	—	6,922
SWK Loan principal	—	17,286	143	—	17,429
Total	$ 13,492	$ 24,325	$ 713	$ —	$ 38,530

(1) estimated using LIBOR rates as at December 31, 2020

Recent Accounting Pronouncements

For a description of recently issued and adopted accounting pronouncements, including the respective dates of adoption and expected effects on our results of operations and financial condition, please refer to Part I, Item 1, Note 2 – Summary of Significant Accounting Policies, which is incorporated herein by this reference.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Regulation S-K Item 303(A)(4)(ii).

Item 8. Financial Statements

All financial statements required by this Item 8, including the report of the independent registered public accounting firm, are listed in Part IV, Item 15 of this Form 10-K, are set forth beginning on Page F-1 of this Form 10-K, and are hereby incorporated herein by reference.

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

None.

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

Our management has evaluated , with the participation of our President and Chief Executive Officer the effectiveness of the Company's disclosure controls and procedures (as define d in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our President and Chief Executive Officer has concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting,as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission entitled "Internal Control — Integrated Framework (2013)" (the "COSO Framework"). Under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the COSO Framework. Based on that evaluation, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2020. Our internal control over financial reporting was not subject to attestation by our independent registered public accounting firm, as we are not an accelerated filer.

This Form 10-K does not include an attestation report from BDO LLP regarding internal control over financial reporting. Management's report was not subject to attestation by BDO LLP pursuant to the SEC rules that permit the Company to provide only management's report in this Form 10-K.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the Company's fiscal quarter ended De cember 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information regarding our executive officers is included in Part I of this Form 10-K under “Item 1. Business — Information about Our Executive Officers.” In addition, the information set forth under the caption “Election of Directors” in the proxy statement for the Company’s 2021 annual meeting of stockholders (the “Proxy Statement”) is incorporated by reference herein.

The Biolase, Inc. Code of Business Conduct and Ethics applies to all of our employees, officers, and directors, including our President and Chief Executive Officer. The Code of Business Conduct can be found on our website at the following address: media.corporate-ir.net/media_files/nsd/blti/corpgov/CodeofConductandEthics.pdf.

Item 11. ***Executive Compensation***

The information set forth under the captions “Executive Compensation” and “Director Compensation” in the Proxy Statement is incorporated by reference herein.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related StockholderMatters***

The information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement and the information set forth under the caption “Equity Compensation Plan Information” in Item 5 of this Form 10-K are incorporated by reference herein.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information set forth under the captions “Election of Directors” and “Certain Relationships and Related Transactions” in the Proxy Statement is incorporated by reference herein.

Item 14. ***Principal Accountant Fees and Services***

The information set forth under the caption “Principal Accountant Fees and Services” in the Proxy Statement is incorporated by reference herein.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as part of this Annual Report on Form 10-K beginning on the pages referenced below:

(1) Financial Statements:

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2020 and 2019	F-4
Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2020, 2019, and 2018	F-5
Consolidated Statements of Redeemable Preferred Stock and Stockholders' Equity for the years ended December 31, 2020, 2019, and 2018	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018	F-7
Notes to Consolidated Financial Statements	F-8

(2) Financial Statement Schedule:

Schedule II — Consolidated Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2020, 2019, and 2018 S-1

All other schedules have been omitted as they are not applicable, not required or the information is included in the consolidated financial statements or the notes thereto.

(3) Exhibits:

The exhibits filed as a part of this Annual Report on Form 10-K are listed in the accompanying Exhibit Index on page 53.

Item 16. ***Form 10-K Summary***

None.

			Incorporated by Reference			
Exhibit	**Description**	**Filed Herewith**	**Form**	**Period Ending/Date of Report**	**Exhibit**	**Filing Date**
3.1.1	Restated Certificate of Incorporation, including, (i) Certificate of Designations, Preferences and Rights of 6% Redeemable Cumulative Convertible Preferred Stock of the Registrant; (ii) Certificate of Designations, Preferences and Rights of Series A 6% Redeemable Cumulative Convertible Preferred Stock of the Registrant; (iii) Certificate of Correction Filed to Correct a Certain Error in the Certificate of Designation of the Registrant; and (iv) Certificate of Designations of Series B Junior Participating Cumulative Preferred Stock of the Registrant		S-1, Amendment No. 1	12/23/2005	3.1	12/23/2005
3.1.2	Amendment to Restated Certificate of Incorporation		8-K	05/10/2012	3.1	05/16/2012
3.1.3	Second Amendment to Restated Certificate of Incorporation		8-A/A	11/04/2014	3.1.3	11/04/2014
3.1.4	Third Amendment to Restated Certificate of Incorporation		S-3	07/21/2017	3.4	07/21/2017
3.1.5	Fourth Amendment to Restated Certificate of Incorporation		8-K	05/10/2018	3.1	05/11/2018
3.1.6	Fifth Amendment to Restated Certificate of Incorporation		8-K	05/28/2020	3.1	06/01/2020
3.1.7	Certificate of Elimination of Series B Junior Participating Cumulative Preferred Stock		8-K	11/10/2015	3.1	11/12/2015
3.1.8	Certificate of Designations, Preferences and Rights of Series D Participating Convertible Preferred Stock of the Registrant		8-K	04/18/2017	3.2	04/20/2017
3.1.9	Certificate of Designations, Preferences and Rights of Series E Participating Convertible Preferred Stock of the Registrant		S-1/A	10/07/2019	3.1.10	10/07/2019
3.1.10	Certificate of Designations, Preferences and Rights of Series F Convertible Preferred Stock of the Registrant		8-K	07/01/2020	3.1	07/22/2020
3.1.11	Certificate of Correction to Certificate of Designations, Preferences and Rights of Series F Convertible Preferred Stock of the Registrant		8-K	07/15/2020	3.1	07/22/2020
3.2	Seventh Amended and Restated Bylaws of the Registrant, adopted on October 8, 2018		8-K	10/08/2018	3.1	10/09/2018

			Incorporated by Reference			
Exhibit	Description	Filed Herewith	Form	Period Ending/Date of Report	Exhibit	Filing Date
4.1	Form of Warrant Issued on November 7, 2014 (attached as Exhibit A to the Securities Purchase Agreement, dated November 3, 2014, among the Registrant and the investors listed on Schedule I thereto)		8-K	11/03/2014	99.1	11/07/2014
4.2	Form of Warrant Issued on August 8, 2016 (attached as Exhibit B to the Securities Purchase Agreement, dated August 1, 2016, among the Registrant and the investors listed on Schedule I thereto)		8-K	08/01/2016	99.1	08/02/2016
4.3	Form of Warrant Issued on April 18, 2017		DEF14A	06/30/2017	D	05/19/2017
4.4	Warrant to Purchase Stock Issued on March 6, 2018 to Western Alliance Bank		10-K	12/31/2017	4.4	03/14/2018
4.5	Warrant to Purchase Stock Issued on September 27, 2018 to Western Alliance Bank		10-Q	09/30/2018	4.1	11/14/2018
4.6	Warrant to Purchase Stock Issued on November 9, 2018 to SWK Funding LLC		10-Q	09/30/2018	4.2	11/14/2018
4.7	Warrant to Purchase Stock Issued on May 7, 2019 to SWK Funding LLC		10-Q	03/31/2019	4.7	05/10/2019
4.8	Consolidated Amended and Restated Warrant to Purchase Common Stock, dated November 9, 2019, by and between the Registrant and SWK Funding LLC		10-Q	03/31/2019	4.7	05/10/2019
4.9	Warrant to Purchase Stock issued on May 15, 2020 to SWK Funding LLC		S-1/A	06/19/2020	4.14	06/19/2020
4.10	Form of Warrant issued on June 9, 2020		8-K	06/08/2020	4.1	06/09/2020
4.11	Form of Warrant issued on July 15, 2020		8-K	07/15/2020	4.2	07/22/2020
4.12	Amended and Restated Warrant Agency Agreement, dated as of July 21, 2020, by and between the Registrant, Computershare, Inc. and Computershare Trust Company, N.A.		8-K	07/15/2020	4.1	07/22/2020
4.13	Description of Registrant's Securities Registered Pursuant to Section 12 of the Exchange Act	X				
10.1*	2002 Stock Incentive Plan, as amended		DEF14A	05/06/2016	A	04/07/2016
10.2*	Form of Stock Option Agreement under the 2002 Stock Incentive Plan (attached as Exhibit A to the Notice of Grant of Stock Option under the 2002 Stock Incentive Plan Discretionary Option Grant Program)		10-K	12/31/2004	10.26	07/19/2005

Exhibit	Description	Filed Herewith	Incorporated by Reference Form	Period Ending/Date of Report	Exhibit	Filing Date
10.3*	Form of Option Award Notice for California Employees under the 2002 Stock Incentive Plan		10-Q	09/30/2015	10.2	11/06/2015
10.4*	Form of Option Award Notice for Non-California Employees under the 2002 Stock Incentive Plan		10-Q	09/30/2015	10.3	11/06/2015
10.5*	Form of Option Award Notice for Non-Employee Directors under the 2002 Stock Incentive Plan		10-Q	09/30/2015	10.4	11/06/2015
10.6*	Form of Restricted Stock Unit Award Notice for Non-Employee Directors under the 2002 Stock Incentive Plan		10-Q	09/30/2015	10.5	11/06/2015
10.7*	2018 Long-Term Incentive Plan		DEF14A	05/09/2018	A	04/05/2018
10.8*	First Amendment to 2018 Long-Term Incentive Plan		DEF14A	09/21/2018	B	08/24/2018
10.9*	Second Amendment to 2018 Long-Term Incentive Plan		DEF14A	05/15/2019	A	04/10/2019
10.10*	Third Amendment to 2018 Long-Term Incentive Plan		DEF14A	05/13/2020	A	04/23/2020
10.11	Lease, dated January 10, 2006, by and between the Registrant and The Irvine Company LLC		8-K	01/10/2006	10.1	01/17/2006
10.12	Third Amendment to Lease, dated March 16, 2015, by and between the Registrant and The Irvine Company LLC		10-Q	03/31/2015	10.3	05/01/2015
10.13	Lease dated January 22, 2020 by and between the Registrant and Foothill Corporate I MT, LLC		10-K	12/31/2019	10.10	03/30/2020
10.14	Lease dated January 22, 2020 by and between the Registrant and Green River Properties, LLC		10-K	12/31/2019	10.11	03/30/2020
10.15*	Form of Indemnification Agreement between the Registrant and its officers and directors		10-Q	09/30/2005	10.1	11/09/2005
10.16*	Form of Stock Option Agreement for inducement grants made to John R. Beaver on September 30, 2017		8-K	09/30/2017	10.1	10/03/2017
10.17*	Employment Agreement, dated August 7, 2018, by and between the Registrant and Todd Norbe		8-K	08/07/2018	10.1	08/08/2018
10.18*	Letter Agreement Amending Employment with Todd Norbe, dated April 12, 2020		10-Q	03/31/2020	10.9	05/08/2020
10.19*	Letter Agreement Amending Employment with John Beaver, dated April 12, 2020		10-Q	03/31/2020	10.10	05/08/2020

			Incorporated by Reference			
Exhibit	Description	Filed Herewith	Form	Period Ending/Date of Report	Exhibit	Filing Date
10.20	Confidential Settlement Agreement, dated January 25, 2019, by and between the Registrant and CAO Group, Inc.		10-K	12/31/2018	10.28	03/08/2019
10.21	Promissory Note dated April 13, 2020, by and between the Registrant and Pacific Mercantile Bank		10-Q	03/31/2020	10.8	05/08/2020
10.22	Loan Authorization and Agreement dated as of May 22, 2020, by and between the Registrant and U.S. Small Business Administration		10-Q	06/30/2020	10.2	08/14/2020
10.23	First Amendment, dated as of July 30, 2020, to Loan and Security Agreement, by and between the Registrant and Pacific Mercantile Bank		10-Q	06/30/2020	10.3	08/14/2020
10.24	SBA Secured Disaster Loan Note, dated as of May 22, 2020, by and between Registrant and Pacific Mercantile Bank		10-Q	06/30/2020	10.5	08/14/2020
10.25	Securities Purchase Agreement dated as of June 8, 2020, by and between the Registrant and each purchaser identified on the signature pages thereto		8-K	06/08/2020	10.1	06/09/2020
10.26	Placement Agency Agreement dated as of June 8, 2020, by and among the Registrant, Maxim Group LLC, The Benchmark Company, LLC and Colliers Securities, LLC		8-K	06/08/2020	10.2	06/09/2020
10.27	Standstill Agreement, dated November 10, 2015, by and among the Registrant, Jack W. Schuler, Renate Schuler and the Schuler Family Foundation		8-K	11/10/2015	99.1	11/12/2015
10.28	Standstill Agreement, dated November 10, 2015, by and among the Registrant and Larry N. Feierg, Oracle Partners, L.P., Oracle Institutional Partners, L.P., Oracle Ten Fund Master, L.P., Oracle Associates, LLC, and Oracle Investment Management, Inc.		8-K	11/10/2015	99.2	11/12/2015
10.29	Amendment to Standstill Agreement, dated August 1, 2016, by and among the Registrant, Jack W. Schuler, Renate Schuler and the Schuler Family Foundation		8-K	08/01/2016	99.2	08/02/2016
10.30	Amendment to Standstill Agreement, dated August 1, 2016, by and among the Registrant, Larry N. Feinberg, Oracle Partners, L.P., Oracle Institutional Partners, L.P., Oracle Ten Fund Master, L.P., Oracle Associates, LLC and Oracle Investment Management, Inc.		8-K	08/01/2016	99.3	08/02/2016

Exhibit	Description	Filed Herewith	Incorporated by Reference: Form	Period Ending/Date of Report	Exhibit	Filing Date
10.31	Amendment to Standstill Agreement, dated November 9, 2017, by and among the Registrant, Jack W. Schuler, Renate Schuler and the Schuler Family Foundation		8-K	11/09/2017	99.1	11/09/2017
10.32	Amendment to Standstill Agreement, dated November 9, 2017, by and among the Registrant, Larry N. Feinberg, Oracle Partners, L.P., Oracle Institutional Partners, L.P., Oracle Ten Fund Master, L.P., Oracle Associates, LLC and Oracle Investment Management, Inc.		8-K	11/09/2017	99.2	11/09/2017
10.33	Credit Agreement dated as of November 9, 2018, by and between the Registrant and SWK Funding LLC		10-Q	09/30/2018	10.6	11/14/2018
10.34	First Amendment to Credit Agreement, dated as of May 7, 2019, by and between the Registrant and SWK LLC		10-Q	03/31/2019	10.8	05/10/2019
10.35	Letter Agreement, dated as of August 20, 2019, by and between the Registrant and SWK Funding LLC		S-1	09/04/2019	10.28	09/05/2019
10.36	Second Amendment to Credit Agreement, dated as of September 30, 2019, by and between the Registrant and SWK Funding LLC		S-1/A	11/09/2017	99.2	11/09/2017
10.37	Third Amendment to Credit Agreement, dated as of September 30, 2019, by and between the Registrant and SWK Funding LLC		10-Q	09/30/2019	10.5	11/12/2019
10.38	Fourth Amendment to Credit Agreement, dated as of March 25, 2020 by and between the Registrant and SWK Funding LLC		8-K	05/10/2018	3.1	05/11/2018
10.39	Fifth Amendment to Credit Agreement, dated as of May 15, 2020, by and between the Registrant and SWK Funding LLC		10-Q	06/30/2020	10.1	08/14/2020
10.40	Sixth Amendment to Credit Agreement, dated as of August 12, 2020, by and between the Registrant and SWK Funding LLC		10-Q	06/30/2020	10.8	08/14/2020
10.41	Seventh Amendment to Credit Agreement, dated as of February 24, 2021, by and between the Registrant and SWK Funding LLC	X				
10.42	Underwriting Agreement, dated as of February 5, 2021, by and between Biolase Inc. and Maxim Group LLC as representative of the several underwriters named therein		8-K	02/05/2021	1.1	02/10/2021

Exhibit	Description	Filed Herewith	Incorporated by Reference Form	Period Ending/Date of Report	Exhibit	Filing Date
10.43	Loan and Security Agreement, dated as of October 28, 2019, by and between Registrant and Pacific Mercantile Bank		10-Q	10/28/2019	10.1	11/01/2019
10.44	Separation Agreement With General Release of All Claims, dated March 12, 2021, by and between Registrant and Todd Norbe	X				
21.1	Subsidiaries of the Registrant	X				
23.1	Consent of Independent Registered Public Accounting Firm, BDO USA, LLP	X				
31.1	Certification pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	X				
32.1**	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
101***	The following financial information from the Company's Annual Report on Form 10-K, for the year ended December 31, 2020, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Loss, (iii) Consolidated Statements of Redeemable Preferred Stock and Stockholders' Equity (Deficit), (iv) Consolidated Statements of Cash Flows, (v) Notes to Consolidated Financial Statements	X				

† Confidential treatment was granted for certain confidential portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. In accordance with Rule 24b-2, these confidential portions were omitted from this exhibit and filed separately with the Securities and Exchange Commission.

* Management contract or compensatory plan or arrangement.

** Furnished herewith.

*** In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibits 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOLASE, INC.,
a Delaware Corporation
(registrant)

Dated: March 31, 2021

By: /s/ JOHN R. BEAVER
John R. Beaver
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ JOHN R BEAVER **John R. Beaver**	Director, President and Chief Executive Officer (Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)	March 31, 2021
/s/ DR. MIKE DITOLLA **Dr. Mike DiTolla**	Director	March 31, 2021
/s/ DR. RICHARD B. LANMAN **Dr. Richard B. Lanman**	Director	March 31, 2021
/s/ DR. JONATHAN T. LORD **Dr. Jonathan T. Lord**	Director	March 31, 2021
/s/ JESS ROPER **Jess Roper**	Director	March 31, 2021
/s/ GARRETT SATO **Garrett Sato**	Director	March 31, 2021
/s/ DR. ELAINE WAGNER **Dr. Elaine Wagner**	Director	March 31, 2021

BIOLASE, INC.

Index to Consolidated Financial Statements and Schedule

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2020 and 2019	F-4
Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2020, 2019, and 2018	F-5
Consolidated Statements of Redeemable Preferred Stock and Stockholders' Equity for the years ended December 31, 2020, 2019, and 2018	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018	F-7
Notes to Consolidated Financial Statements	F-8
SCHEDULE	
Schedule numbered in accordance with Rule 5.04 of Regulation S-X:	
II. Consolidated Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2020, 2019, and 2018	S-1

All Schedules, except Schedule II, have been omitted as the required information is shown in the consolidated financial statements, or notes thereto, or the amounts involved are not significant or the schedules are not applicable.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
BIOLASE, Inc.
Foothill Ranch, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of BIOLASE, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, redeemable preferred stock and stockholders' equity, cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 7 to the consolidated financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification ("ASC") 842 - Leases.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for 2020 Warrant Issuances

As described in Note 8 to the consolidated financial statements, in June 2020, the Company issued 10.8 million common stock warrants (the "June 2020 Warrants") in a private placement and in July 2020, the Company issued 45 million common stock warrants (the "July 2020 Warrants") in a rights offering. Based on the terms of the warrant agreements, the Company recorded the June 2020 Warrants in equity amounting to $3.0 million and recorded the July 2020 Warrants in liability amounting to $15.3 million. In September 2020, the July 2020 Warrants were amended and reclassified to equity, amounting to $9.5 million, since the amended terms meet the requirements for the July 2020 Warrants' classification as equity.

We identified the assessment of the accounting and classification of the June 2020 and July 2020 Warrants as equity or liability as a critical audit matter due to the complexity in assessing the warrant features, which requires management to make significant judgments in the interpretation of the terms of the agreements and in the application of appropriate accounting guidance. Auditing these elements required challenging and complex auditor judgment due to the nature and extent of audit effort required, including the extent of specialized skills or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Reviewing the warrant agreements and assessing the reasonableness of management's interpretation of the key terms and features of the warrants by interviewing management personnel to gain an understanding of the business purpose of the transactions.

