

BIOLASE TECHNOLOGY INC
Form 10-Q/A
December 16, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 2)

(Mark One)

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

For the quarterly period ended September 30, 2002

OR

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

For the transition period from _____ to _____

Commission File Number: 000-19627

BIOLASE TECHNOLOGY, INC.

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(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-0442441
(I.R.S. Employer
identification No.)

981 Calle Amanecer

San Clemente, California 92673

(Address of principal executive offices, including zip code)

(949) 361-1200

(Registrant's telephone number, including area code)

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

Number of shares outstanding of the registrant's common stock, \$.001 par value, as of November 4, 2002: 20,047,448.

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BIOLASE TECHNOLOGY, INC.

AMENDMENT NO. 2 TO QUARTERLY REPORT ON FORM 10-Q/A

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

EXPLANATORY NOTE

The purpose of this Amendment No. 2 on Form 10-Q/A is to re-file new certifications required under the Sarbanes-Oxley Act of 2002. The attached certifications in Exhibits 31.1, 31.2, 32.1 and 32.2 replace those filed on September 17, 2003 in Amendment No. 1 on Form 10-Q/A for the quarterly period ended September 30, 2002. The contents of Amendment No. 1 are repeated in this filing because that is required when filing the new certifications. Except as noted below, the contents of Amendment No. 1, including the Introductory Note, numbers, text and all other information, are repeated verbatim in this filing and have not changed from Amendment No. 1 filed on September 17, 2003. The only changes are the new certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 (Exhibits 31.1 and 31.2) and corresponding changes to Item 4 of Part I, and the new certifications under Section 906 of that Act (Exhibits 32.1 and 32.2).

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* This Form 10-Q/A amends only items identified in the Index, and no other information included in the Company's Quarterly Report on Form 10-Q is amended hereby.

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INTRODUCTORY NOTE

As reported in the press release in the report of BioLase Technology, Inc. (the Company) on Form 8-K filed August 14, 2003, the Company decided to seek guidance from the Securities and Exchange Commission (SEC) regarding the accounting effect of certain language in the Company's purchase order forms. To protect the Company's right to payment, the forms stated that title to goods transferred to the customer upon receipt of full payment. Legally, this language only provided a lien to secure payment.

One of the revenue recognition criteria of Staff Accounting Bulletin No. 101 (SAB 101), Revenue Recognition in Financial Statements, requires the transfer of title and the risks and rewards of ownership to the customer. Historically, the Company recognized revenue when it received a purchase order, goods were shipped and the other criteria for revenue recognition were met. As reported in the press release in the Company's report on Form 8-K filed August 29, 2003, the Company is amending previously filed financial statements for all periods subsequent to the effective date of SAB 101 to recognize revenue with respect to domestic customers upon receipt of full payment. It was determined that under an interpretation of SAB 101 the language in the Company's purchase order regarding title prevents revenue from being recognized until full payment is received. In addition, the Company is amending its previously filed financial statements to recognize revenue with respect to direct European customers upon installation, which is when the customer is obligated to pay, and not at the time of shipment.

The purpose of this Amendment No. 1 on Form 10-Q/A is to restate the Company's consolidated financial statements as of September 30, 2002 and December 31, 2001, and for each of the three and nine months ended September 30, 2002 and 2001.

The Company is filing amended Quarterly Reports on Form 10-Q/A to restate the Company's financial statements for the periods ended March 31, 2002 through March 31, 2003. The Company is also filing its Quarterly Report on Form 10-Q for the period ended June 30, 2003, which was delayed while the Company sought SEC guidance on the revenue recognition issue. The Company will also file an amendment to its Current Report on Form 8-K/A relating to its acquisition of the American Dental Laser product line of American Medical Technologies, which was initially filed on June 4, 2003, and subsequently amended on June 23, 2003 and August 1, 2003.

The Company did not amend its annual reports on Form 10-K for years prior to 2002 because financial statements for 2001 and 2000 are contained in the amended Form 10-K/A. Similarly, the Company did not amend its Quarterly Reports on the amended Form 10-Q for the quarterly periods in 2001 because financial statements for those periods are contained in the Forms 10-Q/A the Company is filing for 2002. You should not rely on the financial statements and other financial information contained in the Company's Forms 10-K and 10-Q for periods prior to 2002. You should also not rely on any financial statements or financial information relating to the periods being restated contained in the Company's Forms 8-K that were filed before the amended Form 10-K/A.

