

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 June 30, 2024

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 001-10647

**PRECISION OPTICS CORPORATION, INC.**

(Exact name of registrant as specified in its charter)

**Massachusetts**

(State or other jurisdiction  
of incorporation or organization)

**04-2795294**

(I.R.S. Employer  
Identification No.)

**22 East Broadway**

**Gardner, Massachusetts 01440**

(Address of principal executive offices) (Zip Code)

**(978) 630-1800**

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	POCI	Nasdaq Stock Market LLC

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

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 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 and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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   
Non-accelerated filer

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 control 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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 voting and non-voting common stock held by non-affiliates of the registrant on December 31, 2023 was approximately \$27,744,000 based on a total of 4,608,637 shares of the registrant's common stock held by non-affiliates on such date, at the closing price of \$6.02 per share, as reported on Nasdaq on December 29, 2023.

The number of shares of outstanding common stock of the registrant as of September 20, 2024 was 6,350,170.

**Documents incorporated by reference**

Portions of this registrant's definitive proxy statement for its 2024 Annual Meeting of Stockholders to be filed with the SEC no later than 120 days

**PRECISION OPTICS CORPORATION, INC.**  
**FORM 10-K**

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**PART I**

This Annual Report contains forward-looking statements as defined under the federal securities laws. All statements other than statements of historical facts included in this Annual Report on Form 10-K regarding our financial performance, business strategy and plans and objectives of management for future operations and any other future events are forward-looking statements and based on our beliefs and assumptions. When used in this report, the words "anticipate," "suggest," "estimate," "plan," "project," "continue," "ongoing," "potential," "expect," "predict," "believe," "intend," "may," "will," "should," "could," "would" and other similar words are one way to identify such forward-looking statements. You should not place undue reliance on these forward-looking statements. Actual results could vary materially from these forward-looking statements. Such statements reflect our current view with respect to future events and are subject to certain risks, uncertainties, and assumptions including, without limitation, those risks and uncertainties contained in the Risk Factors section of this Annual Report on Form 10-K and our other filings made with the SEC. Although we believe that our expectations are reasonable, we can give no assurance that such expectations will prove to be correct. Based upon changing conditions, any one or more of these events described herein as anticipated, believed, estimated, expected or intended may not occur. All prior and subsequent written and oral forward-looking statements attributable to our Company or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement. We do not intend to update any of the forward-looking statements after the date of this Annual Report to conform these statements to actual results or to changes in our expectations, except as required by law.

**ITEM 1. BUSINESS.**

**Overview**

We have been a developer and manufacturer of advanced optical instruments since 1982. Our proprietary medical instrumentation line, unique custom design and manufacturing capabilities, and expert engineering and development has generated traditional proprietary endoscopes and endocouplers as well as other custom imaging and illumination products for our customers' use in minimally invasive surgical procedures. We design and manufacture 3D endoscopes and very small Microprecision lenses, assemblies and complete medical devices to meet the surgical community's continuing demand for smaller, disposable, and more enhanced imaging systems for minimally invasive surgery.

Effective June 1, 2019, we acquired the operating assets of Ross Optical Industries, Inc. of El Paso, Texas. As Ross Optical Industries we also operate as a supplier of custom optical components and assemblies for military and defense, medical and various other industrial applications. All products sold by us under the Ross Optical name include a custom or catalog optic, which is sourced through our extensive domestic and worldwide network of optical fabrication suppliers. Most systems make use of optical lenses, prisms, mirrors and windows and range from individual optical components to complex mechano-optical assemblies. Products often include thin film optical coatings applied using our in-house coating department.

Effective October 1, 2021, we acquired the operating assets of Lighthouse Imaging, LLC of Windham, Maine. Our Lighthouse Imaging division

supplements our operations as a manufacturer of advanced optical imaging systems and accessories and has provided further expertise in electrical engineering and development of end-to-end medical visualization devices. Product development competencies at Lighthouse Imaging include Systems, Optical, Mechanical, Electrical and Process Development Engineering. Our product development team has extensive experience developing visualization systems that are used in a variety of clinical applications. Lighthouse Imaging is an industry leader in chip-on-tip visualization systems.