- Utilizing personnel with specialized skill and knowledge to assist in assessing the appropriateness of conclusions reached by management by i) evaluating the underlying terms of the warrant agreements and ii) assessing the appropriateness of management's application of the authoritative accounting guidance.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2005.

Costa Mesa, California

March 31, 2021

BIOLASE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,564	$ 5,789
Restricted cash	312	312
Accounts receivable, less allowance of $4,017 and $2,531 in 2020 and 2019, respectively	3,059	8,760
Inventory	11,157	10,995
Prepaid expenses and other current assets	3,018	1,163
Total current assets	35,110	27,019
Property, plant, and equipment, net	782	1,193
Goodwill	2,926	2,926
Right of use asset	1,976	276
Other assets	231	433
Total assets	$ 41,025	$ 31,847
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,651	$ 5,332
Accrued liabilities	6,667	4,744
Deferred revenue, current portion	1,905	2,237
Term loan, net of discount	—	13,466
Total current liabilities	11,223	25,779
Deferred revenue	374	358
Warranty accrual	384	245
Non current term loans, net of discount	16,186	—
Non current operating lease liability	1,774	4
Other liabilities	1,056	1,119
Total liabilities	30,997	27,505
Commitments and contingencies —Note 7		
Redeemable preferred stock:		
Series E Preferred stock, par value $0.001 per share; 1,000 shares authorized, 0 and 70 shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	3,965
Total redeemable preferred stock	—	3,965
Stockholders' equity:		
Series F Preferred stock, par value $0.001 per share; 18 shares authorized, 1 and 0 shares issued and outstanding as of December 31, 2020 and 2019, respectively	118	—
Common stock, par value $0.001 per share; 180,000 and 40,000 shares authorized, 97,709 and 31,439 shares issued and 97,663 and 31,439 outstanding as of December 31, 2020 and 2019, respectively	98	31
Additional paid-in capital	261,573	235,594
Accumulated other comprehensive loss	(385)	(701)
Accumulated deficit	(251,376)	(234,547)
Total stockholders' equity	10,028	377
Total liabilities, redeemable preferred stock and stockholders' equity	$ 41,025	$ 31,847

See accompanying notes to consolidated financial statements.

BIOLASE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

	Years Ended December 31, 2020	2019	2018
Products and services revenue	$ 22,780	$ 37,787	$ 46,143
License fees and royalty revenue	—	12	12
Net revenue	22,780	37,799	46,155
Cost of revenue	16,607	23,511	29,260
Gross profit	6,173	14,288	16,895
Operating expenses:			
Sales and marketing	11,242	14,396	18,121
General and administrative	9,772	10,748	11,771
Engineering and development	3,695	4,765	5,203
Disposal of internally developed software	—	—	1,185
Loss on patent litigation settlement	—	—	1,500
Total operating expenses	24,709	29,909	37,780
Loss from operations	(18,536)	(15,621)	(20,885)
Loss on foreign currency transactions	21	121	58
Interest expense, net	2,359	2,157	510
Other (income) expense, net	(4,215)	—	—
Non-operating (income) expense, net	(1,835)	2,278	568
Loss before income tax provision	(16,701)	(17,899)	(21,453)
Income tax provision (benefit)	128	(44)	63
Net loss	(16,829)	(17,855)	(21,516)
Other comprehensive loss items:			
Foreign currency translation adjustments	316	(31)	(94)
Comprehensive loss	$ (16,513)	$ (17,886)	$ (21,610)
Net loss	$ (16,829)	$ (17,855)	$ (21,516)
Deemed dividend on convertible preferred stock	(17,378)	—	—
Net loss attributable to common stockholders	$ (34,207)	$ (17,855)	$ (21,516)
Net loss per share attributable to common stockholders:			
Basic	$ (0.56)	$ (0.77)	$ (1.05)
Diluted	$ (0.56)	$ (0.77)	$ (1.05)
Shares used in the calculation of net loss per share:			
Basic	61,136	23,201	20,588
Diluted	61,136	23,201	20,588

See accompanying notes to consolidated financial statements.

BIOLASE, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(in thousands)

	Mezzanine Equity		Stockholders' Equity							
	Series E Convertible Preferred Stock		Common Stock		Paid-in Capital	Series F Convertible Preferred Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Amount	Shares	Amount	Loss	Deficit	Equity
Balances, December 31, 2017	—	$ —	20,468	$ 20	$ 224,992	—	$ —	$ (576)	$ (195,176)	$ 29,260
Exercise of stock options, net	—	—	1	—	2	—	—	—	—	2
Fees for rights offering	—	—	—	—	(38)	—	—	—	—	(38)
Stock-based compensation	—	—	—	—	2,627	—	—	—	—	2,627
Issuance of stock from RSUs, net	—	—	603	1	—	—	—	—	—	1
Warrant issued in connection with debt instruments	—	—	—	—	847	—	—	—	—	847
Net loss	—	—	—	—	—	—	—	—	(21,516)	(21,516)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(94)	—	(94)
Balances, December 31, 2018	—	—	21,072	21	228,430	—	—	(670)	(216,692)	11,089
Issuance of Series E Convertible Preferred Stock, net of issuance costs of $35	70	3,965	—	—	—	—	—	—	—	—
Exercise of stock options, net	—	—	2	—	4	—	—	—	—	4
Issuance of Common Stock in public offering, net of issuance costs of $920	—	—	8,993	9	4,241	—	—	—	—	4,250
Stock-based compensation	—	—	—	—	2,395	—	—	—	—	2,395
Issuance of stock from RSUs, net	—	—	1,372	1	363	—	—	—	—	364
Warrant issued in connection with debt instruments	—	—	—	—	161	—	—	—	—	161
Net loss	—	—	—	—	—	—	—	—	(17,855)	(17,855)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(31)	—	(31)
Balances, December 31, 2019	70	3,965	31,439	31	235,594	—	—	(701)	(234,547)	377
Conversion of Series E Participating Convertible Preferred Stock	(70)	(3,965)	6,957	7	3,958	—	—	—	—	3,965
Sale of common stock	—	—	10,800	11	3,787	—	—	—	—	3,798
June 2020 Warrants	—	—	—	—	3,031	—	—	—	—	3,031
Reclassification of July 2020 Warrants	—	—	—	—	9,450	—	—	—	—	9,450
Stock offering costs	—	—	—	—	(856)	—	—	—	—	(856)
Warrant issued in connection with debt instruments	—	—	—	—	67	—	—	—	—	67
Issuance of Series F Convertible Preferred Stock in Rights Offering, net of $0.3 million in offering costs	—	—	—	—	—	18	2,411	—	—	2,411
Beneficial conversion of Series F Convertible Preferred Stock	—	—	—	—	2,700	—	(2,700)	—	—	—
Deemed dividend on Series F Convertible Preferred Stock	—	—	—	—	(17,378)	—	17,378	—	—	—
Conversion of Series F Convertible Preferred Stock	—	—	42,795	43	16,928	(17)	(16,971)	—	—	—
Stock-based compensation	—	—	—	—	2,591	—	—	—	—	2,591
Issuance of stock from RSUs, net	—	—	1,856	2	161	—	—	—	—	163
Exercise of common stock warrants	—	—	3,862	4	1,540	—	—	—	—	1,544
Net loss	—	—	—	—	—	—	—	—	(16,829)	(16,829)
Foreign currency translation adjustment	—	—	—	—	—	—	—	316	—	316
Balances, December 31, 2020	—	$ —	97,709	$ 98	$ 261,573	1	$ 118	$ (385)	$ (251,376)	$ 10,028

See accompanying notes to consolidated financial statements.

BIOLASE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2020	2019	2018
Cash Flows from Operating Activities:			
Net loss	$ (16,829)	$ (17,855)	$ (21,516)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:			
Depreciation and amortization	499	982	945
Loss on disposal of assets, net	—	—	1,228
Provision for bad debts	1,328	1,695	469
Provision for sales returns	87	—	—
Provision for inventory excess and obsolescence	(591)	413	166
Inventory write-offs and disposals	1,300	15	128
Amortization of discount on lines of credit	165	140	202
Amortization of debt issuance costs	331	188	126
Change in fair value of warrants	(5,850)	—	—
Issuance costs for common stock warrants	1,641	—	—
Loss on patent litigation settlement	—	—	1,500
Stock-based compensation	3,370	2,742	2,768
Warrants issued to consultants	—	48	—
Deferred income taxes	—	7	(27)
Earned interest income	—	2	1
Changes in operating assets and liabilities:			
Accounts receivable	4,286	655	(1,458)
Inventory	(871)	825	(255)
Prepaid expenses and other current assets	825	439	(25)
Accounts payable and accrued liabilities	(2,107)	(3,156)	1,762
Deferred revenue	(379)	114	(161)
Net cash and cash equivalents used in operating activities	(12,795)	(12,746)	(14,147)
Cash Flows from Investing Activities:			
Purchases of property, plant, and equipment	(96)	(207)	(558)
Proceeds from disposal of property, plant, and equipment	—	—	36
Net cash and cash equivalents used in investing activities	(96)	(207)	(522)
Cash Flows from Financing Activities:			
Proceeds from the issuance of common stock and June 2020 Warrants	6,912	9,171	—
Proceeds from the issuance of Series F Convertible Preferred Stock	2,700	—	—
Proceeds from the issuance of July 2020 Warrants	15,300	—	—
Payments of equity offering costs	(1,281)	(821)	(164)
Payment of July 2020 Warrant issuance costs	(1,640)	—	—
Principal payments under capital lease obligation	—	—	(46)
Borrowings on other long-term loans	3,140	—	—
Borrowings under term loan	—	2,500	12,500
Principal payment on term loan	(700)	—	—
Borrowings on credit facility	3,000	—	3,696
Payments of credit facility	(3,000)	—	(3,696)
Payments of debt issuance costs	(128)	(133)	(1,058)
Proceeds from the exercise of common stock warrants	46	—	—
Proceeds from exercise of stock options	—	4	3
Net cash and cash equivalents provided by financing activities	24,349	10,721	11,235
Effect of exchange rate changes	317	(23)	(106)
Increase (decrease) in cash and cash equivalents	11,775	(2,255)	(3,540)
Cash, cash equivalents and restricted cash, beginning of year	6,101	8,356	11,896
Cash, cash equivalents and restricted cash, end of year	$ 17,876	$ 6,101	$ 8,356
Supplemental cash flow disclosure:			
Cash paid for interest	$ 1,881	$ 1,784	$ 23
Cash received for interest	$ 11	$ —	$ —
Cash paid for income taxes	$ 22	$ 35	$ 44
Cash paid for operating leases	$ 489	$ 797	$ —
Non-cash accrual for capital expenditures	$ —	$ 18	$ 31
Non-cash settlement of performance award liability	$ 151	$ 201	$ —
Non-cash right-of-use assets obtained in exchange for lease obligations	$ 2,037	$ 276	$ —
Equity financing costs in accounts payable	$ 74	$ 129	$ —
Deemed dividend on preferred stock	$ 17,378	$ —	$ —
Loss on patent litigation settlement	$ —	$ —	$ 1,500
Forgiveness of debt	$ 10	$ —	$ —
Receivable from warrants exercised and included in prepaid and other current assets	$ 1,498	$ —	$ —
Warrants issued in connection with debt instruments	$ 67	$ 161	$ 847

See accompanying notes to consolidated financial statements.

NOTE 1 — BASIS OF PRESENTATION

The Company

BIOLASE, Inc. ("BIOLASE" and, together with its consolidated subsidiaries, the "Company") is a leading provider of advanced laser systems for the dental industry. The Company develops, manufactures, markets, and sells laser systems that provide significant benefits for dental practitioners and their patients. The Company's proprietary systems allow dentists, periodontists, endodontists, pediatric dentists, oral surgeons, and other dental specialists to perform a broad range of minimally invasive dental procedures, including cosmetic, restorative, and complex surgical applications. The Company's laser systems are designed to provide clinically superior results for many types of dental procedures compared to those achieved with drills, scalpels, and other conventional instruments. Potential patient benefits include less pain, fewer shots, faster healing, decreased fear and anxiety, and fewer appointments. Potential practitioner benefits include improved patient care and the ability to perform a higher volume and wider variety of procedures and generate more patient referrals.

Use of Estimates

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires the Company to make estimates and assumptions that affect amounts reported in the consolidated financial statements and the accompanying notes. Significant estimates in these consolidated financial statements include allowances on accounts receivable, inventory, and deferred taxes, as well as estimates for accrued warranty expenses, goodwill and the ability of goodwill to be realized, revenue deferrals, effects of stock-based compensation and warrants, contingent liabilities, and the provision or benefit for income taxes. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ materially from those estimates.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or, if none exists, the most advantageous market) for the specific asset or liability at the measurement date (referred to as the "exit price"). The fair value is based on assumptions that market participants would use, including a consideration of non-performance risk. Under the accounting guidance for fair value hierarchy, there are three levels of measurement inputs. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable, either directly or indirectly. Level 3 inputs are unobservable due to little or no corroborating market data.

The Company's financial instruments, consisting of cash, cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities, and the SWK Loan (as defined below) as discussed in Note 6, approximate fair value because of the nature of these items.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Exchange Rate

Financial instruments which potentially expose the Company to a concentration of credit risk consist principally of cash and cash equivalents, restricted cash, and trade accounts receivable. The Company maintains its cash and cash equivalents and restricted cash with established commercial banks. At times, balances may exceed federally insured limits. To minimize the risk associated with trade accounts receivable, management performs ongoing credit evaluations of customers' financial condition and maintains relationships with the Company's customers that allow management to monitor current changes in business operations so the Company can respond as needed. The Company does not, generally, require customers to provide collateral before it sells them its products. However, the Company has required certain distributors to make prepayments for significant purchases of products.

Substantially all of the Company's revenue is denominated in U.S. dollars, including sales to international distributors. Only a small portion of its revenue and expenses is denominated in foreign currencies, principally the Euro and Indian Rupee. The Company's foreign currency expenditures primarily consist of the cost of maintaining offices, consulting services, and employee-related costs. During the years ended December 31, 2020, 2019, and 2018, the Company did not enter into any hedging contracts. Future fluctuations in the value of the U.S. dollar may affect the price competitiveness of the Company's products outside the U.S.

Liquidity and Management's Plans

The Company has reported losses from operations of $18.5 million, $15.6 million, and $20.9 million for the years ended December 31, 2020, 2019, and 2018, respectively, and has not generated positive net cash from operations for the years ended December 31, 2020, 2019, and 2018.

As of December 31, 2020, the Company had working capital of approximately $23.9 million. The Company's principal sources of liquidity as of December 31, 2020 consisted of approximately $17.9 million in cash, cash equivalents and restricted cash and $3.1 million of net accounts receivable. The increase in cash, cash equivalents and restricted cash was primarily due to the net proceeds from the registered direct private placement and the rights offering consummated during the year ended December 31, 2020. Additionally, the Company received proceeds of $14.4 million from its issuance of common stock and $15.0 million from warrants exercised subsequent to December 31, 2020. See Note 11 to the consolidated financial statements for additional information on these common stock issuances and warrant exercises.

In order for the Company to continue operations beyond the next 12 months and be able to discharge its liabilities and commitments in the normal course of business, the Company must increase sales of its products, control or potentially reduce expenses and establish profitable operations in order to generate cash from operations or obtain additional funds when needed.

Although the Company received gross proceeds of approximately $24.0 million from equity offerings in the second and third quarters of 2020 and gross proceeds of approximately $14.4 million from an equity offering in February 2021, and $15.0 million for warrant exercises subsequent to December 31, 2020, the Company may still have to raise additional capital in the future. Additional capital requirements may depend on many factors, including, among other things, the rate at which the Company's business grows, the COVID-19 pandemic and the actions taken to contain it, demands for working capital, manufacturing capacity, and any acquisitions that the Company may pursue. From time to time, the Company could be required, or may otherwise attempt, to raise capital through either equity or debt offerings. The Company cannot provide assurance that it will be able to successfully enter into any such equity or debt financings in the future or that the required capital would be available on acceptable terms, if at all, or that any such financing activity would not be dilutive to its' stockholders.

COVID-19 Risk and Uncertainties and CARES Act

The COVID-19 pandemic has severely impacted global economic activity, and many countries and many states in the United States have reacted to the outbreak by instituting quarantines, mandating business and school closures and restricting travel. These mandated business closures included dental office closures worldwide for all but emergency procedures, for the most part. The ability of the Company's salespeople to call on dental customers during these closures was greatly limited. In addition, most dental shows and workshops scheduled in 2020 were canceled. As a result of reduced sales due to the COVID-19 pandemic and actions taken to contain it, cash generated from the Company's operations during 2020 were less than anticipated. Moreover, there is no assurance that sales will return to normal levels during 2021 or at any time thereafter.

On March 27, 2020, President Trump signed into law the CARES Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

As of the date of issuance of these financial statements, the Company has not yet determined any future impact that the CARES Act will have on the Company's financial condition, results of operations, or liquidity.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased, as cash equivalents. Cash equivalents are carried at cost, which approximates fair market value.

Restricted Cash

Restricted cash represents $0.2 million relating to a revolving 90-day certificate of deposit maintained by the Company as collateral in connection with corporate credit cards and $0.1 million relating to its commercial credit card servicing agreement with Western Alliance Bank. At December 31, 2020 and 2019, the restricted cash balance was $0.3 million and $0.3 million, respectively.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheets to the same total reported in the consolidated statements of cash flows (in thousands):

	For the years ended December 31,	
	2020	**2019**
Cash and cash equivalents	$ 17,564	$ 5,789
Restricted cash	312	312
Total cash, cash equivalents, and restricted cash in the consolidated statement of cash flows	$ 17,876	$ 6,101

Inventory

The Company values inventory at the lower of cost or net realizable value, with cost determined using the first-in, first-out method. The carrying value of inventory is evaluated periodically for excess quantities and obsolescence. Management evaluates quantities on hand, physical condition, and technical functionality as these characteristics may be impacted by anticipated customer demand for current products and new product introductions. The allowance is adjusted based on such evaluation, with a corresponding provision included in cost of revenue. Abnormal amounts of idle facility expenses, freight, handling costs and wasted material are recognized as current period charges, and the Company's allocation of fixed production overhead is based on the normal capacity of its production facilities.

Property, Plant, and Equipment

Property, plant, and equipment is stated at acquisition cost less accumulated depreciation. Maintenance and repairs are expensed as incurred. Upon sale or disposition of assets, any gain or loss is included in the consolidated statements of operations.

The cost of property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives of the respective assets, except for leasehold improvements, which are depreciated over the lesser of the estimated useful lives of the respective assets or the related lease terms.

Building	30 years
Leasehold improvements	3 to 5 years
Equipment and computers	3 to 5 years
Furniture and fixtures	5 years

Depreciation expense for the years ended December 31, 2020, 2019, and 2018 totaled $0.5 million, $1.0 million and $0.9 million, respectively. The Company recognized losses on disposal of internally developed software of $0 million, $0 million and $1.2 million during the years ended December 31, 2020, 2019 and, 2018, respectively.

Goodwill and Other Intangible Assets

Goodwill is not subject to amortization but is evaluated for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired. The Company operates in one reporting segment and reporting unit; therefore, goodwill is tested for impairment at the consolidated level against the fair value of the Company. The fair value of a reporting unit refers to the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for measurement, if available. Management assesses potential impairment on an annual basis and compares the Company's market capitalization to its carrying amount, including goodwill. A significant decrease in the Company's stock price could indicate a material impairment of goodwill which, after further analysis, could result in a material charge to operations. Inherent in the Company's fair value determinations are certain judgments and estimates, including projections of future cash flows, the discount rate reflecting the inherent risk in future cash flows, the interpretation of current economic indicators and market valuations, and strategic plans with regard to operations. A change in these underlying assumptions could cause a change in the results of the tests, which could cause the fair value of the reporting unit to be less than its respective carrying amount.