This Form 10-Q/A only reflects the effects of the restatement and does not otherwise reflect events occurring after the filing of the original Quarterly Report on Form 10-Q or otherwise modify or update those disclosures.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.****BIOLASE TECHNOLOGY, INC.****CONSOLIDATED BALANCE SHEETS (Unaudited)**

	September 30, 2002	December 31, 2001
	(Restated Note 2)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,920,000	\$ 2,670,000
Accounts receivable, less allowance of \$173,000 and \$108,000 in 2002 and 2001, respectively	3,686,000	2,182,000
Inventories, net of reserves of \$354,000 and \$232,000 in 2002 and 2001, respectively	2,344,000	1,887,000
Deferred charges on product shipped	781,000	605,000
Prepaid expenses and other current assets	822,000	260,000
	<u>10,553,000</u>	<u>7,604,000</u>
Total current assets	10,553,000	7,604,000
Property, plant and equipment, net	1,597,000	392,000
Patents and trademarks, net	73,000	91,000
Other assets	186,000	166,000
	<u>12,409,000</u>	<u>8,253,000</u>
Total assets	\$ 12,409,000	\$ 8,253,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	\$ 1,792,000	\$ 1,792,000
Accounts payable	1,338,000	1,656,000
Accrued liabilities	2,791,000	1,976,000
Customer deposits	261,000	290,000
Deferred revenue on product shipped	2,317,000	1,626,000
Deferred gain on sale of building, current portion	63,000	63,000
Current portion of long-term debt	343,000	
	<u>8,905,000</u>	<u>7,403,000</u>
Total current liabilities	8,905,000	7,403,000
Deferred gain on sale of building	158,000	205,000
Long-term debt	800,000	
	<u>9,863,000</u>	<u>7,608,000</u>
Total liabilities	9,863,000	7,608,000
Stockholders' equity:		
Preferred stock, par value \$0.001, 1,000,000 shares authorized, no shares issued and outstanding		
Common stock, par value \$0.001, 50,000,000 shares authorized; issued and outstanding 20,034,000 shares in 2002 and 19,734,000 shares in 2001	20,000	20,000

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Additional paid-in capital	49,224,000	48,462,000
Accumulated other comprehensive loss	(27,000)	
Accumulated deficit	(46,671,000)	(47,837,000)
	<u> </u>	<u> </u>
Total stockholders' equity	2,546,000	645,000
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 12,409,000	\$ 8,253,000
	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	(Restated Note 2)		(Restated Note 2)	
	2002	2001	2002	2001
Net sales	\$ 6,859,000	\$ 3,970,000	\$ 19,134,000	\$ 11,326,000
Cost of sales	2,742,000	1,594,000	7,569,000	4,663,000
Gross profit	4,117,000	2,376,000	11,565,000	6,663,000
Other income	15,000	32,000	47,000	32,000
Operating expenses:				
Sales and marketing	2,619,000	1,740,000	7,255,000	5,215,000
General and administrative	739,000	572,000	2,072,000	1,535,000
Engineering and development	360,000	340,000	1,148,000	1,064,000
Total operating expenses	3,718,000	2,652,000	10,475,000	7,814,000
Income (loss) from operations	414,000	(244,000)	1,137,000	(1,119,000)
Gain (loss) on foreign currency transactions	(5,000)		14,000	
Gain on forward exchange contract	1,000		102,000	
Interest income	6,000	10,000	13,000	23,000
Interest expense	(34,000)	(22,000)	(100,000)	(131,000)
Net income (loss)	\$ 382,000	\$ (256,000)	\$ 1,166,000	\$ (1,227,000)
NET INCOME (LOSS) PER SHARE:				
Basic	\$ 0.02	\$ (0.01)	\$ 0.06	\$ (0.06)
Diluted	\$ 0.02	\$ (0.01)	\$ 0.05	\$ (0.06)
SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE:				
Basic	20,033,000	19,655,000	19,878,000	19,454,000
Diluted	21,215,000	19,655,000	21,288,000	19,454,000

See accompanying notes to consolidated financial statements.

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	Nine Months Ended	
	September 30,	
	2002	2001
	(Restated Note 2)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,166,000	\$ (1,227,000)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Issuance of common stock and warrants for earned services		15,000
Depreciation and amortization	128,000	126,000
Gain on disposal of assets	(47,000)	(27,000)
Gain on foreign currency translation	(102,000)	
Provision (benefit) for bad debts	(220,000)	120,000
Provision for inventory excess and obsolescence	(4,000)	108,000
Changes in assets and liabilities:		
Accounts receivable	(1,284,000)	(604,000)
Inventory	(453,000)	(717,000)
Deferred charges on product shipped	(176,000)	(375,000)
Prepaid expenses and other assets	(480,000)	(95,000)
Accounts payable and accrued expenses	497,000	634,000
Deferred revenue on product shipped	691,000	768,000
Customer deposits	(29,000)	25,000
	<u>(313,000)</u>	<u>(1,249,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(175,000)	(101,000)
Additions to patents and licenses		(10,000)
Proceeds from the sale of property, plant and equipment		2,261,000
	<u>(175,000)</u>	<u>2,150,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on mortgage note payable		(1,195,000)