During the fiscal year ended June 30, 2024, approximately 44% of our business was from engineering services primarily relating to the design of medical device optical assemblies, 44% from the sale of both internally manufactured and purchased optical components, and 12% from the manufacture of optical assemblies and sub-assemblies. During the fiscal year ended June 30, 2023, approximately 32% of our business was from engineering services primarily relating to the design of medical device optical assemblies, 50% from the sale of both internally manufactured and purchased optical components, and 18% from the manufacture of optical assemblies and sub-assemblies primarily for medical device instrument applications. We generally expect revenue increases over time as the engineering design phase is completed and products transition to the commercial phase, leveraging our unique manufacturing capabilities. Much of the technology we have developed for making smaller medical devices is also used in defense and aerospace systems where smaller size and weight is crucial.

## History

We incorporated in Massachusetts in December 1982, have been publicly held since November 1990, and have no subsidiaries.

## Principal Products and Services

We have been manufacturing medical products such as endoscopes and endocouplers since our formation in 1982. In 1985 we introduced a proprietary product line of endocouplers. We also design and manufacture custom optical medical devices to satisfy our customers' specific requirements, incorporating various optical technologies, servicing a variety of minimally invasive surgical and diagnostic procedures, using both reusable and single-use medical devices. In addition to medical devices, we also manufacture and sell components and assemblies specially designed for defense/aerospace and industrial uses.

The acquisition of the assets of Ross Optical Industries in 2019 expanded our optics components and assemblies business. All products supplied by Ross Optical include a custom or catalog optic, sourced through Ross Optical's extensive domestic and worldwide network of optical fabrication suppliers. Most systems make use of optical lenses, prisms, mirrors, and windows and range from individual optical components to complex mechano-optical assemblies. Products often include thin film optical coatings that are applied by the Ross Optical division's in-house coating department.

The acquisition of the assets of Lighthouse Imaging LLC in 2021 expanded our electrical engineering capabilities in the development of end-to-end medical visualization devices. Product development competencies acquired include systems, optical, mechanical, electrical and process development engineering. The acquisition represented a vertical integration of our established product development capabilities with a team with extensive experience developing visualization systems that we believe provides our customers with single-source value-added development services and product offerings.

**Microprecision™ Lenses and Micro Medical Cameras:** While the size of endoscopes has gradually decreased over time, we believe the widespread use of very small endoscopes, with diameters of one millimeter or smaller, has been limited due in part to the limitations of traditional lens fabrication methods to combine smaller sizes with acceptable image quality at reasonable manufacturing costs. We believe our Microprecision™ optics technology provides a solution to this challenge. Combined with recent advances by our supply chain partners in complementary metal-oxide-semiconductor, or CMOS, image sensor fabrication techniques, our Microprecision™ lenses and proprietary manufacturing techniques enable the manufacture of micro medical cameras at previously unobtainable prices with sizes on the order of one millimeter or less, characteristics that make them perfectly suited for medical applications. We believe the technology developed to support the design, fabrication and manufacturing of Microprecision™ lenses and associated assemblies can also be used to satisfy the needs of defense and aerospace systems that require small size and weight.

We are currently engaged in development projects to design and produce even smaller CMOS based camera modules together with customized illumination using various technologies to match the needs of the medical device endoscopes. We have now completed and are currently designing, disposable versions of our camera modules and assemblies designed for single use, reducing the risk of contamination from repeated use. We believe these on-going improvements are significant to the continued evolution and acceptance of our Microprecision™ technology platform.

**3D Endoscopes:** Our 3D endoscopes provide next generation optical imaging for minimally invasive surgical procedures that utilize hand-held rigid endoscopes by using the brain's natural ability to perceive depth, which is the third dimension, by viewing one's environment through two eyes. Utilizing our proprietary technology to provide independent images to right and left eyes, surgeons can view the operative field with 3D perception.

## Competition and Markets

We sell our products in highly competitive markets, and we compete for business with both foreign and domestic manufacturers. Many of our current competitors are larger than us and have substantially greater resources than we do. In addition, there is an ongoing risk that other domestic or foreign companies who do not currently service or manufacture products for our target markets, some with greater experience in the optics industry and greater financial resources than we have, may seek to produce products or services that compete directly with ours.

While our resources are more limited than those of some of our competitors, we believe that we compete successfully in this market through product quality, price, delivery and innovation tailored to our customers' specifications. Our success will depend, in part, on our ability to maintain a technological advantage over our competitors and to effectively incorporate that technology into our custom designs. To this end, we intend to continue to aggressively support and augment our internal engineering, research and development resources and to aggressively pursue patent protection for existing and new technology. We believe that our unique technical capabilities in the areas of Microprecision™ optics, micro medical cameras and illumination, as well as 3D endoscopes, currently represent competitive advantages for us in the minimally invasive surgical device market.