Costs incurred to acquire and successfully defend patents, and costs incurred to acquire trademarks and trade names are capitalized. Costs related to the internal development of technologies that are ultimately patented are expensed as incurred. Intangible assets, except those determined to have an indefinite life, are amortized using the straight-line method or over management's best estimate of the pattern of economic benefit over the estimated useful life of the assets. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Long-Lived Assets

The carrying values of long-lived assets, including intangible assets subject to amortization, are reviewed when indicators of impairment, such as reductions in demand or significant economic slowdowns, are present. Reviews are performed to determine whether carrying value of an asset is impaired based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using discounted expected future cash flows. Impairment is based on the excess of the carrying amount over the fair value of those assets.

Redeemable Preferred Stock

The Company classifies convertible preferred stock that is redeemable at the stockholder's discretion as mezzanine equity. In a private offering in 2019, the Company issued and sold 69,565 shares of its Series E Convertible Preferred Stock, par value $0.001 per share ("Series E Preferred Stock") to two stockholders who owned over 60% of the outstanding shares of common stock of the Company for a share price of $57.50 per share and a par value of $0.001 per share. Each share of the Series E Preferred Stock was convertible into 100 shares of BIOLASE common stock upon exercise. All 69,565 shares of Series E Preferred Stock were automatically converted into 6,956,500 shares of common stock upon receipt of the requisite approval at the Company's 2020 annual meeting of stockholders (the "2020 Annual Meeting"). Upon conversion based on its original terms, the Company recorded the exchange of Series E Preferred Stock of approximately $4.0 million for common stock, with no charge in retained earnings. As of December 31, 2020 and 2019, 0 and 69,565 shares of Series E Preferred Stock were issued and outstanding, respectively. Additional details are discussed further in Note 8 to these consolidated financial statements.

Other Comprehensive (Loss) Income

Other comprehensive (loss) income encompasses the change in equity from transactions and other events and circumstances from non-owner sources and is included as a component of stockholders' equity but is excluded from net (loss) income. Accumulated other comprehensive (loss) income is comprised of foreign currency translation adjustments.

Foreign Currency Translation and Transactions

Transactions of the Company's German, Spanish, Australian, and Indian subsidiaries are denominated in their local currencies which have been determined to be their functional currencies. The results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at end-of-period exchange rates. Translation gains or losses are shown as a component of accumulated other comprehensive (loss) income in stockholders' equity. Income and losses resulting from foreign currency transactions which are denominated in a currency other than the entity's functional currency, are included in the consolidated statements of operations.

Revenue Recognition

Contracts with Customers

Revenue for sales of products and services is derived from contracts with customers. The products and services promised in customer contracts include delivery of laser systems, imaging systems, and consumables as well as certain ancillary services such as training and extended warranties. Contracts with each customer generally state the terms of the sale, including the description, quantity and price of each product or service. Payment terms are stated in the contract and vary according to the arrangement. Because the customer typically agrees to a stated rate and price in the contract that does not vary over the life of the contract, the Company's contracts do not contain variable consideration. The Company establishes a provision for estimated warranty expense.

Performance Obligations

At contract inception, the Company assesses the products and services promised in its contracts with customers. The Company then identifies performance obligations to transfer distinct products or services to the customers. In order to identify performance obligations, the Company considers all of the products or services promised in contracts regardless of whether they are explicitly stated or are implied by customary business practices.

Revenue from products and services transferred to customers at a single point in time accounted for 81%, 81%, and 86% of net revenue for the years ended December 31, 2020, 2019, and 2018, respectively. The majority of the Company's revenue recognized at a point in time is for the sale laser systems, imaging systems, and consumables. Revenue from these contracts is recognized when the customer is able to direct the use of and obtain substantially all of the benefits from the product which generally coincides with title transfer during the shipping process.

Revenue from services transferred to customers over time accounted for 19%, 19%, and 14% of net revenue for the years ended December 31, 2020, 2019, and 2018, respectively. The majority of our revenue that is recognized over time relates to product training and extended warranties. Deferred revenue attributable to undelivered elements, which primarily consists of product training, totaled $0.7 million and $0.6 million as of December 31, 2020 and 2019, respectively.

Transaction Price Allocation

The transaction price for a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, each performance obligation is satisfied. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in a contract. The primary method used to estimate standalone selling price is the observable price when the good or service is sold separately in similar circumstances and to similar customers.

Significant Judgments

Revenue is recorded for extended warranties over time as the customer benefits from the warranty coverage. This revenue will be recognized equally throughout the contract period as the customer receives benefits from the Company's promise to provide such services. Revenue is recorded for product training as the customer attends a training program or upon the expiration of the obligation, which is generally after nine months.

The Company also has contracts that include both the product sales and product training as performance obligations. In those cases, the Company records revenue for product sales at the point in time when the product has been shipped. The customer obtains control of the product when it is shipped, as all shipments are made FOB shipping point, and after the customer selects its shipping method and pays all shipping costs and insurance. The Company has concluded that control is transferred to the customer upon shipment.

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. The allowance for doubtful accounts is based on an analysis of customer accounts and the Company's historical experience with accounts receivable write-offs.

Contract Liabilities

The Company performs its obligations under a contract with a customer by transferring products and/or services in exchange for consideration from the customer. The Company typically invoices its customers as soon as control of an asset is transferred and a receivable for the Company is established. The Company, however, recognizes a contract liability when a customer prepays for goods and/or services and the Company has not transferred control of the goods and/or services. The opening and closing balances of the Company's contract liabilities are as follows (in thousands):

	December 31,	
	2020	2019
Undelivered elements (training, installation, product and support services)	$ 670	$ 559
Extended warranty contracts	1,609	2,063
Deferred royalties	—	—
Total deferred revenue	2,279	2,622
Less: long-term portion of deferred revenue	374	385
Deferred revenue – current	$ 1,905	$ 2,237

The balance of contract assets was immaterial as the Company did not have a significant amount of uninvoiced receivables in the years ended December 31, 2020 and 2019.

The amount of revenue recognized during the years ended December 31, 2020 and 2019 that was included in the opening contract liability balance related to undelivered elements was $0.3 million and $0.5 million, respectively. The amounts related to extended warranty contracts was $2.0 million and $2.1 million, for the years ended December 31, 2020 and 2019, respectively. There were no deferred royalties for the years ended December 31, 2020 and 2019, respectively.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers into geographical regions and by the timing of when goods and services are transferred. The Company determined that disaggregating revenue into these categories depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by regional economic factors.

The Company's revenues related to the following geographic areas were as follows (in thousands):

	Years Ended December 31,		
	2020	2019	2018
United States	$ 16,195	$ 22,814	$ 28,661
International	6,585	14,985	17,494
	$ 22,780	$ 37,799	$ 46,155

Information regarding revenues disaggregated by the timing of when goods and services are transferred is as follows (in thousands):

	For the Year Ended December 31,		
	2020	2019	2018
Revenue recognized over time	$ 4,314	$ 7,174	$ 6,441
Revenue recognized at a point in time	18,466	30,625	39,714
Total	$ 22,780	$ 37,799	$ 46,155

The Company's sales by end market is as follows (in thousands):

	For the Year Ended December 31,		
	2020	2019	2018
End-customer	$ 16,195	$ 25,173	$ 30,478
Distributors	6,585	12,626	15,677
	$ 22,780	$ 37,799	$ 46,155

Shipping and Handling Costs and Revenues

Shipping and freight costs are treated as fulfillment costs. For shipments to end-customers, the customer bears the shipping and freight costs and has control of the product upon shipment. For shipments to distributors, the distributor bears the shipping and freight costs, including insurance, tariffs and other import/export costs.

Provision for Warranty Expense

The Company provides warranties against defects in materials and workmanship of its laser systems for specified periods of time. For the years ended December 31, 2020 and 2019, laser systems sold were covered by the warranty for a period of up to two years from the date of sale by the Company or the distributor to the end-user. For Waterlase systems sold domestically and purchased in 2017 or later, the Company decreased the warranty period from two years to one year. Laser systems sold internationally are covered by the warranty for a period of up to 28 months from the date of sale to the international distributor. Estimated warranty expenses are recorded as an accrued liability with a corresponding provision to cost of revenue. This estimate is recognized concurrent with the recognition of revenue on the sale to the distributor or end-user. Warranty expenses expected to be incurred after one year from the time of sale to the distributor are classified as a long-term warranty accrual. The Company's overall accrual is based on its historical experience and management's expectation of future conditions, taking into consideration the location and type of customer and the type of laser, which directly correlate to the materials and components under warranty, the duration of the warranty period, and the logistical costs to service the warranty. Additional factors that may impact the Company's warranty accrual include changes in the quality of materials, leadership and training of the production and services departments, knowledge of the lasers and workmanship, training of customers, and adherence to the warranty policies. Additionally, an increase in warranty claims or in the costs associated with servicing those claims would likely result in an increase in the accrual and a decrease in gross profit. All imaging products are initially covered by the manufacturer's warranties. However, the Company offers extended warranties on certain imaging products.

Changes in the initial product warranty accrual and the expenses incurred under the Company's initial and extended warranties are included within accrued liabilities and were as follows (in thousands):

	Years Ended December 31,		
	2020	2019	2018
Balance, January 1	$ 1,110	$ 1,308	$ 1,190
Provision for estimated warranty cost	1,047	806	901
Warranty expenditures	(1,025)	(1,004)	(783)
Balance, December 31	1,132	1,110	1,308
Less: long-term portion of warranty accrual	384	245	447
Current portion of warranty accrual	$ 748	$ 865	$ 861

Advertising Costs

Advertising costs are expensed as incurred and totaled $0.6 million, $0.5 million and $0.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Engineering and Development

Engineering and development expenses are generally expensed as incurred and consist of engineering personnel salaries and benefits, prototype supplies, contract services, and consulting fees related to product development.

Stock-Based Compensation

During the years ended December 31, 2020, 2019, and 2018, the Company recognized compensation cost related to stock options of $3.4 million, $2.7 million, and $2.8 million, respectively, based on the grant-date fair value. In 2020, $0.9 million of the total stock compensation cost related to performance-based awards was recognized as a liability. The following table summarizes the income statement classification of compensation expense associated with share-based payments (in thousands):

	Years Ended December 31,		
	2020	2019	2018
Cost of revenue	$ 297	$ 293	$ 420
Sales and marketing	789	557	535
General and administrative	2,042	1,662	1,440
Engineering and development	242	230	373
	$ 3,370	$ 2,742	$ 2,768

As of December 31, 2020 and 2019, the Company had $1.0 million and $2.7 million, respectively, of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements granted under its existing plans. The $1.0 million in cost is expected to be recognized over a weighted-average period of 1 year as of December 31, 2020.

Stock-based compensation expense is estimated at the grant date of the award, is based on the fair value of the award and is recognized ratably over the requisite service period of the award. For restricted stock units ("RSUs") the Company estimates the fair value of the award based on the number of awards and the fair value of BIOLASE common stock on the grant date, and applies an estimated forfeiture rate. For stock options, the Company estimates the fair value of the option award using the Black-Scholes option pricing model. This option-pricing model requires the Company to make several assumptions regarding the key variables used to calculate the fair value of its stock options. The risk-free interest rate used is based on the U.S. Treasury yield curve in effect for the expected lives of the options at their grant dates. Since July 1, 2005, the Company has used a dividend yield of zero, as it does not intend to pay cash dividends on its common stock in the foreseeable future. The most critical assumptions used in calculating the fair value of stock options is the expected life of the option and the expected volatility of BIOLASE common stock. The expected life is calculated in accordance with the simplified method, whereby for service-based awards the expected life is calculated as a midpoint between the vesting date and expiration date. The Company uses the simplified method, as there is not a sufficient history of share option exercises. For performance-based awards, the expected life equals the life of the award. Management believes that the historic volatility of the BIOLASE common stock is a reliable indicator of future volatility, and accordingly, a stock volatility factor based on the historical volatility of the BIOLASE common stock over a lookback period of the expected life is used in approximating the estimated volatility of new stock options. Compensation expense is recognized using the straight-line method for all service-based employee awards and graded amortization for all performance-based awards. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated at the date of grant based on historical experience and future expectations. Forfeitures are estimated at the time of the grant and revised in subsequent periods as actual forfeitures differ from those estimates. The Company applied a forfeiture rate of 10.87% and 49.43% to awards granted to executives and employees, respectively, during the year ended December 31, 2020. The Company's forfeiture rates applied to awards granted to executives and employees during the year ended December 31, 2019 were 10.3% and 48.73% and during the year ended December 31, 2018, were 7.28% and 45.31%, respectively.

The stock option fair values were estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the years ended December 31,		
	2020	2019	2018
Expected term (years)	5.51	5.97	5.87
Volatility	103 %	85 %	81 %
Annual dividend per share	$ —	$ —	$ —
Risk-free interest rate	0.37 %	2.55 %	2.54 %

Income Taxes

Based upon the Company's operating losses during 2020, 2019, and 2018 and the available evidence, management has determined that it is more likely than not that the deferred tax assets as of December 31, 2020 will not be realized in the near term. Consequently, we have established a valuation allowance against our net deferred tax asset totaling $56.0 million and $53.2 million as of December 31, 2020 and 2019, respectively. In this determination, we considered factors such as our earnings history, future projected earnings, and tax planning strategies. If sufficient evidence of our ability to generate sufficient future taxable income tax benefits becomes apparent, we may reduce our valuation allowance, resulting in tax benefits in our statement of operations and in additional paid-in-capital. Management evaluates the potential realization of our deferred tax assets and assesses the need for reducing the valuation allowance periodically.

Net Loss Per Share — Basic and Diluted

Basic net income (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. In computing diluted net income (loss) per share, the weighted average number of shares outstanding is adjusted to reflect the effect of potentially dilutive securities. Income is adjusted for any deemed dividends to preferred stockholders to compute income available to common stockholders.

Outstanding stock options, restricted stock units and warrants to purchase approximately 61,122,000, 6,922,000, and 5,862,000 shares were not included in the calculation of diluted loss per share amounts for the years ended December 31, 2020, 2019, and 2018, respectively, as their effect would have been anti-dilutive. Also excluded in the calculation of diluted loss per share amount for the year ended December 31, 2020, are the 2,205,000 shares of BIOLASE common stock that will be issued upon conversion of the 882 shares of Series F Convertible Preferred Stock, par value $0.001 per share ("Series F Preferred Stock"), discussed further in Note 8, as their effect would have been anti-dilutive.

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification ("ASC").

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined not to be applicable or are expected to have minim al impact on the Company's consolidated financial position and results of operations.

Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12 Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes, to remove certain exceptions and improve consistency of application, including, among other things, requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The amendments in this update will be effective beginning with fiscal year 2021, with early adoption permitted. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The adoption of the amendments in this update is not expected to have a material impact on our consolidated financial position and results of operations.

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)". This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock and amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. In addition, this ASU improves and amends the related earnings per share guidance. This standard is effective for the Company beginning on January 1, 2022, with early adoption permitted only in the first quarter of 2021. Adoption is either a modified retrospective method or a fully retrospective method of transition. The Company is currently assessing the impact the new guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope and to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company will be required to use a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The standard will be effective for the Company beginning January 1, 2023, with early adoption permitted beginning January 1, 2019. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements.

NOTE 3 — SUPPLEMENTARY BALANCE SHEET INFORMATION

Accounts Receivable, net:

	December 31,	
(in thousands):	**2020**	**2019**
Trade	$ 3,059	$ 8,760
Royalties	—	—
Total receivables, net	$ 3,059	$ 8,760

Accounts receivable is net of allowances for doubtful accounts of $4.0 million and $2.5 million and sales returns of $0.3 and $0.2 million at December 31, 2020 and 2019, respectively.

Inventory:

	December 31,	
(in thousands):	**2020**	**2019**
Raw materials	$ 3,721	$ 3,689
Work-in-process	1,158	1,064
Finished goods	6,278	6,242
Inventory	$ 11,157	$ 10,995

Inventory includes write-downs for excess and obsolete inventory totaling $0.8 million and $1.3 million at December 31, 2020 and 2019, respectively. Write-downs for excess and obsolete inventory resulted in expense of $1.3 million, $15 thousand and $0.1 million during the years ended December 31, 2020, 2019, and 2018, respectively.

Prepaid expenses and other current assets:

	December 31,	
(in thousands):	**2020**	**2019**
Prepaid insurance	$ 947	$ 799
Receivable for warrants exercised	1,498	0
Other	573	364
Prepaid expenses and other current assets	$ 3,018	$ 1,163

Property, Plant, and Equipment, net:

(in thousands):	December 31, 2020	December 31, 2019
Building	$ 229	$ 209
Leasehold improvements	52	2,004
Equipment and computers	7,477	7,479
Furniture and fixtures	465	634
Construction in progress	46	27
Total property, plant, and equipment before depreciation and land	8,269	10,353
Less: accumulated depreciation	(7,664)	(9,322)
Total property, plant, and equipment, net before land	605	1,031
Land	177	162
Property, plant, and equipment, net	$ 782	$ 1,193

During the year ended December 31, 2020, the Company disposed of leasehold improvements related a property that was vacated upon lease expiration. The Company did not recognize any impairments on property, plant, and equipment during the years ended December 31, 2020, 2019 and 2018.

Accrued Liabilities:

	December 31, 2020	December 31, 2019
Payroll and benefits	$ 3,552	$ 1,726
Warranty accrual, current portion	748	865
Taxes	165	242
Accrued professional services	281	330
Accrued insurance premium	885	546
Lease liability	305	323
Other	731	712
Accrued liabilities	$ 6,667	$ 4,744

The CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security taxes through December 31, 2020. Under the CARES Act, the Company deferred $0.4 million as of December 31, 2020. The deferred liability is included in accrued payroll and benefits.

NOTE 4 — INTANGIBLE ASSETS AND GOODWILL

The Company conducted its annual impairment test of goodwill and determined that there was no impairment. The Company also tests its intangible assets and goodwill between the annual impairment test if events occur or circumstances change that would more likely than not reduce the fair value of the Company or its assets below their carrying amounts. For intangible assets subject to amortization, the Company performs its impairment test when indicators, such as reductions in demand or significant economic slowdowns, are present. No events have occurred that triggered further impairment testing of the Company’s intangible assets and goodwill during the years ended December 31, 2020, 2019 and 2018.

As of December 31, 2020 and 2019, the Company had goodwill (indefinite life) of $2.9 million. As of December 31, 2020 and 2019, all intangible assets have been fully amortized and there was no amortization expense for the respective years.

The following table presents the details of the Company's intangible assets, related accumulated amortization and goodwill (in thousands):

	As of December 31, 2020			
	Gross	Accumulated Amortization	Impairment	Carrying Value
Patents (4-10 years)	$ 1,914	$ (1,914)	$ —	$ —
Trademarks (6 years)	69	(69)	—	—
Other (4 to 6 years)	817	(817)	—	—
Total	$ 2,800	$ (2,800)	$ —	$ —
Goodwill (indefinite life)	$ 2,926			$ 2,926

NOTE 5 — INCOME TAXES

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Management evaluates the need to establish a valuation allowance for deferred tax assets based upon the amount of existing temporary differences, the period in which they are expected to be recovered, and expected levels of taxable income. A valuation allowance to reduce deferred tax assets is established when it is "more likely than not" that some or all of the deferred tax assets will not be realized. Management has determined that a full valuation allowance against the Company's net deferred tax assets is appropriate.

The following table presents the current and deferred provision for income taxes for the years ended December 31 (in thousands):

	2020	2019	2018
Current:			
Federal	$ —	$ —	$ —
State	26	23	14
Foreign	101	73	90
	127	96	104
Deferred:			
Federal	—	(12)	(41)
State	—	—	—
Foreign	1	(128)	—
	1	(140)	(41)
	$ 128	$ (44)	$ 63

The provision for income taxes differs from the amount that would result from applying the federal statutory rate as follows for the years ended December 31:

	2020	2019	2018
Statutory regular federal income tax rate	(21.0)%	(21.0)%	(21.0)%
Change in valuation allowance	16.1 %	35.0 %	28.6 %
State tax benefit (net of federal benefit)	(4.8)%	(7.0)%	(3.1)%
Research credits	0.6 %	2.1 %	(1.7)%
Foreign amounts with no tax benefit	(0.1)%	— %	— %
Non-deductible expenses	(4.1)%	2.4 %	0.3 %
Effect of change in rate	9.7 %	(20.0)%	0.5 %
Expired net operating loss carryforwards	3.7 %	10.7 %	— %
Other	0.6 %	(2.6)%	(3.3)%
Total	0.7 %	(0.4)%	0.3 %

The components of the deferred income tax assets and liabilities as of December 31 (in thousands)

	2020	2019
Capitalized intangible assets for tax purposes	$ (38)	$ (38)
Reserves not currently deductible	2,094	1,384
Deferred revenue	139	44
Stock options	4,813	4,694
State taxes	3	5
Income tax credits	3,333	3,429
Inventory	858	974
Property and equipment	166	302
Unrealized gain on foreign currency	105	111
Disallowed Interest	1,128	708
Lease liability	518	129
Net operating losses	44,345	42,527
Total deferred tax assets	57,464	54,269
Valuation allowance	(56,035)	(53,222)
Net deferred tax assets	1,429	1,047
Capitalized intangible assets	(664)	(708)
Right of use asset	(492)	(109)
Other	(221)	(179)
Total deferred tax liabilities	(1,377)	(996)
Net deferred tax assets	$ 52	$ 51

Based upon the Company's operating losses incurred for each of three years ended December 31, 2020, and the available evidence, the Company has established a valuation allowance against its net deferred tax assets in the amount of $56.0 million as of December 31, 2020. Management considered factors such as the Company's earnings history, future projected earnings, and tax planning strategies. If sufficient evidence of the Company's ability to generate sufficient future taxable income tax benefits becomes apparent, the valuation allowance may be reduced, thereby resulting in tax benefits in the statement of operations and additional paid-in-capital. Management evaluates the potential realization of the Company's deferred tax assets and assesses the need for reducing the valuation allowance periodically.

As of December 31, 2020, the Company had net operating loss ("NOL") carryforwards for federal and state purposes of approximately $179.1 million and $110.1 million, respectively, which will begin to expire in 2022. The utilization of NOL and credit carryforwards may be limited under the provisions of the Internal Revenue Code ("IRC") Section 382 and similar state provisions. IRC Section 382 generally imposes an annual limitation on the amount of NOL carryforwards that may be used to offset taxable income where a corporation has undergone significant changes in stock ownership. As of December 31, 2020, the Company had research and development tax credit carryforwards for federal and state purposes of approximately $2.1 million and $2.1 million, respectively, which will begin to expire in 2021 through for federal purposes and will carry forward indefinitely for state purposes. An updated analysis may be required at the time the Company begins utilizing any of its net operating losses to determine if there is an IRC Section 382 limitation.

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

Balance at January 1, 2018	$ 568
Additions for tax positions related to the prior year	—
Lapse of statute of limitations	(59)
Balance at January 1, 2019	509
Additions for tax positions related to the prior year	—
Lapse of statute of limitations	—
Balance at January 1, 2020	509
Additions for tax positions related to the prior year	—
Lapse of statute of limitations	—
Balance at December 31, 2020	$ 509

The Company expects resolution of unrecognized tax benefits, if created, would occur while the full valuation allowance of deferred tax assets is maintained. The Company does not expect to have any unrecognized tax benefits that, if recognized, would affect the effective tax rate. As of December 31, 2020 and 2019, the Company does not have liability for potential penalties or interest. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company files U.S., state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2017 through 2020 tax years generally remain subject to examination by federal and most state tax authorities. In foreign jurisdictions, the 2017 through 2020 tax years remain subject to examination by their respective tax authorities.

The 2017 Act subjects a U.S, stockholder to current tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740 No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. We have elected to recognize the tax on GILTI as a period expense in the period the tax is incurred. The current income related to the GILTI inclusion in 2020 is $15 thousand.

NOTE 6 — DEBT

The following table presents the details of the principal outstanding and unamortized discount (in thousands):

	December 31, 2020	December 31, 2019
SWK Loan	$ 14,300	$ 15,000
PPP Loan	2,980	—
EIDL Loan	150	—
Discount and debt issuance costs on SWK Loan	(1,244)	(1,534)
Total	16,186	13,466
Current term loans, net of discount	—	13,466
Non current term loans, net of discount	$ 16,186	$ —

Lines of Credit

Pacific Mercantile Bank

On October 28, 2019, the Company entered into a loan and security agreement (the “PMB Loan Agreement”) with Pacific Mercantile Bank, as lender (“PMB”), which provides for a revolving line of credit in a maximum principal amount not to exceed the lesser of (i) $3 million or (ii) the sum of 90% of the Eligible Accounts (as defined in the PMB Loan Agreement) plus 75% of the Eligible Inventory (as defined in the PMB Loan Agreement, and subject to certain limitations set forth therein); *provided* that the maximum principal amount of the loan under the PMB Loan Agreement (the “PMB Loan”) may be reduced from time to time in PMB’s good faith business judgment as set forth in the PMB Loan Agreement. Borrowings under the PMB Loan may be used for working capital. The PMB Loan matures on October 28, 2021, unless earlier terminated.

The Company’s obligations under the PMB Loan are secured by a security interest in substantially all of the Company’s property. No borrowings may be made under the PMB Loan Agreement unless and until Exim Bank agrees to guarantee the PMB Loan and the Company has entered into a borrower agreement with Exim Bank.

Borrowings under the PMB Loan bear interest at a daily rate equal to the prime rate published in the *Wall Street Journal*, plus 1.5% per annum; *provided*, that the interest rate in effect on any day shall not be less than 6.0% per annum. Additionally, the Company is required to pay an initial and annual fee of $52,500 to Exim Bank.

The PMB Loan Agreement requires the Company to maintain unrestricted cash at PMB *plus* unused availability under the PMB Loan in an amount equal to at least the Burn Rate. “Burn Rate” means the Company’s net profit/net loss *plus* depreciation *plus* amortization *plus* stock-based compensation, measured on a trailing three month basis. In addition, the PMB Loan Agreement contains customary affirmative and negative covenants for financings of its type (subject to customary exceptions).

The PMB Loan Agreement provides that the occurrence of any of the following events (subject to applicable cure periods, if any) will constitute an event of default: payment default, loans in excess of the credit limit, breach of representation or warranty, covenant breach, incurrence of certain liens, certain events with respect to the collateral, cross-defaults to certain other indebtedness or obligations secured by liens, a Material Adverse Change (as defined in the PMB Loan Agreement) or a breach of a material agreement that may reasonably result in a Material Adverse Change, final judgement in excess of a certain monetary threshold, certain events of bankruptcy or insolvency, any guarantee or pledge ceasing to be in effect, payment of certain subordinated debt, a Change in Control (as defined in thePMB Loan Agreement), a change in the Company's President, Chief Executive Officer, or Chief Financial Officer under certain circumstances, a change in two or more members of the BIOLASE board of directors (the "Board") within 90 days under certain circumstances, or any felony indictment of any of the Company's directors, officers or significant stockholders. Upon the occurrence and during the continuation of an event of default, PMB may exercise any remedies available to it, including accelerating the repayment of the PMB Loan.

In May 2020 it was determined that the Company was not in compliance with the minimum unrestricted cash requirement under the PMB Loan's existing covenants as of March 31, 2020. In July 2020, the Company obtained a waiver for the covenant violation and entered into the First Amendment to the PMB Loan Agreement (the "PMB First Amendment"). Under the PMB First Amendment, the Company obtained a forbearance waiving non-compliance through August 1, 2020 subject to certain conditions. In addition, the PMB First Amendment loan covenants were modified to require (a) the Company to receive on or before July 31, 2020, net cash proceeds in the amount of at least $8.0 million from the issuance of equity securities and to deposit such funds into accounts maintained by PMB and (b) the Company to maintain unrestricted cash at PMB in an aggregate amount of $1.5 million.

As of December 31, 2020, the Company had no balances outstanding and had approximately $2.3 million of availability under the PMB Loan.

Western Alliance Bank

On March 6, 2018, the Company and two of its wholly-owned subsidiaries (such subsidiaries, together with BIOLASE, the "Borrower") entered into the Business Financing Agreement (the "Business Financing Agreement" with Western Alliance Bank ("Western Alliance"). Pursuant to the terms and conditions of the Business Financing Agreement, Western Alliance agreed to provide the Borrower a secured revolving line of credit permitting the Borrower to borrow or receive letters of credit up to the lesser of $6.0 million (the "Domestic Revolver") (subject to a $6.0 million credit limit relating to domestic eligible accounts receivable (the "domestic credit limit") and a $3.0 million credit limit relating to export-related (the "EXIM Revolver") eligible accounts receivable (the "EXIM credit limit") and the borrowing base, which is defined as the sum of the domestic borrowing base (up to 75% of the Borrower's eligible domestic accounts receivable less such reserves as Western Alliance may deem proper and necessary) and the export-related borrowing base (up to 85% of the Borrower's eligible export-related accounts receivable less such reserves as Western Alliance may deem proper and necessary). The Business Financing Agreement was set to expire on March 6, 2020, and the Borrower's obligations thereunder were secured by a security interest in all of the Borrower's assets.

The Business Financing Agreement required the Company to maintain compliance with certain financial and non-financial covenants, as defined therein. Western Alliance had the right to declare the amounts outstanding under the Business Financing Agreement immediately due and payable upon a default.

Amounts outstanding under the Business Financing Agreement bore interest at a per annum floating rate equal to the greater of 4.5% or the "Prime Rate" published in the Money Rates section of the Western Edition of The Wall Street Journal (or such other rate of interest publicly announced from time to time by Western Alliance as its "Prime Rate"), plus 1.5% with respect to advances made under the line of credit, plus an additional 5.0% during any period that an event of default has occurred and is continuing. The commitment fee under the Business Financing Agreement was 0.25% of the domestic credit limit and 1.75% of the EXIM credit limit, payable on March 6, 2018 and each anniversary thereof.

Pursuant to the Business Financing Agreement, the Company paid the first of two annual commitment fees totaling $67,500, being 0.25% of the aggregate $6.0 million commitment for the Domestic Revolver and 1.75% of the aggregate $3.0 million commitment for the EXIM Revolver. The commitment fees and the legal costs associated with acquiring the credit facilities were capitalized and were amortized on a straight-line basis as interest expense over the term of the Business Financing Agreement.

As additional consideration for the lines of credit, the Company also issued the Western Alliance Warrants. For additional information on the Western Alliance Warrants, see Note 8 to the consolidated financial statements. The fair value of the Western Alliance Warrants was estimated using the Black-Scholes option-pricing model with the following assumptions: expected term of 10 years; volatility of 91.49%; annual dividend per share of $0.00; and risk-free interest rate of 2.88%; and resulted in an estimated fair value of $0.1 million, which was recorded as a liability and resulted in a discount to the credit facilities at issuance. The discount was expensed to interest expense at the time the Business Financing Agreement was terminated, as discussed below.

On August 13, 2018, the Borrower and Western Alliance entered into a Waiver and Business Financing Modification Agreement, pursuant to which Western Alliance waived certain of the Borrower's covenants under the Business Financing Agreement and provided an advance of $1.5 million, which advance was due by September 27, 2018.

On September 27, 2018, the Borrower and Western Alliance entered into a Business Financing Modification Agreement which reduced the credit limit under the Business Financing Agreement to $2.5 million and extended the due date of the $1.5 million advance to March 6, 2018. In connection with the agreement, the Original Western Alliance Warrants were terminated and the Company issued to Western Alliance new warrants (the "Western Alliance Warrants") to purchase up to 56,338 shares of its common stock. The Western Alliance Warrants were immediately exercisable and expire on September 27, 2028. These warrants contain down-round features that require the Company to adjust the exercise price proportionately should the Company issue shares at a price less than $2.13 per share.

On October 22, 2018, the Borrower and Western Alliance entered into a new Business Financing Modification Agreement, pursuant to which Western Alliance waived BIOLASE's non-compliance with certain financial operating covenants as set forth in the Business Financing Agreement, and the Borrower agreed to certain amended covenants contained in the Business Financing Agreement, including $300,000 minimum unrestricted cash balance covenant and a waiver of reporting items required to be delivered by BIOLASE to Western Alliance under the Business Financing Agreement.

On November 9, 2018, all outstanding borrowings, accrued interest and fees under the Business Financing Agreement were repaid with a portion of the proceeds under the Credit Agreement, and the Business Financing Agreement was terminated. The Company recorded approximately $0.1 million of interest expense including unamortized debt issuance costs that were written-off upon extinguishment of the debt. The warrants held by Western Alliance remain outstanding and are classified in equity in the consolidated balance sheet under ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815)* as of December 31, 2020 and 2019.

Paycheck Protection Program Loan

On April 14, 2020, we were granted a loan (the "PPP Loan") under the Paycheck Protection Program from PMB in the aggregate amount of $2,980,000, pursuant to the Paycheck Protection Program under the CARES Act.

The PPP Loan, which was in the form of a note dated April 13, 2020 issued by BIOLASE, matures on April 13 2022 and bears interest at a rate of 1.0% per annum. Interest is payable monthly commencing on November 1, 2020. The note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the PPP Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company recorded the principal amount of approximately $3.0 million due on the PPP Loan in non current term loans in the consolidated balance sheet as of December 31, 2020. Interest on the PPP Loan was not material. The Company believes it used the entire PPP Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

In July 2020, the Company amended the provisions of its PPP Loan. The amendment modifies the original payment deferment period from six months to the date that the SBA remits the Company's loan forgiveness to PMB or if no forgiveness is requested to ten months after the end of the 24-week measurement period. The amendment also increased the amount of non payroll costs eligible for loan forgiveness from 25% to 40%. During 2020, the Company requested forgiveness in accordance with the application requirements. As of the date of this filing, the Company has not received a reply to its request and there can be no assurance that such PPP Loan will be forgiven.

EIDL Loan

On May 22, 2020, the Company executed the standard loan documents required for securing a loan (the "EIDL Loan") from the United States Small Business Administration (the "SBA") under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the EIDL Loan is $150,000.00, with proceeds to be used for working capital purposes. Interest on the EIDL Loan accrues at the rate of 3.75% per annum and installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL Loan. The balance of principal and interest is payable 30 years from the date of the promissory note.

Term Loan

On November 9, 2018, the Company entered into a five-year secured Credit Agreement ("Credit Agreement") with SWK Funding, LLC ("SWK"), pursuant to which the Company borrowed $12.5 million ("SWK Loan"). The Company's obligations under the Credit Agreement are secured by substantially all of the Company's assets. Under the terms of the Credit Agreement, repayment of the loan is interest-only for the first two years, paid quarterly with the option to extend the interest-only period. Principal repayments will begin in the first quarter of 2021 and will be approximately $0.7 million quarterly until the loan matures in the fourth quarter of 2023. The loan bears interest at the London Interbank Offered Rate ("LIBOR") plus 10% or another index that approximates LIBOR as close as possible if and when LIBOR no longer exists. Approximately $0.9 million of the proceeds from the SWK Loan were used to pay off all amounts owed to Western Alliance under the Business Financing Agreement. The Company plans used the remaining proceeds to provide additional working capital to fund its growth initiatives.

The Credit Agreement contains financial and non-financial covenants requiring the Company to, among other things, (i) maintain unencumbered liquid assets of (A) no less than $1.5 million or (B) the sum of aggregate cash flow from operations less capital expenditures, (ii) achieve certain revenue and EBITDA levels during the first two years of the loan, (iii) limit future borrowing, investments and dividends, and (iv) submit monthly and quarterly financial reporting. The Company was in compliance with these debt covenants as of December 31, 2018.

In connection with the SWK Loan, the Company paid approximately $1.0 million in debt issuance costs, including a $0.2 million loan origination fee, a $0.4 million finder's fee, and $0.4 million in legal and other fees for the year ended December, 31, 2018. These costs were recognized as a discount on the SWK Loan and are being amortized on a straight-line basis over the loan term which approximates the effective-interest method.

The Company recognized approximately $1.8 million and $2.2 million in interest expense relating to the SWK Loan for the years ended December 31, 2020 and 2019. The weighted-average interest rate for the year ended December 31, 2020 and 2019 was approximately 12.5%.

As of March 31, 2019, the Company was not in compliance with certain covenants in the Credit Agreement and in May 2019, SWK granted the Company a waiver of such covenants. On May 7, 2019, the Company and SWK agreed to amend the Credit Agreement (the "First Amendment) to increase the total commitment from $12.5 million to $15.0 million, and to revise the financial covenants to (i) adjust minimum revenue and EBITDA levels, (ii) require the Company to have a shelf registration statement declared effective by the Securities and Exchange Commission before September 30, 2019, with a proposed maximum aggregate offering price of at least $10.0 million if the Company does not reach set minimum revenue levels for the three-month period ended September 30, 2019, and (iii) require minimum liquidity of $1.5 million at all times. The First Amendment provided that if aggregate minimum revenue and EBITDA levels were not achieved by September 30, 2019, the minimum liquidity requirement would be increased to $3.0 million, until the Company has obtained additional equity or debt funding of no less than $5.0 million. The Company borrowed the additional $2.5 million during the year ended December 31, 2019.

In connection with the amendment, the Company paid to SWK loan origination and other fees of approximately $0.1 million payable in cash and approximately $0.2 million in additional SWK Warrants (as defined below) to purchase the BIOLASE common stock. The Company paid an additional finder's fee to Deal Partners Group ("DPG") of approximately $0.1 million in cash and $0.1 million in additional DPG Warrants (the "DPG Warrants") to purchase BIOLASE common stock. The Company accounted for the First Amendment as a modification to existing debt and as a result, recognized the amounts paid to SWK in cash and warrants as additional debt issuance costs. Amounts paid to DPG in cash and warrants relating to the First Amendment were expensed as incurred in the Company's consolidated statement of operations for the year ended December 31, 2019.

On September 30, 2019, the Company entered into the Second Amendment to the Credit Agreement with SWK (the "Second Amendment"), in connection with that certain Credit Agreement, by and among the Company, SWK, and the lender parties thereto. The Second Amendment amends the Credit Agreement to provide for a permitted inventory and accounts receivable revolving loan facility, secured by a first lien security interest in the Company's inventory and accounts receivable, with a maximum principal amount of $5 million and with such other material terms and conditions acceptable to SWK in its commercially reasonable discretion. In addition, SWK agreed to waive the effect of the Company's non-compliance with certain unencumbered liquid assets financial operating covenants as set forth in the Credit Agreement, and SWK agreed to forbear from exercising rights and remedies otherwise available to it in the event of such non-compliance through October 31, 2019, or earlier in the event that an additional equity or subordinated debt financing was consummated with gross proceeds of not less than $5 million, or in the event of a default under the Credit Agreement.

On November 6, 2019, the Company agreed to further amend the Credit Agreement (the "Third Amendment"). Pursuant to the Third Amendment, SWK granted the Company a waiver of the Company's non-compliance with certain financial covenants in the Credit Agreement. Also pursuant to the Third Amendment, the Company and SWK agreed to (i) revise financial covenants to adjust minimum revenue and EBITDA levels and (ii) remove the automatic increase of the minimum liquidity requirement based on certain aggregate minimum revenue and EBITDA levels as of September 30, 2019 (which was added pursuant to the First Amendment). In connection with the Third Amendment, the Company consolidated the SWK Warrants i ssued to SWK on November 9, 2018 and May 7, 2019. The price was adjusted to $1.00, the impact of this was immaterial.