The competitive advantage of our Ross Optical division is its ability to provide difficult-to-find optics, and, increasingly, to provide a broader range of services based on its ability to source optics worldwide, augmented by its ability to provide thin-film coatings and assembly.

## Market Opportunities

**Microprecision™ Lenses and Micro Medical Cameras:** We design custom camera module assemblies with the combined objectives of low cost, small size, range of optical specifications and high image quality required by our customer's precise medical device specifications. By enabling the production of millimeter sized and smaller cameras with low manufacturing costs, we believe our Microprecision™ technology opens the possibility to replace existing re-sterilizable endoscopes with a single-use alternative. The small size of our Microprecision™ lenses and micro medical cameras combined with our proprietary illumination techniques can provide visualization for existing procedures that are currently performed blind or with sub-optimal imaging, and we believe can facilitate the development of new surgical procedures that are currently impractical without sub-millimeter visualization instrumentation.

**3D Endoscopes and Robotic Surgery Systems:** 3D endoscopes have been used for many years as part of robotic surgery systems partly because the market price of robotic surgery systems is high enough to support the cost of a high-quality custom 3D display. Competition amongst medical device companies in 3D robotic surgery systems has increased. Various companies are now pursuing less expensive, procedure specific robotic systems. We believe our experience and expertise in 3D endoscopes for medical applications will benefit companies in this area.

## **Sales and Marketing**

Current sales and marketing activities are intended to broaden awareness of the benefits of our new technology platforms and our successful application of these new technologies to medical device projects requiring surgery-grade visualization, as well as defense, aerospace and other industrial applications, from sub-millimeter sized devices and 3D endoscopy, including single-use products and assemblies. We market directly to established medical device companies primarily in the United States that we believe could benefit from our advanced endoscopy visualization systems. Through this direct marketing, referrals, attendance at trade shows and a presence in online professional association websites, we have expanded our on-going pipeline of projects to established medical device companies as well as to emerging medical device companies, and to a growing number of major defense / aerospace companies. We expect our revenues and customer base to continue to expand as development projects transition to production orders and new customer projects enter the development phase.

## **International Business**

We acquire various optical components from overseas as necessary to meet the needs of custom device designs. We believe that the availability of specialized components and cost savings from various overseas production resources is essential to our ability to deliver complex and unique device designs and to compete on a price basis in the medical products area particularly and to our profitability generally. We have an expanded network of overseas suppliers of various types and sizes of optical components and assemblies that enhance our ability to meet the material demands of our customers' unique optical and medical device designs.

## **Research and Development**

We believe that our future success depends, to a large degree, on our ability to continue to conceive and develop new optical products and technologies to enhance the performance characteristics and methods of manufacture of existing and new products. Although development work on behalf of customers is performed under revenue generating contracts and customer purchase orders, research and development expenses are incurred on our own proprietary products and technology, such as Microprecision™ optics, micro medical cameras and 3D endoscopes. Accordingly, we treat engineering expenses not consumed in customer contracted development and our investment of funds and resources in internal product and intellectual property development as research and development expense in the accompanying statement of operations.

## **Raw Materials and Principal Suppliers**

A key raw material component for our products is precision grade optical glass, which we obtain from a few suppliers, principally SCHOTT North America, Inc. and Ohara Corporation. We obtain CMOS sensors used in the development of endoscope products for our customers from various suppliers such as OmniVision Technologies, Inc. We believe that while the number of sources of supply is limited for the CMOS sensors with the specifications used in medical device endoscopes we develop; the manufacturing capacities of those suppliers is adequate to meet our demand in the next twelve months.

## **Patents and Trademarks**

We rely, in part, upon patents, trade secrets and proprietary knowledge as well as personnel policies and employee confidentiality agreements concerning inventions and other creative efforts to develop and maintain our competitive position. We plan to file for patents, copyrights and trademarks in the United States and in other appropriate countries to protect our intellectual property rights to the greatest extent practicable. We currently hold rights to various United States patents, and have patent applications pending, including applications for our new generation of micro medical cameras. Our current patent portfolio includes patents, rights to patents and patent applications that cover various aspects of our technology in the following areas:

- Medical devices;
- 3-D endoscopes;
- Microprecision™ lenses and micro medical cameras;
- Defense products.