As of December 31, 2019, the Company was not in compliance with debt covenants, and in March 2020, the Company obtained a waiver as part of a Fourth Amendment to the Credit Agreement (the "Fourth Amendment"). Because the Company did not anticipate it would regain compliance by March 31, 2020, the Company presented the SWK Loan as a current liability in the December 31, 2019 consolidated balance sheet. Additionally, there were uncertainties surrounding the impact of the COVID-19 pandemic on our financial results.

On May 15, 2020, the Company entered into a Fifth Amendment to the Credit Agreement (the "Fifth Amendment"). The Fifth Amendment modified the Credit Agreement by providing for minimum consolidated unencumbered liquid assets of $1.5 million prior to June 30, 2020 and $3.0 million on or after June 30, 2020; providing for a minimum aggregate revenue target of $41.0 million for the 12-month period ending June 30, 2020, a related waiver of such minimum revenue target in the event that the Company raised equity capital or issued subordinated debt of not less than $10.0 million on or prior to June 30, 2020, and quarterly revenue targets; and providing for a minimum EBITDA target of ($7.0 million) for the 12-month period ending June 30, 2020, a related waiver of such minimum EBIDTA target in the event that the Company raised equity capital or issued subordinated debt of not less than $10.0 million on or prior to June 30, 2020, and quarterly EBITDA targets.

On August 12, 2020, the Company entered into a Sixth Amendment (the "Sixth Amendment") to the Credit Agreement. Under the Sixth Amendment, the interest only period on the SWK Loan was extended through May 2022, the loan maturity date was extended to May 9, 2024, the financial covenants were amended and restated to exclude the remainder of 2020, and a $0.7 million repayment of the principal amount was required upon execution of the Sixth Amendment.

In connection with each amendment to the Credit Agreement, the Company paid an amendment fee of $25,000 per amendment. These fees are being amortized over the remaining life of the SWK Loan as of the date of each amendment.

As of December 31, 2020, the Company was in compliance with debt covenants of the Credit Agreement.

SWK Warrants

In connection with the Credit Agreement, on November 9, 2018, the Company issued to SWK warrants (the "SWK Warrants") to purchase up to 372,023 shares of BIOLASE common stock. The SWK Warrants were immediately exercisable and expire on November 9, 2026. The exercise price of the SWK Warrants is $1.34, which was the average closing price of BIOLASE common stock for the ten trading days immediately preceding November 9, 2018. These warrants contain down-round features that require the Company to adjust the exercise price proportionately should the Company issue shares at a price per share less than the exercise price. The fair value of the SWK Warrants was estimated using the Black-Scholes option-pricing model with the following assumptions: expected term of 8 years; volatility of 81.79%; annual dividend per share of $0.00; and risk-free interest rate of 3.13%; and resulted in an estimated fair value of $0.4 million.

In November 2019, these warrants were consolidated and the exercise price was adjusted to $1.00, and in March 2020, theexercise price was adjusted a second time to $0.49. The impact of both reprice events was de minimis to the consolidated financial statements. In connection with the Fifth Amendment, the Company entered into a Third Amendment to the SWK Warrant Agreement. Under this amendment, the Company granted to SWK 63,779 additional common stock warrants at an exercise price of approximately $0.39198. All other terms and conditions to the additional warrants were the same as those previously granted. The Company also revised the exercise price of the 487,198 common stock warrants held by SWK to $0.39198. The Company measured the fair value of the 63,779 warrants granted using theBlack-Scholes. The fair value of the additional warrants and the aggregate impact of the exercise price adjustments in previous amendments to the Warrant Agreement were less than $0.1 million and not material to the consolidated financial statements. Due to the repricing that occurred in the second quarter of 2020, the down round features of these warrants was not triggered by the Company's June 2020 sale of common stock. See Note 8 for additional information.

DPG Warrants

In connection with the SWK Loan, the Company paid a finder's fee to DPG of $0.1 million cash and issued the DPG Warrants on November 9, 2018 to purchase up to 279,851 shares of common stock and on May 7, 2019 to purchase up to 34,552 shares of BIOLASE common stock. The DPG Warrants were immediately exercisable and expire 7 years after the applicable issuance date. The exercise price of the DPG Warrants issued on Novemb er 9, 2018 is $1.34 , and the exercise price of the DPG warrants issued on May 7, 2019 is $2.17, both of which were based on the average closing price of BIOLASE common stock for the ten trading days immediately preceding the applicable issuance date. These warrants contain down-round features that require the Company to adjust the exercise price proportionately should BIOLASE issue shares at a price per share less than the exercise price. The fair value of the 279,851DPG Warrants issued on November 9, 2018 was $0.3 million, estimated using the Black-Scholes option-pricing model with the following assumptions: ex pected term of 8 years; volatility of 81.79%; annual dividend per share of $0.00; and risk-free interest rate of 3.13%. The fair value of the 34,552 DPG Warrants issued on May 7, 2019 was $0.1 million, estimated using a binomial option-pricing model with the following assumptions: expected term of 8 years; volatility of 80.73%; annual dividend per share of $0.00; and a risk-free rate of 2.37%. In 2019 , the DPG Warrants were repriced as a result of the sale of shares of BIOLASE common stock at a price of $0.5750 per share during the Company's public offering in October 2019. The exercise price of the DPG Warrants issued on November 9, 2018 was adjusted from $1.34 per share to $0.8767 per share and the exercise price of the DPG Warrants issued on May, 2019 was adjusted from $2.17 per share to $1.4197 per share. The impact of the reprice was de minimis to our consolidated financial statements. The June 2020 sale of common stock triggered the down round features of these warrants, and in August 2020, the Company adjusted the exercise price of these warrants to $0.62 and $0.38 per share. The impact of this reprice was not material.

The value of both the SWK Warrants and the DPG Warrants was recognized as a discount on the SWK Loan and is being amortized on a straight-line basis which approximates the effective-interest method, over the loan term of five years. Additionally, based on the adoption of ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815)* in the fourth quarter of 2018, the SWK Warrants and the DPG Warrants are classified as equity in the consolidated balance sheet as of December 31, 2020 and 2019.

The future minimum principal payments as of December 31, 2020, are as follows (in thousands):

	Principal	Interest (1)
2021	$ —	1,795
2022	5,080	1,760
2023	2,803	1,390
2024	9,403	1,896
2025 and thereafter	143	81
Total future payments	$ 17,429	$ 6,922

(1) Estimated using LIBOR rates as at December 31, 2020

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Leases

The Company enters into operating leases primarily for real estate, office equipment, and fleet vehicles. Lease terms generally range from one to five years, and often include options to renew for one year. The Company leases its 11,000 square foot corporate headquarters pursuant to a lease that expires on December 31, 2025 and leases a manufacturing facility located in Corona, California, which expires on June 30, 2025. The Company also leases additional office space and certain office equipment under various operating lease arrangements.

On January 1, 2019, the Company adopted *Leases (Topic 842)*, using the modified-retrospective approach, and as a result recognized a right-of-use asset of approximately $0.8 million as adjusted for deferred rent at the date of adoption of $0.2 million, and a lease liability of approximately $1.0 million. No cumulative-effect adjustment to retained earnings was required upon adoption of Topic 842. Because the rate implicit in each lease is not readily determinable, the Company uses its incremental borrowing rate ("IBR") to determine the present value of the lease payments and on the date of adoption, the Company determined its IBR to be 12.78%. This rate was based on the Company's financing of the SWK Loan which is a collateralized loan, and was based on prevailing market rates during the fourth quarter of 2018.

On January 22, 2020, the Company entered into a five-year real property lease agreement for an approximately 11,000 square foot facility in Corona, California and moved its manufacturing operations. The lease commenced on July 1, 2020.

On February 4, 2020, the Company also entered into a 66 month real property lease agreement for office space of approximately 11,000 square feet of office space in Foothill Ranch, California. The lease commenced on July 1, 2020.

Information related to the Company's right-of-use assets and related liabilities were as follows (in thousands):

	December 31, 2020	December 31, 2019
Cash paid for operating lease liabilities	$ 489	$ 797
Right-of-use assets obtained in exchange for new operating lease obligations	1,976	803
Weighted-average remaining lease term	4.8	0.6
Weighted-average discount rate	12.3 %	12.8 %

Lease expense consists of payments for real property, office copiers, and IT equipment. The Company recognizes payments for non-lease components such as common area maintenance in the period incurred. As of December 31, 2020, the Company had no leases that had not commenced.

Future minimum rental commitments under lease agreements, as of December 31, 2020, with non-cancelable terms greater than one year for each of the years ending December 31 are as follows (in thousands):

	December 31,
2021	$ 549
2022	573
2023	587
2024	587
2025 and thereafter	489
	2,785
Less imputed interest	(706)
Total lease liabilities	$ 2,079

	December 31,	
	2020	2019
Current operating lease liabilities, included in accrued liabilities	$ 305	$ 323
Non current lease liabilities	1,774	4
Total lease liabilities	$ 2,079	$ 326

Rent expense totaled $0.7 million, $0.8 million and $0.8 million in each of the years ended December 31, 2020, 2019, and 2018, respectively.

Employee Arrangements and Other Compensation

Certain members of management are entitled to severance benefits payable upon termination following a change in control, which would approximate $2.0 million and $3.0 million at December 31, 2020 and 2019, respectively. The Company also has agreements with certain employees to pay bonuses based on targeted performance criteria. As of December 31, 2020 and 2019, $0.8 million and $0.2 million was accrued for performance bonuses, which is included in accrued liabilities in the consolidated balance sheets. See Note 8 for additional information relating to specific stock-based compensation awards.

Purchase Commitments

The Company generally purchases components and subassemblies for its products from a limited group of third-party suppliers through purchase orders. The Company had $11.4 million of purchase commitments as of December 31, 2020, for which the Company has not received the goods or services and which is expected to be purchased primarily within one year. These purchase commitments were made to secure better pricing and to ensure the Company will have the necessary parts to meet anticipated near term demand. Although open purchase orders are considered enforceable and legally binding, the Company may be able to cancel, reschedule, or adjust requirements prior to supplier fulfillment.

Litigation

The Company discloses material loss contingencies deemed to be reasonably possible and accrues for loss contingencies when, in consultation with its legal advisors, management concludes that a loss is probable and reasonably estimable. The ability to predict the ultimate outcome of such matters involves judgments, estimates, and inherent uncertainties. The actual outcome of such matters could differ materially from management's estimates.

Intellectual Property Litigation

On April 24, 2012, CAO Group, Inc. (“CAO”)filed a lawsuit against BIOLASE in the District of Utah alleging that BIOLASE’s ezlase dental laser infringes on U.S. Patent No. 7,485,116 (the “116 Patent”). On September 9, 2012, CAO amended its complaint, adding claims for (1) business disparagement/injurious falsehood under common law and (2) unfair competition under 15 U.S.C. Section 1125(a). The additional claims stemmed from a press release that BIOLASE issued on April 30, 2012, which CAO claimed contained false statements that were disparaging to CAO and its diode product. The amended complaint sought injunctive relief, treble damages, attorneys’ fees, punitive damages, and interest. Until January 24, 2018, this lawsuit was stayed in connection with United States Patent and Trademark Office proceedings relating to the 116 Patent, which proceedings ultimately culminated in a January 27, 2017 decision by the United States Court of Appeals for the Federal Circuit, affirming the findings of the Patent Trial and Appeal Board, which were generally favorable to the Company. On January 25, 2018, CAO moved for leave to file a second amended complaint to add certain claims, which filing the Company did not oppose.

On January 23, 2018, CAO filed a lawsuit against BIOLASE in the Central District of California alleging that BIOLASE’s diode lasers infringe on U.S. Patent Nos. 8,337,097, 8,834,497, 8,961,040 and 8,967,883. The complaint sought injunctive relief, treble damages, attorneys’ fees, punitive damages, and interest.

On January 25, 2019 (the “Effective Date”), BIOLASE entered into a settlement agreement (the “Settlement Agreement”) with CAO. Pursuant to the Settlement Agreement, CAO agreed to dismiss with prejudice the lawsuits filed by CAO against the Company in April 2012 and January 2018. In addition, CAO granted to the Company and its affiliates a non-exclusive, non-transferable (except as provided in the Settlement Agreement), royalty-free, fully-paid, worldwide license to the licensed patents for use in the licensed products and agreed not to sue the Company, its affiliates or any of its manufacturers, distributors, suppliers or customers for use of the licensed patents in the licensed products, and the parties agreed to a mutual release of claims. The Company agreed (i) to pay to CAO, within five days of the Effective Date, $500,000 in cash, (ii) to issue to CAO, within 30 days of the Effective Date, 500,000 restricted shares of BIOLASE common stock (the “Stock Consideration”), and (iii) to pay to CAO, within 30 days of December 31, 2021, an amount in cash equal to the difference (if positive) between $1,000,000 and the value of the Stock Consideration as of December 31, 2021. The Stock Consideration vests on December 31, 2021, the measurement date, and is payable in January 2021, subject to the terms of a restricted stock agreement to be entered into between the parties. The Company recognized a $1.5 million contingent loss on patent litigation settlement in its statement of operations for the year ended December 31, 2018. In January 2019, the Company paid CAO $500,000 in cash. On January 31, 2019, the case was dismissed with prejudice. As of December 31, 2020, the Company did not record any gain or loss on patent litigation which represents the change in fair value of the restricted stock to be issued to CAO. As of December 31, 2020, the total accrued liability is $1.0 million and is included in other long-term liabilities in the consolidated balance sheet.

NOTE 8 —REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS’ EQUITY

The Board, without further stockholder authorization, may issue from time to time up to 1,000,000 shares of the Company’s preferred stock. Of the 1,000,000 shares of preferred stock, 69,565 shares are designated as Series E Participating Convertible Preferred Stock, and 18,000 shares have been designated as Series F Convertible Preferred Stock.

Redeemable Preferred Stock

In 2019, the Company sold 69,565 shares of Series E Preferred Stock in a private offering. All 69,565 shares of Series E Preferred Stock were automatically converted into 6,956,500 shares of BIOLASE common stock upon receipt of the requisite approval at the 2020 Annual Meeting. Upon conversion based on its original terms, the Company recorded the exchange of Series E Preferred Stock of approximately $4.0 million for common stock, with no charge in retained earnings. As of December 31, 2020 and 2019, 0 and 69,565 shares of Series E preferred Stock were issued and outstanding, respectively.

The shares of Series E Preferred Stock were offered in reliance upon exemptions from registration under the Securities Act of 1933, as amended, afforded by Regulation D and corresponding provisions of state securities laws. The Company subsequently filed a registration statement with the SEC to register the resale of the shares of BIOLASE common stock underlying the Series E Preferred Stock.

Series F Convertible Preferred Stock

On July 23, 2020, the Company consummated the sale of an aggregate of 18,000 shares of Series F Preferred Stock and 45,000,000 warrants (the “July 2020 Warrants”), with each warrant exercisable for one share of BIOLASE common stock, through a registered rights offering the Company completed on July 22, 2020 (the “Rights Offering”). Each share of Series F Preferred Stock is convertible at the Company’s option at any time on or after July 22, 2021 or at the option of the holder at any time, into the number of shares of BIOLASE common stock determined by dividing the $1,000 stated value per share of the Series F Preferred Stock by a conversion price of $0.40 per share. Each share of Series F Preferred Stock is convertible into 2,500 shares of common stock, and each July 2020 Warrant entitles the holder thereof to purchase one share BIOLASE common stock at a conversion price of $0.40 per share.

The gross proceeds from the sale of Series F Preferred Stock and July 2020 Warrants were $18.0 million, before broker fees and related expenses of approximately $1.9 million.

In accordance with applicable accounting standards, the $18.0 million gross proceeds from the Rights Offering were allocated to the Series F Preferred Stock and the July 2020 Warrants in the amount of $2.7 million and $15.3 million, respectively. The allocation was based on the fair value of the July 2020 Warrants of $15.3 million as of the commitment date, with the residual proceeds of $2.7 million allocated to the Series F Preferred Stock.

The Series F Preferred Stock contained a beneficial conversion feature which resulted in a deemed dividend to preferred stockholders of approximately $2.7 million, upon immediate accretion. Additionally, the July 2020 Warrants were recognized as a discount to the Series F Preferred Stock, and upon conversion of approximately 17,000 Series F Preferred Stock to common stock, this discount was accreted and also recognized as a deemed dividend to preferred stockholders in the amount of $14.7 million for the year ended December 31, 2020.

Approximately 882 Series F Preferred Stock remained outstanding as of December 31, 2020.

Common Stock

At the 2020 Annual Meeting, the Company’s stockholders approved a proposal to amend the Company’s Restated Certificate of Incorporation to increase the number of authorized shares of BIOLASE common stock from 40,000,000 shares to 180,000,000 shares. On May 28, 2020, the Company filed the amendment with the Secretary of State of the State of Delaware to effect such increase.

At December 31, 2020, 97,708,502 shares of BIOLASE common stock were issued and 97,663,419 were outstanding.

2019 Public Offering of Common Shares and Private Placement of Unregistered Preferred Shares

On October 29, 2019, the Company consummated the sale of 7,820,000 shares of BIOLASE common stock at a price to the public of $0.5750 per share in a public offering and in addition, granted the underwriters a 30-day over-allotment option to purchase up to an additional 1,173,000 shares of BIOLASE common stock at the public offering price, less the underwriting discount. On October 29, 2019, we also sold to existing investors affiliated with Jack W. Schuler and Oracle Investment Management, Inc. 69,565 unregistered shares of our Series E Participating Convertible Preferred Stock at a price of $57.50 per share in a concurrent private placement. Each share of preferred stock was automatically convertible into 100 shares of common stock at a conversion price equal to $0.5750 per share, subject to customary anti-dilution adjustments, at such time as BIOLASE increased the amount of its authorized common stock to permit the full conversion. At the closing, the Company received approximately $4.2 million in net proceeds from the common stock offering, after deducting the underwriting discount, and approximately $4.0 million in gross proceeds from the concurrent private placement, resulting in total net proceeds from the offering and private placement of approximately $8.2 million. On November 5, 2019, the underwriters exercised their over-allotment option to purchase an additional 1,173,000 shares of BIOLASE common stock at a share price of $0.5750 per share for approximately $0.6 million in net proceeds, after deducting the underwriting discount.

2020 Registered Direct Offering

On June 10, 2020, the Company consummated a registered direct offering of 10,800,000 shares of BIOLASE common stock to certain accredited institutional investors and a concurrent private placement of warrants to purchase 10,800,000 shares of BIOLASE common stock with an exercise price of $0.515 per share (the “June 2020 Warrants”), for a total gross proceeds of $6.9 million. Based on the relative fair value of the common stock, the Company allocated approximately $3.9 million to the common stock.

Stock Dividends

There were no dividends paid or declared in 2020, 2019 or 2018.

Warrants

The Company issues warrants for the sale of its common stock as approved by the Board. As of December 31, 2020, proceeds for warrants exercised in December 2020 were recorded to Other receivables. The proceeds were received in January 2021.

Rights Offering

On July 23, 2020, the Company consummated the Rights Offering issuing 18,000 shares of Series F Preferred Stock and 45,000,000 July 2020 Warrants with an exercise price of $0.40 per share. The initial fair value of the July 2020 Warrants was estimated to be at $0.34 per share using the Black-Scholes pricing model with an expected term of 5 years, market price of $0.44 per share, which is the last closing price of our common stock prior to the transaction date, volatility of 109.8%, a risk free rate of 0.27% and an expected dividend yield of 0. Based on the terms and conditions of the July 2020 Warrants, the Company initially determined that liability classification was appropriate and recognized the fair value of the July 2020 Warrants as a liability. Based on the fair value of the July 2020 Warrants, the Company allocated approximately $2.7 million to the Series F Preferred Stock and $15.3 million to the July 2020 Warrants before issuance costs. Issuance costs of $1.6 million relating to the July 2020 Warrants were recognized as an expense and is recorded in Other (income) expense, net in the consolidated statement of operations for the year ended December 31, 2020.

On September 28, 2020, the warrant agreement with respect to the July 2020 Warrants was amended. The amended terms of the warrants meet the requirements for the warrants' classification as equity. The fair value upon the amendment was estimated to be $0.21 per share using the Black-Scholes pricing model with an expected term of 5 years, a market price of $0.28 per share, which was the last closing price of our common stock prior to the amendment date, volatility of 109.5%, a risk free rate of 0.26% and an expected dividend yield of 0. On the effective date of the amendment to the warrant agreement, the Company remeasured the fair value of the July 2020 Warrants as described above, reclassified the value of $9.5 million to equity, and recognized the change in fair value as a gain of approximately $5.8 million in the consolidated statement of operations in Other (income) expense, net for the year ended December 31, 2020.

2020 Registered Direct Offering and Concurrent Private Placement

On June 10, 2020, the Company completed the offering of the June 2020 Warrants, concurrent with a registered direct offering of shares of common stock. The June 2020 Warrants are exercisable commencing on the date of their issuance and will expire on June 10, 2025. The combined purchase price for one share of common stock and one June 2020 Warrant in the offering was $0.64. The Company received aggregate gross proceeds of approximately $6.9 million in the concurrent offerings, before deducting fees to the placement agents and other offering expenses of approximately $0.7 million.

Based on the terms and conditions of the June 2020 Warrants, the Company determined that equity classification was appropriate and recognized the values of the common stock and June 2020 Warrants in excess of par in Additional Paid-In Capital. The Company allocated the net proceeds of $6.2 million to the common stock and June 2020 Warrants based on their relative fair values. The fair value of the June 2020 Warrants was estimated to be at $0.42 per share using the Black-Scholes pricing model with an expected term of 5 years, market price of $0.54 which is the last closing price of our common stock prior to the transaction date, volatility of 109.8% and a risk free rate of 0.45% and an expected dividend yield of 0. Based on the relative fair value of the common stock and the June 2020 Warrants, the Company allocated approximately $3.9 million to the common stock and $3.0 million to the June 2020 Warrants before issuance costs.

The following table summarizes warrant activity (in thousands, except per share data):

	Shares	Weighted-Average Exercise Price Per Share
Warrants outstanding at January 1, 2018	1,225	$ 9.65
Granted or Issued	760	$ 2.23
Exercised	—	$ —
Forfeited, cancelled, or expired	(52)	$ 2.36
Warrants outstanding at December 31, 2018	1,933	$ 9.65
Granted or Issued	150	$ 2.22
Exercised	—	$ —
Forfeited, cancelled, or expired	—	$ —
Warrants outstanding at December 31, 2019	2,083	$ 6.30
Granted or Issued	55,864	$ 0.42
Exercised	(3,862)	$ 0.40
Forfeited, cancelled, or expired	(33)	$ 20.00
Warrants outstanding at December 31, 2020	54,052	$ 0.62
Warrants exercisable at December 31, 2020	54,052	$ 0.62
Vested warrants expired during the 12 months ended December 31, 2020	33	$ 20.00

On March 6, 2018, in connection with the execution of the Original Business Financing Agreement, the Company issued to Western Alliance warrants (the "Original Western Alliance Warrants") to purchase up to the number of shares of common stock equal to $120,000 divided by the applicable exercise price at the time such warrants are exercised. The Original Western Alliance Warrants are fully vested and exercisable. The Original Western Alliance Warrants may be exercised with a cash payment from Western Alliance, or, in lieu of a cash payment, Western Alliance may convert the warrants into a number of shares, in whole or in part. The initial exercise price of the warrants was $2.35 per share, which was the Reverse Stock Split-adjusted closing market price of BIOLASE common stock on March 6, 2018. On September 27, 2018, the Company entered into the Second Modification Agreement to amend the Original Business Financing Agreement. In connection with the Second Modification Agreement, the Original Western Alliance Warrants were terminated, and the Company issued new Western Alliance Warrants to purchase up to the number of shares of common stock equal to $120,000 divided by the exercise price of $2.13, which was the closing price of BIOLASE common stock on September 27, 2018. The Western Alliance Warrants were immediately exercisable and expire on September 27, 2028. These warrants contain down-round features that require the Company to adjust the exercise price proportionately should the Company issue shares at a price per share less than the exercise price. As a result of the early-adoption of ASU 2017-11 in the fourth quarter of 2018, the value of these warrants has been recognized in equity in the consolidated balance sheets as of December 31, 2020 and 2019.

On November 9, 2018 , in connection with the Credit Agreement, BIOLASE issued to SWK, LLC or its assignees (collectively with SWK, the "Holder")warrants to purchase up to 372,023 shares of common stock. The exercise price of the SWK Warrants is $1.34 per share, which was the average closing price of common stock for the ten trading days immediately preceding November 9, 2018 . The SWK Warrants were immediately exercisable, expire on November 9, 2026 and contain a "cashless exercise feature." Subject to certain limitations, the Holder has certain piggyback registration rights with respect to the shares that are issued upon exercise of the SWK Warrants. These warrants contain down-round features that require the Company to adjust the exercise price proportionately should the Company issue shares at a price per share less than the exercise price. As a result of the early-adoption of ASU 2017-11, the value of these warrants has been recognized in equity in the consolidated balance sheets as of December 31, 2020 and 2019.

On November 14, 2018, in connection with the SWK Loan, the Company issued to DPG warrants to purchase up to 279,851 shares of common stock. The exercise price of the DPG Warrants is $1.34 per share, which was the average closing price of common stock for the ten trading days immediately preceding November 9, 2018. The DPG Warrants were immediately exercisable, expire on November 9, 2026 and contain a "cashless exercise feature." Subject to certain limitations, the Holder has certain piggyback registration rights with respect to the shares that are issued upon exercise of the DPG Warrants. These warrants contain down-round features that require the Company to adjust the exercise price proportionately should the Company issue shares at a price per share less than the exercise price. As a result of the early-adoption of ASU 2017-11, the value of these warrants has been recognized in equity in the consolidated balance sheet as of December 31, 2020 and 2019.

In 2019 the Company issued 149,727 warrants to purchase common stock at a weighted average exercise price of $2.17 to SWK and DPG. As a result of the early adoption of ASU 2017-11, the value of these warrants has been recognized in equity in the consolidated balance sheets as of December 31, 2020 and 2019.

In November 2019, the SWK Warrants were repriced to $1.00 as part of the Fourth Amendment to the Credit Agreement and the DPG Warrants were repriced as a result of the sale of common shares at a price of $0.5750 per share during the Company's public offering in October 2019. The exercise price of the SWK Warrants was adjusted to $1.00 per share and the exercise price of the DPG Warrants was adjusted from $1.34 to $0.8767 and $2.17 to $ 1.4197 per share. In connection with the Fifth Amendment, the Company entered into a Third Amendment to the SWK Warrant Agreement. Under this amendment, the Company granted to SWK 63,779 additional common stock warrants at an exercise price of approximately $0.39198. All other terms and conditions to the additional warrants were the same as those previously granted.

The repricing did not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2020 and 2019.

Stock Options

2002 Stock Incentive Plan

The 2002 Stock Incentive Plan (as amended effective as of May 26, 2004, November 15, 2005, May 16, 2007, May 5, 2011, June 6, 2013, October 30, 2014, April 27, 2015, and May 6, 2017, the "2002 Plan") was replaced by the 2018 Plan (as defined below) with respect to future equity awards. Persons eligible to receive awards under the 2002 Plan included officers, employees, and directors of the Company, as well as consultants. As of December 31, 2020, a total of 3,110,000 shares have been authorized for issuance under the 2002 Plan, of which 961,982 shares of common stock have been issued pursuant to options that were exercised, 1,724,264 shares of common stock have been reserved for options and restricted stock units that are outstanding, and 0 shares of common stock remain available for future grants.

2018 Stock Incentive Plan

At the Company's 2018 annual meeting of stockholders, the Company's stockholders approved the 2018 Long-Term Incentive Plan (as amended, the "2018 Plan"), which was amended on September 21, 2018, May 15, 2019 and May 13, 2020. The purposes of the 2018 Plan are (i) to align the interests of the Company's stockholders and recipients of awards under the 2018 Plan by increasing the proprietary interest of such recipients in the Company's growth and success; (ii) to advance the interests of the Company by attracting and retaining non-employee directors, officers, other employees, consultants, independent contractors and agents; and (iii) to motivate such persons to act in the long-term best interests of the Company and its stockholders.

As of December 31, 2020, a total of 12,221,000 shares of common stock have been authorized for issuance under the 2018 Plan, of which 2,024,000 shares of common stock have been reserved for outstanding options and unvested RSUs, and 439,000 shares of common stock remain available for future grants.

Stock options may be granted as incentive or non-qualified options; however, no incentive stock options have been granted to date. The exercise price of options is at least equal to the market price of the stock as of the date of grant. Options may vest over various periods but typically vest on a quarterly basis over four years. Options expire after five years, ten years, or within a specified time from termination of employment, if earlier. The Company issues new shares of common stock upon the exercise of stock options. The following table summarizes option activity under the 2002 Plan and the 2018 Plan (in thousands, except per share data):

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value(1)
Options outstanding at January 1, 2018	1,347	$ 8.99		
Granted at fair market value	611	$ 1.98		
Exercised	(1)	$ 2.10		
Forfeited, cancelled, or expired	(334)	$ 10.68		
Options outstanding at December 31, 2018	1,623	$ 6.54		
Granted at fair market value	90	$ 1.74		
Exercised	(2)	$ 2.10		
Forfeited, cancelled, or expired	(424)	$ 9.43		
Options outstanding at December 31, 2019	1,287	$ 5.77		
Granted at fair market value	1,258	$ 0.38		
Exercised	—	$ —		
Forfeited, cancelled, or expired	(147)	$ 6.87		
Options outstanding at December 31, 2020	2,398	$ 2.96	7.2	$ 53
Options exercisable at December 31, 2020	1,074	$ 6.05	4.5	$ —
Vested options expired during the twelve months ended December 31, 2020	17	$ 13.20		

(1) The intrinsic value calculation does not include negative values. This can occur when the fair market value on the reporting date is less than the exercise price of a grant.

The following table summarizes additional information for those options that are outstanding and exercisable as of December 31, 2020 (in thousands, except per share data):

	Options Outstanding			Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Life (Years)	Number of Shares	Weighted-Average Exercise Price Per Share
$0.29 - $0.33	20	$ 0.29	10.0	—	$ —
$0.34 - $0.48	1,222	$ 0.38	9.4	—	$ —
$0.49 - $2.32	390	$ 1.81	7.6	310	$ 1.89
$2.33 - $7.23	320	$ 5.52	4.1	318	$ 5.52
$7.24 - $13.20	446	$ 9.31	2.8	446	$ 9.31
Total	2,398	$ 2.96	7.2	1,074	$ 6.05

Cash proceeds, along with fair value disclosures related to grants, exercises, and vesting options, are as follows for the years ended December 31 (in thousands, except per share amounts):

	Years Ended December 31,		
	2020	2019	2018
Proceeds from stock options exercised	$ —	$ 4	$ 2
Tax benefit related to stock options exercised(1)	N/A	N/A	N/A
Intrinsic value of stock options exercised(2)	$ —	$ —	$ —
Weighted-average fair value of options granted per share	$ 0.29	$ 1.51	$ 1.38
Total fair value of shares vested during the year	$ 227	$ 587	$ 1,191

(1) Excess tax benefits received related to stock option exercises are presented as operating cash inflows. For the periods presented, the Company did not receive a tax benefit related to the exercise of stock options due to its net operating losses.

(2) The intrinsic value of stock options exercised is the amount by which the market price of the stock on the date of exercise exceeded the exercise price of the stock on the date of grant.

Stock Option Activity

2020 and 2019 Stock Option Activity

There were approximately 1,287,000 option grants during 2020 and no material option grants in 2019.

2018 Stock Option Activity

Effective January 25, 2018, the Compensation Committee of the Board awarded 360,000 non-qualified stock options to purchase shares of common stock to certain employees of the Company. These awards were valued at $2.11 per share and expire 10 years from the grant date. The options vest ratably over the 36-month period, commencing on February 25, 2018.

Restricted Stock Units

2020 Restricted Stock Units Activity

- Under the 2018 Plan, the Company granted approximately 2.6 million RSUs to certain employees of the Company as part of the Company’s 2020 bonus programs. 355,000 of these RSUs are subject to time-based vesting and were valued at the closing share price on the date of grant. The remaining 710,000 awards vest based on certain Company performance criteria. Additionally, the Company issued approximately 1,554,000 RSUs to certain employees as part of the quarter bonus program. The fair value of these awards varied and were based on closing market share price on the date of grant.

- In 2020, the Compensation Committee of the Board granted 1,197,000 RSUs to Board members.

- Additional RSUs were granted to certain new hires during 2020, none of which was individually material.

2019 Restricted Stock Units Activity

- Under the 2018 Plan, the Company granted approximately 1.4 million RSUs to certain employees of the Company as part of the Company’s 2019 bonus programs. 715,000 of these RSUs are subject to time-based vesting and were valued at the closing share price on the date of grant. The remaining 685,000 awards vest based on certain Company performance criteria. Additionally, the Company issued approximately 175,000 RSUs to certain employees as part of the quarter bonus program. The fair value of these awards varied and were based on closing market share price on the date of grant.

- In 2019, the Compensation Committee of the Board granted 518,132 RSUs to Board members including 98,738 RSUs to Mike DiTolla who joined the Board in the third quarter of 2019.

- Additional RSUs were granted to certain new hires during 2019, none of which were individually material.

The following table summarize RSU activity under the 2002 and 2018 Plans (in thousands):

	Shares
Unvested RSUs at January 1, 2018	358
Granted	2,836
Vested	(604)
Forfeited or cancelled	(427)
Unvested RSUs at December 31, 2018	2,163
Granted	2,432
Vested	(604)
Forfeited or cancelled	(427)
Unvested RSUs at December 31, 2019	3,564
Granted	3,117
Vested	(2,716)
Forfeited or cancelled	(293)
Unvested RSUs at December 31, 2020	3,672

Inducement Stock-Based Awards

Inducement Activity

There were no new grants relating to inducements for the year ended December 31, 2020 and 2019. Approximately 124,000 options were canceled and 308,455 remain outstanding at December 31, 2019.

Deferred Compensation Plan

In July 2019, the Company introduced a Deferred Compensation Plan pursuant to the IRC Section 409A. The purpose of the plan is to provide income deferral opportunities to certain eligible employees. During the period ended December 31, 2020, the Company had six individuals enrolled; all of the grants that vested in 2020 were eligible for this program. As of December 31, 2020, there were approximately 714,000 vested and releasable RSUs and approximately 1,617,000 unvested and outstanding RSUs.

NOTE 9 — SEGMENT INFORMATION

The Company currently operates in a single business segment. Management uses one measurement of profitability and does not segregate its business for internal reporting. Sales to customers located in the United States accounted for approximately 71%, 60%, and 62% of net revenue and international sales accounted for approximately 29%, 40%, and 38% of net revenue for the years ended December 31, 2020, 2019, and 2018, respectively. The Company's basis for attributing revenues to external customers is based on the customer's location. No individual international country outside the United States represented more than 10% of net revenue during the years ended December 31, 2020, 2019, and 2018.

Long-lived assets by geographic location was as follows (in thousands):

	Years Ended December 31,		
	2020	2019	2018
United States	$ 486	$ 908	$ 1,673
International	296	285	302
	$ 782	$ 1,193	$ 1,975

NOTE 10 — CONCENTRATIONS

Revenue from the Company's products are as follows:

	Years Ended December 31,					
	2020		2019		2018	
Laser systems	$ 12,342	54.2 %	$ 22,842	60.4 %	$ 29,733	64.4 %
Imaging systems	$ —	— %	619	1.6 %	1,694	3.7 %
Consumables and other	$ 6,124	26.9 %	7,164	19.0 %	8,287	18.0 %
Services	$ 4,314	18.9 %	7,162	19.0 %	6,429	13.9 %
License fees and royalties	$ —	— %	12	— %	12	— %
Total revenue	$ 22,780	100.0 %	$ 37,799	100.0 %	$ 46,155	100.0 %

The Company maintains its cash and cash equivalent accounts with established commercial banks. Such cash deposits periodically exceed the Federal Deposit Insurance Corporation insured limit.

No individual customer represented more than 10% of the Company's accounts receivable at December 31, 2020 and 2019.

The Company currently purchases certain key components of its products from single suppliers. Although there are a limited number of manufacturers of these key components, management believes that other suppliers could provide similar key components on comparable terms. A change in suppliers, however, could cause delays in manufacturing and a possible loss of sales, which could adversely affect the Company's business, results of operations and financial condition.

NOTE 11 — SUBSEQUENT EVENTS

Warrants

As of March 25, 2021, BIOLASE issued an aggregate of 35,460,000 shares of common stock from the exercise of warrants outstanding as of December 31, 2020. The exercise of the June 2020 Warrants and the July 2020 Warrants during 2021 resulted in cash proceeds of $3.8 million and $11.2 million, respectively.

SWK Credit Agreement Amendment

On February 24, 2021, we entered into the Seventh Amendment to the Credit Agreement (the "Seventh Amendment") with SWK. The Seventh Amendment amends the Credit Agreement by providing for minimum aggregate revenue requirements at the end of certain periods, to the extent that liquid assets are less than $15 million.

Equity Offering

On February 10, 2021, BIOLASE issued and sold in an underwritten bought deal offering an aggregate of 14,000,000 shares of common stock at a price of $1.03 per share less underwriting discounts and commissions. The Company received gross proceeds of approximately $14.4 million before deducting underwriting discounts and commissions and estimated offering expenses.

BIOLASE, INC.

Schedule II — Consolidated Valuation and Qualifying Accounts and Reserves
For the Years Ended December 31, 2020, 2019, and 2018
(in thousands)

	Balance at Beginning of Year	Charges (Reversals) to Cost or Expenses	Deductions	Balance at End of Year
Year Ended December 31, 2020:				
Allowance for doubtful accounts	$ 2,531	$ 1,488	$ (2)	$ 4,017
Allowance for sales returns	210	87	(35)	$ 262
Allowance for tax valuation	53,222	2,813	—	$ 56,035
Year Ended December 31, 2019:				
Allowance for doubtful accounts	$ 850	$ 1,827	$ (146)	$ 2,531
Allowance for sales returns	210	—	—	210
Allowance for tax valuation	46,967	6,366	(111)	53,222
Year Ended December 31, 2018:				
Allowance for doubtful accounts	$ 802	$ 469	$ (421)	$ 850
Allowance for sales returns	210	—	—	210
Allowance for tax valuation	40,866	6,101	—	46,967

EXHIBIT 4.13

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a summary of certain provisions of the only securities of BIOLASE, Inc. ("BIOLASE," "we," "us" or "our") registered pursuant to Section 12 of the Securities Exchange Act of 1934: (i) BIOLASE common stock, par value $0.001 per share (our "Common Stock"), (ii) Series F Convertible Preferred Stock, par value $0.001 per share ("Series F Preferred Stock"), and (iii) warrants to purchase shares of Common Stock ("Warrants"). This summary does not purport to be complete and is subject to the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL"), as well as BIOLASE's Restated Certificate of Incorporation, as amended (our "Charter"), and BIOLASE's Seventh Amended and Restated Bylaws (our "Bylaws"), each of which is included as an exhibit to our Annual Report on Form 10-K and incorporated by reference herein.

Our Authorized Capital Stock

Under our Charter, we are authorized to issue 180,000,000 shares of our Common Stock and 1,000,000 shares of preferred stock, par value $0.001 per share.

Common Stock

Voting Rights. Holders of our Common Stock are entitled to one vote per share. Each of our directors is elected by the affirmative vote of a majority of the votes cast with respect to such director in uncontested elections. In a contested election, each of our directors is elected by an affirmative vote of a plurality of the votes cast by the shares represented and entitled to vote with respect to the election of such director. A "contested election" is defined in our Bylaws as an election with respect to which, as of the record date for the meeting at which directors are to be elected, the number of nominees exceeds the number of directors to be elected at such meeting. Vacancies on the BIOLASE board of directors (our "Board") may be filled by an affirmative vote of two-thirds of the remaining members of our Board or at a meeting of the stockholders in the manner set forth in the second preceding sentence.