The patents contained in our current patent portfolio have various expiration dates through March 2043. We are not aware of any infringements of these patents. While we believe that our pending applications relate to patentable devices or concepts, these patents may not ultimately be issued, and we may not be able to successfully defend these patents or effectively limit the development of competitive products and services. We intend to continue to innovate and extend our technological capabilities in the areas of 3-D endoscopy Microprecision™ optics, micro medical cameras, and related illumination techniques, and to aggressively pursue patent protection for such developments.

## **Employees**

As of June 30, 2024, we had 84 employees, 83 of which were full-time employees. There were 41 employees in manufacturing, 22 in engineering/research and development, 9 in sales and marketing, and 12 in finance and administration. We are not a party to any collective bargaining agreements. We believe our relations with our employees are very good.

## **Customers**

During the fiscal year ended June 30, 2024, we sold product and services to 325 customers with one product development customer accounting for 19.1% of total revenues and with one optical components customer accounting for 13.8% of our total revenues. The loss of these customers would have a material impact on our business. For the fiscal year ended June 30, 2023, we sold products and services to 361 customers and one customer accounted for 11.4% of our total revenues for that year.

Two customer accounts receivable balances accounted for 15.4% and 12.1% of total receivables on June 30, 2024. Two customer accounts receivable balances accounted for 14.0% and 13.7% of total receivables on June 30, 2023.

## **Environmental Matters**

Our operations are subject to a variety of federal, state and local laws and regulations relating to the discharge of materials into the environment or otherwise relative to the protection of the environment. We believe that we currently comply with all applicable environmental laws and regulations. We use limited amounts of hazardous materials in our operations, and as such, compliance does not entail significant expense to us.

## **Government Regulations**

*Domestic Regulation.* We currently develop, manufacture and sell several medical products, the marketing of which is subject to governmental regulation in the United States. Medical devices are regulated in the United States by the Food and Drug Administration, or FDA, and, in some cases, by certain state agencies. The FDA regulates the research, design, testing, manufacture, safety, effectiveness, labeling, promotion and distribution of medical devices in the United States. Generally, medical devices require clearance or approval prior to commercial distribution. Additionally, certain material changes to, and changes in, intended uses of, medical devices are also subject to FDA review and clearance or approval. Non-compliance with applicable requirements can result in failure of the FDA to grant pre-market clearance or approval, withdrawal or suspension of approval, suspension of production, or the imposition of various other penalties.

We previously notified the FDA of our intent to market our endoscopes, image couplers, beam splitters, adapters and video ophthalmoscopes, and the FDA has determined that we may market such devices, subject to the general control provisions of the Food, Drug and Cosmetic Act. We obtained this FDA permission without the need to undergo a lengthy and expensive approval process due to the FDA's determination that such devices met the regulatory standard of being substantially equivalent to existing FDA-approved devices.

In the future, we plan to market additional medical devices that may require the FDA's permission to market such products. We may also develop additional products or seek to sell some of our current or future medical products in a manner that requires us or our customers to obtain the permission of the FDA to market such products, as well as the regulatory approval or license of other federal, state and local agencies or similar agencies in other countries. The FDA has authority to conduct detailed inspections of manufacturing plants in order to assure that "good manufacturing practices" are being followed in the manufacture of medical devices including medical devices or components of medical devices manufactured for other medical device companies, to require periodic reporting of product defects to the FDA, and to prohibit the sale of devices which do not comply with law.

We design and manufacture components for the defense industry, and import, export and manufacture optical products for the defense industry, some of which is controlled by U.S. regulations. Generally, these regulations require strict control over technical data in documented form and as embodied in products, both within our company and as part of exported shipments. In particular, we maintain a technology control plan, we are ISO certified, and ITAR (International Traffic in Arms Regulations) registered with the U.S. State Department, and we maintain a number of technology assistance agreements with overseas suppliers that have been approved by the U.S. State Department. Non-compliance with applicable requirements can result in U.S. actions that may result in withdrawal or suspension of approvals, suspension of company imports, exports or production, or the imposition of fines or various other penalties.