Dividend Rights. Subject to any preferential rights of any outstanding shares of our preferred stock to receive dividends before any dividends may be paid on our Common Stock, the holders of our Common Stock will be entitled to share ratably in any dividends that may be declared by our Board out of funds legally available for the payment of dividends. Our ability to pay dividends on our Common Stock will be limited by restrictions on our ability to pay dividends or make distributions to our stockholders and on the ability of our subsidiaries to pay dividends or make distributions to us, in each case, under the terms of our current, and any future, agreements governing our indebtedness.

Other Rights. Each holder of our Common Stock is subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock that our Board may designate and we may issue in the future. Holders of our Common Stock have no preemptive, conversion or other rights to subscribe for additional shares. Our Common Stock does not carry any redemption rights or any preemptive rights enabling a holder to subscribe for, or receive shares of, any class of our Common Stock or any other securities convertible into shares of any class of our Common Stock.

Liquidation Rights. Subject to any preferential rights of any outstanding shares of our preferred stock, in the event of our liquidation, dissolution or winding up, holders of our Common Stock are entitled to share ratably in the assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock.

Standstill Agreements. Pursuant to (1) a standstill agreement with Jack W. Schuler, Renate Schuler and the Schuler Family Foundation (collectively, the "Schuler Parties"), dated November 10, 2015 (as amended on August 1, 2016 and November 9, 2017, the "Schuler Standstill Agreement"), and (2) a standstill agreement with Larry N. Feinberg, Oracle Partners, L.P., Oracle Institutional Partners, L.P., Oracle Ten Fund Master, L.P., Oracle Associates, LLC and Oracle Investment Management, Inc. (collectively, the "Oracle Parties") dated November 10, 2015 (as amended on August 1, 2016 and November 9, 2017, the “Oracle Standstill Agreement” and, together with the Schuler Standstill Agreement, the “Standstill Agreements”), each of the Schuler Parties and the Oracle Parties agreed with respect to itself and its associates and affiliates (i) not to purchase or acquire any shares of our Common Stock if such a purchase would result in aggregate beneficial ownership by it and its affiliates and associates in excess of 41% of the issued and outstanding shares of our Common Stock and (ii) not to sell, transfer or otherwise convey shares of our Common Stock (or warrants or other rights to acquire shares of our Common Stock) to anyone who will immediately thereafter beneficially own shares in excess of 20% of the issued and outstanding shares of our Common Stock, as a result of such transfer and other transfers from third parties.

Preferred Stock

Our Charter authorizes our Board to provide for the issuance of shares of preferred stock in one or more series without further authorization from stockholders. Prior to issuance of shares of each series, our Board is required by the DGCL and our Charter to fix the designation, powers, preferences and rights of the shares of such series and the qualifications, limitations or restrictions thereof. 70,000 of the 1,000,000 authorized shares of preferred stock have been designated as Series E Participating Convertible Preferred Stock (“Series E Preferred Stock”), and 18,000 of the 1,000,000 authorized shares of preferred stock have been designated as Series F Convertible Preferred Stock. No shares of Series E Preferred Stock were outstanding as of December 31, 2020 or are expected to be issued thereafter, given that, by their terms, shares of Series E Preferred Stock automatically converted into shares of our Common Stock following certain approvals that occurred at the BIOLASE 2020 annual meeting of stockholders.

Series F Convertible Preferred Stock

Voting Rights. Except as otherwise provided in the certificate of designation or as otherwise required by law, holders of Series F Preferred Stock are not entitled to vote (or render written consents) on any matter submitted for a vote (or written consents in lieu of a vote as permitted by the DGCL, our Charter and our Bylaws) of holders of our Common Stock.

Dividends. Holders of Series F Preferred Stock are entitled to receive dividends (on an as-if-converted-to-common-stock basis) in the same form as dividends actually paid on shares of our Common Stock when, as and if such dividends are paid on shares of our Common Stock.

*Liquidation Preference***.** Upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, holders of Series F Preferred Stock will be entitled to receive out of our assets, whether capital or surplus, the same amount that a holder of Common Stock would receive if the Series F Preferred Stock were fully converted (disregarding for such purpose any conversion limitations under the certificate of designation) to Common Stock, which amounts shall be paid *pari passu* with all holders of our Common Stock.

Conversion. Each share of Series F Preferred Stock is convertible at our option at any time on or after the first anniversary of the expiration of the rights offering completed on July 22, 2020 (the “Rights Offering”) or at the option of the holder at any time, into the number of shares of our Common Stock determined by dividing the $1,000 stated value per share of the Series F Preferred Stock by a conversion price of $0.40 per share (subject to adjustment for stock dividends, distributions, subdivisions, combinations or reclassifications). Subject to limited exceptions, a holder of the Series F Preferred Stock will not have the right to convert any portion of the Series F Preferred Stock to the extent that, after giving effect to the conversion, the holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of shares of our Common Stock outstanding immediately after giving effect to its conversion. A holder of the Series F Preferred Stock, upon notice to us, may increase or decrease the beneficial ownership limitation provisions of such holder’s Series F Preferred Stock, provided that in no event shall the limitation exceed 9.99% of the number of shares of our Common Stock outstanding immediately after giving effect to its conversion. In the event that a conversion is effected at our option, we will exercise such option to convert shares of Series F Preferred Stock on a *pro rata* basis among all of the holders based on such holders’ shares of Series F Preferred Stock.

Redemption Rights. We are not obligated to redeem or repurchase any shares of Series F Preferred Stock. Shares of Series F Preferred Stock are not otherwise entitled to any redemption rights or mandatory sinking fund or analogous provisions. There is no restriction on the repurchase or redemption of shares by us while there is any arrearage in the payment of dividends

Fundamental Transactions. In the event we effect certain mergers, consolidations, sales of substantially all of our assets, tender or exchange offers, reclassifications or share exchanges in which our Common Stock is effectively converted into or exchanged for other securities, cash or property, we consummate a business combination in which another person acquires 50% of the outstanding shares of our Common Stock or any person or group becomes the beneficial owner of 50% of the aggregate ordinary voting power represented by our issued and outstanding Common Stock, then, upon any subsequent conversion of the Series F Preferred Stock, any holder of the Series F Preferred Stock will have the right to receive any shares of the acquiring corporation or other consideration such holder would have been entitled to receive if such holder had been a holder of the number of shares of Common Stock then issuable upon conversion in full of the Series F Preferred Stock.

Warrants

The Warrants issued as a part of the Rights Offering were designated as our "Series 1" warrants. The Warrants are separately transferable through their expiration five years from the date of issuance. Each Warrant entitles the holder to purchase one share of our Common Stock at an exercise price of $0.40 per share from the date of issuance through its expiration. The Warrants were issued pursuant to a warrant agent agreement by and between BIOLASE and Computershare Trust Company, N.A., the warrant agent.

Exercisability. Each Warrant is exercisable at any time and expires five years from the date of issuance. The Warrants are exercisable, at the option of each holder, in whole or in part by delivering us a duly executed exercise notice and payment in full for the number of shares of our Common Stock purchased upon such exercise, except in the case of a cashless exercise as discussed below. The number of shares of our Common Stock issuable upon exercise of the Warrants is subject to adjustment in certain circumstances, including a stock split of, stock dividend on or a subdivision, combination or recapitalization of our Common Stock. If we effect a merger, consolidation, sale of substantially all of our assets or other similar transaction, then, upon any subsequent exercise of a Warrant, the Warrant holder will have the right to receive any shares of the acquiring corporation or other consideration it would have been entitled to receive if such holder had been a holder of the number of shares of our Common Stock then issuable upon exercise in full of the Warrant.

Cashless Exercise. If at any time there is no effective registration statement registering, or the prospectus contained therein is not available for issuance of, the shares issuable upon exercise of a Warrant, the holder may exercise the Warrant on a cashless basis. When exercised on a cashless basis, a portion of the Warrant is cancelled in payment of the purchase price payable in respect of the number of shares of our Common Stock purchasable upon such exercise.

Exercise Price. Each Warrant represents the right to purchase one share of our Common Stock at an exercise price of $0.40 per share. In addition, the exercise price per share is subject to adjustment for stock dividends, distributions, subdivisions, combinations or reclassifications, and for certain dilutive issuances. Subject to limited exceptions, a holder of Warrants will not have the right to exercise any portion of the Warrant to the extent that, after giving effect to the exercise, the holder, together with its affiliates, and any other person acting as a group together with the holder or any of its affiliates, would beneficially own in excess of 4.99% of the number of shares of our Common Stock outstanding immediately after giving effect to its exercise. The holder, upon notice to us, may increase or decrease the beneficial ownership limitation provisions of the Warrant, provided that in no event shall the limitation exceed 9.99% of the number of shares of our Common Stock outstanding immediately after giving effect to the exercise of the Warrant.

Transferability. Subject to applicable laws and restrictions, a holder may transfer a Warrant upon surrender of the Warrant to BIOLASE with a completed and signed assignment in the form attached to the Warrant. The transferring holder will be responsible for any tax that liability that may arise as a result of the transfer.

Rights as Stockholder. Except as set forth in the Warrant, the holder of a Warrant, solely in such holder's capacity as a holder of a Warrant, will not be entitled to vote, to receive dividends or to any of the other rights of our stockholders.

Amendments and Waivers. The provisions of each Warrant may be modified or amended or the provisions thereof waived with the written consent ofBIOLASE and the holder.

Anti-Takeover Provisions

Delaware Law

We are subject to Section 203 of the DGCL ("Section 203"). In general, Section 203 prohibits a publicly held Delaware corporation from engaging in "business combination" transactions with any "interested stockholder" for a period of three years following the time that the stockholder became an interested stockholder, unless:

- prior to the time the stockholder became an interested stockholder, either the applicable business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the voting stock owned by the interested stockholder) shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which the employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the time that the stockholder became an interested stockholder, the business combination is approved by the corporation's board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

A "business combination" is defined to include, in general and subject to exceptions, a merger of the corporation with the interested stockholder; a sale of 10% or more of the market value of the corporation's consolidated assets to the interested stockholder; certain transactions that result in the issuance of the corporation's stock to the interested stockholder; a transaction that has the effect of increasing the proportionate share of the corporation's stock owned by the interested stockholder; and any receipt by the interested stockholder of loans, guarantees or other financial benefits provided by the corporation. An "interested stockholder" is defined to include, in general and subject to exceptions, a person that (1) owns 15% or more of the outstanding voting stock of the corporation or (2) is an "affiliate" or "associate" (as defined in Section 203) of the corporation and was the owner of 15% or more of the corporation's outstanding voting stock at any time within the prior three year period.

A Delaware corporation may opt out of Section 203 with an express provision in its original certificate of incorporation or by an amendment to its certificate of incorporation or bylaws expressly electing not to be governed by Section 203 and approved by a majority of its outstanding voting shares. We have not opted out of Section 203. As a result, Section 203 could delay, deter or prevent a merger, change of control or other takeover of BIOLASE that our stockholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market price of our Common Stock, and may also limit the price that investors are willing to pay in the future for our Common Stock.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for our Board to issue one or more series of preferred stock with voting or other rights or preferences. Thus, our Board could authorize the issuance of shares of preferred stock that have priority over our Common Stock with respect to dividends or rights upon liquidation or with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change of control of BIOLASE that might involve a premium price for holders of our Common Stock or otherwise be in their best interests.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our Board or a committee of our Board.

Stockholder Action by Written Consent; Special Meetings of Stockholders

Our stockholders may take action by written consent in lieu of a meeting as provided in our Bylaws. Our Bylaws provide that certain procedures, including notifying our Board and awaiting a record date, must be followed for stockholders to act by written consent. A special meeting of our stockholders may be called only by our Board, the Chairman of the Board, the Executive Vice Chairman, the Chief Executive Officer or the President. A special meeting may also be called at the request of stockholders holding a majority of the aggregate number of shares of capital stock of BIOLASE issued and outstanding and entitled to vote at that meeting (subject to certain timeliness and content requirements of the demand).

Amendment of Certificate of Incorporation and Bylaws

Our Charter may be amended by the affirmative vote of a majority of the aggregate number of shares of each class of our capital stock issued and outstanding after a resolution of our Board declaring the advisability of such amendment has been adopted in accordance with Delaware law. Our Bylaws may be amended by the affirmative vote of a majority of the aggregate number of shares of each class of our capital stock issued and outstanding (and entitled to vote on the subject matter) present in person or represented by proxy at a meeting of stockholders provided that notice thereof is stated in the written notice of the meeting. Our bylaws may also be amended by a majority of our Board in accordance with Delaware law and our Charter, except that certain sections of our Bylaws (including but not limited to certain provisions regarding special meetings, voting, officers and approval of securities issuances) require either the affirmative vote of two-thirds of the persons then serving as directors on our Board or our stockholders.

Forum Selection

Unless our Board acting on behalf of BIOLASE selects an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware or, if no court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of BIOLASE, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to BIOLASE or our stockholders, (iii) any action asserting a claim against BIOLASE or any of our directors, officers or other employees arising pursuant to any provision of the DGCL, our Charter or our Bylaws or (iv) any action asserting a claim against BIOLASE or any of our directors, officers or other employees governed by the internal affairs doctrine of the State of Delaware, in all cases subject to the court's having personal jurisdiction over all indispensable parties named as defendants.

If any action the subject matter of which is within the scope of the immediately preceding paragraph is filed in a court other than a court located within the State of Delaware in the name of any stockholder, such stockholder will be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the exclusive forum provision (an "Enforcement Action") and (ii) having service of process made upon such stockholder in any such Enforcement Action by service upon such stockholder's counsel in the action outside of the State of Delaware as agent for such stockholder.

Stock Exchange Listing

Our Common Stock is listed on The Nasdaq Capital Market under the symbol "BIOL." Neither the Series F Preferred Stock nor the Warrants are listed on any securities exchange.

Exhibit10.41

SEVENTH AMENDMENT TO
CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT (this "**Amendment**"), dated as of February 24, 2021 , is entered into by and among **BIOLASE, INC.**, a Delaware corporation ("**Borrower**"), each of the undersigned financial institutions (individually each a "**Lender**" and collectively "**Lenders**") and **SWK FUNDING LLC,** a Delaware limited liability company, in its capacity as administrative agent for the other Lenders (in such capacity, "**Agent**").

RECITALS

WHEREAS, Borrower, Agent and Lenders entered into that certain Credit Agreement dated as of November 9, 2018 (as heretofore amended and as the same may be further amended, modified or restated from time to time, being hereinafter referred to as the "**Credit Agreement**"); and

WHEREAS, Borrower, Agent and Lenders have agreed to amend certain provisions of the Credit Agreement as more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE I

Definitions

1.1 Capitalized terms used in this Amendment are defined in the Credit Agreement, as amended hereby, unless otherwise stated.

ARTICLE II

Amendments to Credit Agreement

2.1 **Amendments to Section 7.13**. Effective as of the date hereof, Sections 7.13.2 and 7.13.3 of the Credit Agreement are hereby amended and restated to read as follows:

"7.13.2 Conditional Minimum Aggregate Revenue.

To the extent that the Consolidated Unencumbered Liquid Assets are less than $15,000,000 as of the last day of any Fiscal Quarter set forth in the table below (designated by "Q" in the table below), not permit Aggregate Revenue for the consecutive month period ending on the last Business Day of such Fiscal Quarter to be less than the applicable amount set forth in the table below for such period.

Minimum LTM Aggregate Revenue as of the end of:	
Three (3) month period ending Q1 2021	$5,000,000
Three (3) month period ending Q2 2021	$5,000,000
Three (3) month period ending Q3 2021	$9,000,000
Six (6) month period ending Q4 2021	$19,000,000
Nine (9) month period ending Q1 2022	$30,000,000
Twelve (12) month period ending Q2 2022	$37,000,000
Twelve (12) month period ending Q3 2022	$38,000,000
Twelve (12) month period ending Q4 2022 and each Fiscal Quarter thereafter	$40,000,000

7.13.3 Conditional Minimum EBITDA.

To the extent that the Consolidated Unencumbered Liquid Assets are less than $15,000,000 as of the last day of any Fiscal Quarter set forth in the table below (designated by "Q" in the table below), not permit the EBITDA of Borrower and its Subsidiaries for the consecutive month period ending on the last Business Day of such Fiscal Quarter to be less than the applicable amount set forth in the table below for such period.

Minimum LTM EBITDA as of the end of:	
Three (3) month period ending Q1 2021	-($4,000,000)
Three (3) month period ending Q2 2021	-($4,500,000)
Three (3) month period ending Q3 2021	$1
Six (6) month period ending Q4 2021	$500,000
Nine (9) month period ending Q1 2022	-($1,000,000)
Twelve (12) month period ending Q2 2022	-($1,000,000)
Twelve (12) month period ending Q3 2022	-($1,000,000)
Twelve (12) month period ending Q4 2022 and each Fiscal Quarter thereafter	$1

ARTICLE III

Conditions Precedent

3.1 **Conditions Precedent.** The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent in a manner satisfactory to Agent, unless specifically waived in writing by Agent in its sole discretion:

(A). Agent shall have received this Amendment duly executed by Borrower.

(B). The representations and warranties contained herein and in the Credit Agreement and the other Loan Documents, as each is amended hereby, shall be true and correct as of the date hereof, as if made on the date hereof, except for such representations and warranties as are by their express terms limited to a specific date.

(C). Agent shall have received payment, for the benefit of Lenders, of an amendment fee in the amount of $25,000, which shall be deemed fully-earned and non-refundable as of the date hereof

(D). No Default or Event of Default under the Credit Agreement, as amended hereby, shall have occurred and be continuing, unless such Default or Event of Default has been otherwise specifically waived in writing by Agent.

ARTICLE IV

No Waiver, Ratifications, Representations and Warranties

4.1 **No Waiver.** Nothing contained in this Amendment or any other communication between Agent, any Lender, Borrower or any other Loan Party shall be a waiver of any past, present or future non-compliance, violation, Default or Event of Default of Borrower under the Credit Agreement or any Loan Document. Agent and each Lender hereby expressly reserves any rights, privileges and remedies under the Credit Agreement and each Loan Document that Lender may have with respect to any non-compliance, violation, Default or Event of Default, and any failure by Agent or any Lender to exercise any right, privilege or remedy as a result of the violations set forth above shall not directly or indirectly in any way whatsoever either (i) impair, prejudice or otherwise adversely affect the rights of Agent or any Lender, except as set forth herein, at any time to exercise any right, privilege or remedy in connection with the Credit Agreement or any Loan Document, (ii) amend or alter any provision of the Credit Agreement or any Loan Document or any other contract or instrument or (iii) constitute any course of dealing or other basis for altering any obligation of Borrower or any rights, privilege or remedy of Agent or any Lender under the Credit Agreement or any Loan Document or any other contract or instrument. Nothing in this Amendment shall be construed to be a consent by Agent or any Lender to any prior, existing or future violations of the Credit Agreement or any Loan Document.

4.2 **Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Lenders and Agent agree that the Credit Agreement and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Borrower agrees that this Amendment is not intended to and shall not cause a novation with respect to any or all of the Obligations.

4.3 **Representations and Warranties.** Borrower hereby represents and warrants to Agent and Lenders that (a) the execution, delivery and performance of this Amendment, any and all other Loan Documents executed and/or delivered in connection herewith have been authorized by all requisite action (as applicable) on the part of Borrower and will not violate the organizational documents of Borrower; (b) Borrower's directors and/or managers have authorized the execution, delivery and performance of this Amendment any and all other Loan Documents executed and/or delivered in connection herewith; (c) the representations and warranties contained in the Credit Agreement, as amended hereby, and any other Loan Document are true and correct on and as of the date hereof and on and as of the date of execution hereof as though made on and as of each such date (except to the extent such representations and warranties expressly relate to an earlier date); (d) no Default or Event of Default under the Credit Agreement, as amended hereby, has occurred and is continuing; (e) Loan Parties are in full compliance in all material respects with all covenants and agreements contained in the Credit Agreement and the other Loan Documents, as amended hereby; and (f) except as disclosed to Agent, no Loan Party has amended its organizational documents since the date of the Credit Agreement.