*Foreign Requirements.* All our medical products are manufactured in conformity with ISO 13485:2016, using a comprehensive Quality Management System (QMS) that helps meet both international and EU regulatory standards. ISO 13485 is an internationally recognized standard that emphasizes risk management throughout the product lifecycle, from design to post-market surveillance, and aligns with the European Union Medical Device Regulation ("EU MDR") focus on ensuring the safety and performance of medical devices. ISO 13485 provides a solid foundation for meeting the QMS requirements of the EU MDR. It ensures that manufacturers maintain detailed documentation and traceability of their devices, which is required for compliance with the EU MDR's requirements. Conformity with ISO 13485 conveys our commitment to maintaining a robust QMS specifically for medical device manufacturing, and consistent quality and regulatory compliance, which is essential helping our customers achieve compliance with the EU MDR and other international regulatory standards. Our failure to comply with ISO 13485 or other applicable regulatory requirements would jeopardize our ability to sell our products to certain customers who place their product on the EU and other international markets.

## **Available Information**

Our website is [www.poci.com](http://www.poci.com). We make available on our website, free of charge, copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission (SEC). Our website and the information contained therein or connected thereto are not intended to be incorporated into this report.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

## **ITEM 1A. RISK FACTORS.**

### **Risks Related to Our Business**

**We have a history of losses; we may continue to incur losses and not achieve profitability in the near term; and we may need to raise additional funds.**

We may continue incurring losses for the foreseeable future and not achieve sustained profitability in the near term. We must generate sufficient cash flow or raise additional capital to pursue our product development initiatives and penetrate markets for the sale of our products. We believe that for the time being we have adequate access to capital resources, however, if in the future we are unable to secure adequate additional capital when needed, we may be required to curtail our research and development initiatives and take additional measures to reduce costs to conserve our cash in amounts sufficient to sustain operations and meet our obligations.

**We depend on the availability of certain key supplies and services that are available from only a few sources, and we may experience difficulty with certain suppliers due to national and global economic supply-chain factors and we may have difficulty finding alternative sources of these supplies or services.**

We source certain key supplies to develop and manufacture our products, particularly our precision grade optical glass components and CMOS image sensors, which are available from only a few sources, some of which are located in China. Our business could be affected if we become unable to procure these essential materials and services in adequate quantities and at acceptable prices. We continuously evaluate our suppliers and alternative sources. If we experience a shortage of certain supplies and are unable to find an alternative source, our financial condition and results of operations could be adversely affected.

**We rely on a small number of customers who may not consistently purchase our products in the future and if we lose any one of these customers, our revenues may decline.**

A small number of customers may continue to represent a significant portion of our total revenues in any given period. These customers may not consistently purchase our products at a particular rate over any subsequent period. A loss of any of these customers could adversely affect our revenues.

**We could suffer unrecoverable losses on our customers' accounts receivable, which would adversely affect our financial results.**

While we believe we have a varied customer base and have experienced strong collections in the past, we may experience changes in our customer base, including reductions in purchasing commitments, which could also have a material adverse effect on our revenues and liquidity. Additionally, our customers could become unable or unwilling to pay amounts owed to us. Over the past three years, we have not had significant accounts receivable write-offs or significant additions to our accounts receivable reserve and we have not purchased insurance on our accounts receivable balances. Nonetheless, large uncollectible accounts receivable balances could arise in the future and could have a material adverse effect on our financial condition.

**We rely heavily upon the talents of our Chief Executive Officer and other senior officers, the loss of whom could damage our business.**

Our performance depends on a small number of key scientific, technical, managerial and manufacturing personnel. In particular, we believe our success is highly dependent upon the services and reputation of our Chief Executive Officer, Dr. Joseph N. Forkey. The loss of Dr. Forkey's services could damage our business. Dr. Forkey provides highly valuable contributions to our capabilities in optical instrument development, in management of new technology and in potentially significant longer-term Company initiatives.

**We must continue to be able to attract and retain employees with the scientific and technical skills that our business requires and if we are unable to attract and retain such individuals, our business could be severely damaged.**

Our ability to attract and retain employees with a high degree of scientific and technical talent is crucial to the success of our business. There is intense competition for the services of such persons, and we cannot guarantee that we will be able to attract and retain individuals possessing the necessary qualifications. If we cannot attract and retain such individuals, we may not be able to perform the necessary design services for our customers or produce our products causing damage to our business or an inability to meet customer demand or increase revenues.