ARTICLE V

Miscellaneous Provisions

5.1 **Survival of Representations and Warranties.** All representations and warranties made in the Credit Agreement or any other Loan Document, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Agent or any Lender or any closing shall affect the representations and warranties or the right of Agent and each Lender to rely upon them.

5.2 **Reference to Credit Agreement.** Each of the Credit Agreement and the other Loan Documents, and any and all other Loan Documents, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement, as amended hereby, are hereby amended so that any reference in the Credit Agreement and such other Loan Documents to the Credit Agreement shall mean a reference to the Credit Agreement, as amended hereby.

5.3 **Expenses of Agent.** As provided in the Credit Agreement, Borrower agrees to pay on demand all costs and expenses incurred by Agent, or its Affiliates, in connection with the preparation, negotiation, and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the reasonable fees and costs of legal counsel, and all costs and expenses incurred by Agent and each Lender in connection with the enforcement or preservation of any rights under the Credit Agreement, as amended hereby, or any other Loan Documents, including, without, limitation, the reasonable fees and costs of legal counsel.

5.4 **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

5.5 **Successors and Assigns.** This Amendment is binding upon and shall inure to the benefit of Agent and each Lender and Borrower and their respective successors and assigns, except that no Loan Party may assign or transfer any of its rights or obligations hereunder without the prior written consent of Agent.

5.6 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. This Amendment may be executed by facsimile or electronic (.pdf) transmission, which facsimile or electronic (.pdf) signatures shall be considered original executed counterparts for purposes of this Section 5.6, and each party to this Amendment agrees that it will be bound by its own facsimile or electronic (.pdf) signature and that it accepts the facsimile or electronic (.pdf) signature of each other party to this Amendment.

5.7 **Effect of Waiver**. No consent or waiver, express or implied, by Agent to or for any breach of or deviation from any covenant or condition by Borrower shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

5.8 **Headings**. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

5.9 **Applicable Law**. THE TERMS AND PROVISIONS OF SECTIONS 10.17 (GOVERNING LAW) AND 10.18 (FORUM SELECTION; CONSENT TO JURISDICTION) OF THE CREDIT AGREEMENT ARE HEREBY INCORPORATED HEREIN BY REFERENCE, AND SHALL APPLY TO THIS AMENDMENT *MUTATIS MUTANDIS* AS IF FULLY SET FORTH HEREIN.

5.10 **Final Agreement**. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY BORROWER AND AGENT.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Amendment has been executed and is effective as of the date first written above.

BORROWER:

BIOLASE., INC.,
a Delaware corporation

By: /s/ John R. Beaver
Name: John R. Beaver
Title: President and CFO

AGENT AND LENDER:

SWK FUNDING LLC,
as Agent and a Lender

By: SWK Holdings Corporation,
its sole Manager

By: /s/ Winston Black
Name: Winston Black
Title: Chief Executive Officer and President

Exhibit10.44

SEPARATION AGREEMENT WITH GENERAL RELEASE OF ALL CLAIMS

This Separation Agreement With General Release of All Claims ("Agreement") is entered into by and between Todd Norbe ("Mr. Norbe"), and Biolase, Inc., a Delaware corporation (the "Company"), and is intended by the parties hereto to settle fully and finally any claims that Mr. Norbe may have against the Company and all obligations of the Company to Mr. Norbe, except as set forth in and incorporated into this Agreement.

a. **Employment Separation.** Mr. Norbe's employment with the Company ended effective February 22, 2021 (the "Separation Date"). From and after the Separation Date, Mr. Norbe shall no longer be employed by, or act in any capacity (including as a director) for, the Company, and Mr. Norbe hereby resigns as a Director of the Company, and from all Company positions held and on any Company subsidiary boards as of the Separation Date.

b. **Termination Pay.** Mr. Norbe acknowledges that he has been paid his base salary and accrued but unused vacation through the Separation Date ("Termination Pay"). Mr. Norbe shall submit expense reimbursement requests with suitable documentation within thirty (30) days following the Separation Date, and the Company shall promptly process such requests in accordance with its expense reimbursement policies.

c. **Severance Payment; COBRA Premiums.** In consideration for the promises contained herein and subject to Mr. Norbe's continued compliance with the terms and conditions of this Agreement and his execution and non-revocation of this Agreement within the timeframe specified herein, Mr. Norbe shall receive the following benefits:

   i. $412,000.00, payable in twenty-six (26) equal installments, beginning on the first regular payroll date following the sixty (60) day anniversary from the Separation Date, coinciding with the Company's regular payroll cycle; and

   ii. Subject to Mr. Norbe's timely election of COBRA continuation coverage, Company-paid COBRA premiums for Mr. Norbe (and his eligible dependents) under the Company's medical and dental benefit plans in which Mr. Norbe participated in as of the Separation Date, for the twelve (12) month period following the Separation Date.

d. **Vested Retirement Benefits.** Nothing in this Agreement shall limit, expand upon, or alter in any way any vested retirement benefits that Mr. Norbe has or is entitled to receive under any Company sponsored 401(k) or other retirement plan to which Mr. Norbe may have been entitled to participate by virtue of his employment. Mr. Norbe's rights and obligations shall continue to be governed by the terms of such plans, as they presently exist or as they may permissibly be amended, and shall be based upon his Separation Date.

e. **No Other Payments.** Other than whatever is specifically provided for in this Agreement, Mr. Norbe acknowledges that there are no other sums or benefits of any nature whatsoever due and owing to him, including without limitation any sums or benefits set forth in that certain Employment Agreement, dated August 7, 2018, by and between the Company and Mr. Norbe, as amended (the "Employment Agreement"), other than whatever payments or benefits are specifically provided for and set forth in this Agreement. In consideration for this Agreement, Mr. Norbe specifically waives any claim that he may have to any past, present, or future compensation of any nature whatsoever arising out of his prior employment with the Company.

f. **Confirmation Of Payment Of Wages**. Mr. Norbe acknowledges that he has been paid all wages due and owing to him from the Company, including all minimum wages, overtime compensation, commissions, bonuses, waiting-time penalties, and liquidated damages. Accordingly, Mr. Norbe understands that the release provisions below release and discharge the Company from any and all claims that he may have against the Company for unpaid wages and other compensation including, but not limited to, any claims for unpaid wages, salary, bonuses, commissions, stock, stock options, vacation pay, holiday pay, sick or disability pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation.

g. **Biolase Proprietary Information.** As a material inducement to Biolase to enter into this Agreement, Mr. Norbe covenants and represents that (i) he has complied with the terms and conditions of the Biolase Proprietary Information Agreement at all times during his employment with Biolase; and (ii) he will continue to comply with such terms for the periods specified therein. The terms of the Biolase Proprietary Agreement are incorporated into this Agreement by reference and made a part hereof.

h. **Continuing Obligations of Mr. Norbe**. To the extent that Mr. Norbe has come into contact with confidential or trade secret information concerning the Company and its operations or concerning the Company's customers, prospective customers, or projects, Mr. Norbe will continue to protect the confidentiality of such information. In addition, Mr. Norbe represents and warrants that, except with respect to those items communicated by the Company to Mr. Norbe in writing (electronic mail acceptable), he has returned to the Company and has not copied or duplicated in any manner whatsoever, all tangible and intangible property (including, without limitation, all computer hardware, whether portable or stationary, and software), books, records, documents and reports owned by, or pertaining to the business of, the Company or any of the Company's existing or prospective clients that was in Mr. Norbe's possession or under Mr. Norbe's direct or indirect control as of the Separation Date. If Mr. Norbe shall come into possession of any property (tangible or intangible), books, records, documents or reports of the type described above after the Separation Date, Mr. Norbe will promptly return them to the Company.

i. **Complete Release**. Mr. Norbe, on behalf of himself, his heirs and assigns, fully and forever releases and discharges the Company and, as the case may be, each of its respective employees, shareholders, officers, directors, agents, attorneys, predecessors, successors, assigns, and affiliated corporations or organizations, whether previously or hereafter affiliated in any manner (collectively, the "Released Company Parties"), to the fullest extent permitted by law, from any and all claims, demands, causes of action, charges of discrimination, obligations, damages, attorneys' fees, costs and liabilities of any nature whatsoever, including all claims of race, sex, national origin, religion, handicap and age discrimination under any federal or state statute, whether or not now known, suspected or claimed of any nature, including without limitation any claims, demands, causes of action, charges of discrimination, obligations, damages, attorneys' fees, costs and liabilities of any nature in connection with the Employment Agreement, which Mr. Norbe ever had, now has, or may claim to have as of the date of this Agreement against the Released Company Parties.

j. **General Nature of Release**. The Release set forth above is a general release of all claims, demands, causes of action, obligations, damages, and liabilities of any nature whatsoever that are described in the Release and is intended to encompass all known and unknown, foreseen and unforeseen claims which Mr. Norbe may have against the Released Company Parties, except that Mr. Norbe does not release any claims that may not be released herein as a matter of law, including but not limited to claims for indemnity under Labor Code Section 2802, claims that may be adjudicated before the California Workers' Compensation Appeals Board, claims for vested benefits or any claims for enforcement of any other provision of this Agreement. This Release specifically includes, without limiting the generality of the foregoing, any claims against any Released Company Party occurring before the date of this Agreement and arising out of or related to alleged violations of any federal or state employment discrimination laws, including, but not limited to, the California Fair Employment and Housing Act; the Age Discrimination In Employment Act; the Older Workers Benefit Protection Act; Title VII of the Civil Rights Act of 1964; the Americans With Disabilities Act; the National Labor Relations Act; the Equal Pay Act; the Employee Retirement Income Security Act of 1974; as well as claims arising out of or related to violations of the provisions of the California Government Code; the California Business & Professions Code, including Business & Professions Code Section 17200 et seq.; state and federal wage and hour laws; breach of contract; fraud; misrepresentation; common counts; unfair competition; unfair business practices; negligence; defamation; infliction of emotional distress; invasion of privacy; assault; battery; false imprisonment; wrongful termination; and any other state or federal law, rule, or regulation. Mr. Norbe acknowledges that his separation and the consideration offered hereunder were based on an individual determination and were not offered in conjunction with any group termination or group severance program and waives any claim to the contrary, and further acknowledges that he does not presently believe he has suffered any work-related injury or illness.

k. **Release of Unknown Claims**. It is the intention of Mr. Norbe to release both known and unknown claims of any nature whatsoever. This includes, without limitation, claims, which Mr. Norbe does not know or suspect to exist in his favor at the time of executing this release, even though such claims, if known by him would have materially affected his settlement with the Company. Accordingly, Mr. Norbe expressly waives all rights under Section 1542 of the Civil Code of the State of California, which reads as follows:

"**A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.**"

l. **Non-Disparagement; Non-Solicitation; Neutral Reference**. Mr. Norbe agrees during the term of this Agreement and for a period of ten (10) years thereafter, he shall not, in any communication with any person or entity, including any actual or potential customer, client, investor, vendor, or business partner of the Company, or any third party media outlet, make any derogatory or disparaging or critical negative statements – orally, written or otherwise – against the Company, or any of its directors, officers, agents, employees, contractors, or affiliated persons or entities. Mr. Norbe also agrees that unless compelled by valid legal process he will not give or offer to provide any statements, testimony or the like in connection with any claim, action, or demand (being contemplated or) brought against the Company which concerns the Company, his employment or the cessation of his employment with the Company, the Company's business practices, its customers and/or prospective customers, its products, and/or any other aspect of the Company's business, its directors, officers, agents, employees, contractors, or affiliated persons or entities. Further, Mr. Norbe agrees that if he agrees that should he be called as a witness or to provide testimony in any case, action, and/or proceeding concerning the Company, he and/or his counsel will contact either the Chief Executive Officer or the Secretary / General Counsel of the Company immediately, but in no event later than ten (10) days before he is to be deposed or to testify as a witness, so that the Company can take whatever precautionary measures it deems necessary to protect from disclosure any of its proprietary and/or confidential information and/or documents. Executive agrees that during the twenty-four

(24) month period following the Separation Date he shall not, directly or indirectly, through any other individual or entity, solicit any employee of the Company, to cease his or her employment with the Company, and Mr. Norbe will not approach any such employee for any such purpose or knowingly authorize the taking of any such action by any other individual or entity. Mr. Norbe further agrees that for the twenty-four (24) period following the Separation Date, Mr. Norbe shall not, without the prior written approval of the Company, directly or, with knowledge, indirectly, through or on behalf or any other individual or entity, solicit, entice or induce any business from any of the Company's customers (including actively sought prospective customers) or suppliers/vendors, the identity of whom, or information concerning, rises to the level of a "trade secret" within the meaning of the Uniform Trade Secrets Act ("UTSA").

m. **No Other Actions.** Mr. Norbe represents and covenants that he has not filed or lodged any complaints or charges against any of the Released Company Parties with any local, state, or federal agency or court.

n. **Risk of Different Facts.** The parties to this Agreement acknowledge that they may hereafter discover facts different from or in addition to those they now know or believe to be true, and they expressly agree to assume the risk of the possible discovery of additional or different facts, and agree that this Agreement shall be and remain effective in all respects regardless of such additional or different facts.

o. **No Future Actions.** Mr. Norbe covenants and agrees never to commence, aid in any way, prosecute or cause to be commenced or prosecuted any action or other proceeding based upon any claims, demands, causes of action, obligations, damages or liabilities which are the subject of this Agreement; provided however, that Mr. Norbe does not relinquish any protected rights he may have to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding conducted by the Equal Employment Opportunity Commission, the Office of Federal Contract Compliance, or any similar state human rights agency. However, Mr. Norbe may not recover additional compensation or damages as a result of such participation.

p. **Twenty-One Day Consideration Period.** This Agreement was originally given to Mr. Norbe on the Separation Date. Mr. Norbe shall have twenty-one (21) days to consider this Agreement; provided however, that if Mr. Norbe chooses to sign this Agreement before the end of this twenty-one (21)-day period, Mr. Norbe acknowledges that he does so knowingly and voluntarily and waives any claim that to the effect that he was not given the full twenty-one (21) days to consider whether to sign this Agreement or did not use the entire period of time available to consider this Agreement or to consult with an attorney.

q. **Seven Day Revocation Period.** Following execution of this Agreement, Mr. Norbe shall have seven (7) days to revoke this Agreement. To be effective, the revocation must be in writing and signed by Mr. Norbe and must be delivered to and received by the Company, before 5 p.m. local time of the 7th day. This Agreement shall become effective on the eighth (8th) day following the execution of this Agreement (the "Effective Date"). Any revocation shall be in writing and shall be effective upon timely receipt by the Company by: Corporate Secretary, c/o Legal Department, Biolase, Inc., 27042 Towne Centre Drive, Suite 270, Foothill Ranch, California, 92610.

r. **Non-Assignment of Claim.** Mr. Norbe warrants that he has made no assignment and will make no assignment of any claim, chose in action, right of action, or any right of any kind whatsoever, embodied in this Agreement and referred to herein, and that no other person or entity of any kind (other than as expressly mentioned above) had or has any interest in any of the demands, obligations, actions, causes of action, debts, liabilities, rights, contracts, damages, attorneys' fees, costs, expenses, losses or claims referred to herein.

s. **Successors and Assigns.** This Agreement, and all the terms and provisions hereof, shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

t. **Assistance of Counsel.** Mr. Norbe acknowledges that he has been advised to consult with counsel of his choosing before entering into this Agreement. The parties specifically represent that they either have consulted to their satisfaction with their attorneys, or have elected on their own accord not to seek legal counsel, prior to executing this Agreement concerning the terms and conditions of this Agreement.

u. **Interpretation.** Should any portion, word, clause, phrase, sentence or paragraph of this Agreement be declared void or unenforceable, such portion shall be considered independent and severable from the remainder, the validity of which shall remain unaffected. Whenever required by the context, as used in this Agreement the singular number shall include the plural, and the masculine gender shall include the feminine and neuter.

v. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties who have executed it and supersedes any and all other agreements, understandings, negotiations, or discussions, either oral or in writing, express or implied, between the parties to this Agreement. The parties hereto acknowledge that no representations, inducements, promises, agreements, or warranties, oral or otherwise, have been made by them, or anyone acting on their behalf, which are not embodied in this Agreement, that they have not executed this Agreement in reliance on any such representations, inducements, promise, agreement or warranty, and that no representation, inducement, promise, agreement or warranty not contained in this Agreement, including, but not limited to, any purported supplements, modifications, waivers or terminations of this Agreement shall be valid or binding, unless executed in writing by all of the parties to this Agreement.

w. **Governing Law.** This Agreement shall be enforced and governed under the laws of the State of California without reference to its choice of law provisions.

x. **Knowing and Voluntary Agreement.** This Agreement in all respects has been voluntarily and knowingly executed by the parties hereto.

y. **Counterparts.** This Agreement may be executed in counterparts, and when each party has signed and delivered at least one such counterpart, each counterpart shall be deemed an original, and, when taken together with other signed counterparts, shall constitute one agreement, which shall be binding upon and effective as to all parties.

z. **No Waiver.** Failure to insist on compliance of any term, covenant or condition contained in this Agreement shall not be deemed a waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power contained in this Agreement at any one time or more times be deemed a waiver or relinquishment of any right or power at any other time or times.

aa. **Arbitration.** Any disputes concerning this Agreement or otherwise arising out of this Agreement or Mr. Norbe's employment or termination that the parties are unable to resolve among them shall be submitted to final and binding arbitration in Orange County, California at and under the rules of the Judicial Arbitration and Mediation Service (“JAMS”); provided that nothing in this provision shall prevent the Company from seeking injunctive relief in any Court of competent jurisdiction.

bb. **Section 409A**. The payments to Mr. Norbe pursuant to this Agreement are intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and for such purposes, each installment paid to Mr. Norbe under this Agreement shall be considered a separate payment. In the event the terms of this Agreement would subject Mr. Norbe to taxes or penalties under Section 409A of the Code (“409A Penalties”), the Company and Mr. Norbe shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Separation Agreement and General Release of All Claims on the date(s) set forth hereinafter.

Dated: March 12, 2021

By: /s/ Todd Norbe
TODD NORBE

BIOLASE, INC.

Dated: February 22, 2021

By: /s/ Jonathan T. Lord, M.D.
Jonathan T. Lord, M.D.
Chairman of the Board

Exhibit 21.1

Subsidiaries

BL Acquisition II, Inc. (Delaware)
BL Acquisition Corp. (Delaware)

Biolase Australia, Pty. Ltd. (AUSTRALIA)
Biolase Europe, GmbH (GERMANY)
Biolase Spain, S.L. (SPAIN)
Biolase India Private Limited (INDIA)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

BIOLASE, Inc.
Foothill Ranch, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-194889, 333-144095, 333-112173, 333-130677, 333-177339, 333-204059, 333-224832, and 333-150105), Form S-1 (No. 333-239876), and Form S-3 (Nos. 333-233172, 333-222564, 333-219406, 333-200623, 333-198291, 333-214281, 333-175664, 333-141417, 333-106290, 333-89692, and 333-58329), of BIOLASE, Inc. of our report dated March 31, 2021, relating to the consolidated financial statements and schedules, which appears in this Form 10-K.

/s/ BDO USA, LLP

Costa Mesa, California
March 31, 2021

Exhibit 31.1

CERTIFICATION

I, John R. Beaver, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 of BIOLASE, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2021

By: /s/ JOHN R. BEAVER
John R. Beaver
President and Chief Executive Officer
(Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of BIOLASE, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020, (the "Report"), I, John R. Beaver, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2021

By:/s/ JOHN R. BEAVER
John R. Beaver
President and Chief Executive Officer
(Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)