**We are subject to a high degree of regulatory oversight and, if we do not continue to receive the necessary regulatory approvals, our revenues may decline.**

The FDA has granted us the clearance to manufacture and market the medical products we currently produce or sell in the United States. However, prior FDA approval may be required before we can market additional medical products that we may develop in the future. We may also seek to sell current or future medical products in a manner that requires us to obtain FDA permission to market such products. We may also require the regulatory approval or license of other federal, state or local agencies or comparable agencies in other countries.

We may lose the FDA's permission to manufacture and market our current products or may not obtain the necessary regulatory permission, approvals or licenses for the manufacturing or marketing of any of our future products, as may our customers. Also, we cannot predict the impact on our business of FDA regulations or determinations arising from future legislation or administrative action. If we or key customers lose the FDA's permission to manufacture and market our current products or fail to obtain regulatory permission to manufacture and market future products, our revenues may decline, and our business may be harmed.

**We face risks inherent in product development and production under fixed-price purchase orders and these purchase orders may not be profitable over time.**

A portion of our business has been devoted to research, development and production under fixed-price purchase orders. For our purposes, a fixed-price purchase order is any purchase order under which we will provide products or services for a fixed-price over an extended period of time, usually six months or longer. We expect that revenues from fixed-price purchase orders will continue to represent a significant portion of our total revenues in future fiscal years.

Because they involve performance over time, we cannot predict with certainty the expenses involved in meeting our obligations under fixed-price purchase orders. Therefore, we can never be sure at the time we enter into any single fixed-price purchase order that such purchase order will continue to be profitable for us throughout the fixed-price period.

**We perform engineering and manufacturing services for our customers who could decide to use another vendor for these services in the future.**

A significant portion of our revenues are derived from engineering and manufacturing services that we perform to design and fabricate medical device products or sub-assemblies of medical device products for our customers who in turn sell the products to the end users. Our customers typically own the

proprietary rights to and control commercial distribution of the final products. Therefore, in many of these cases we do not own the proprietary rights to the medical device products that we manufacture or that our sub-assemblies are made a part of. Our customers could decide to use other suppliers for these services based on cost, quality, delivery time, production capacities, competitive and regulatory considerations or other factors. Thus, revenues from our customers and the products and services we provide them are subject to significant fluctuation on a product-to-product basis from period to period.

***We resell products we purchase from third parties and our customers could decide to use another supplier to acquire those products.***

Our division Ross Optical primarily acquires specialized optical components and assemblies from third parties pursuant to specifications provided from its customers, inspects and sometimes further processes those products before reselling them to its customers. Because Ross Optical does not manufacture the optical components and assemblies and does not own the intellectual property rights to the products, its customers could choose to obtain those products and services from other sources or could apply pressure to Ross Optical to lower its prices resulting in reduced future gross margins and operating results.

***We depend on the availability of certain key supplies and services that are available from only a few sources and if we experience difficulty with a supplier, we may have difficulty finding alternative sources of these supplies or services.***

We require certain key supplies to develop and manufacture our products, particularly our precision grade optical glass, which is available from only a few sources, most of which are located outside of the United States. Additionally, we rely on outside vendors to grind and polish certain of our lenses and other optical components, such as prisms and windows. We also rely on a limited number of suppliers for specialized CMOS sensors and the electronic wiring of those sensors. Based upon our ordering experience to date, we believe the materials and services required for the production of our products are currently available in sufficient quantities to meet our needs. Our requirements are small relative to the total supply, and we are not currently encountering problems with availability. However, this does not mean that we will continue to have timely access to adequate supplies of essential materials and services in the future or that supplies of these materials and services will be available on satisfactory terms when the need arises. Our business could be severely damaged if we become unable to procure these essential materials and services in adequate quantities and at acceptable prices.

From time to time, subcontractors may produce some of our products for us, and our business is subject to the risk that these subcontractors fail to make timely delivery. Our products and services are also used as components of the products and services of other manufacturers. We are therefore subject to the risk that manufacturers who integrate our products or services into their own products or services are unable to acquire essential supplies and services from third parties in a timely fashion. If this occurs, we may not be able to deliver our products on a timely basis and our revenues may decline.

***Our customers may claim that the products we sold them were defective and if our insurance is not sufficient to cover such a claim, we would be liable for the excess.***

Like any manufacturer, we are and always have been exposed to liability claims resulting from the use of products we assist in developing, manufacture and supply to our customers. Additionally, the products we supply could be used in conjunction with other products in medical device applications, such as certain endoscope products claimed to be associated with surgical suite contamination resulting from their intended re-use and re-sterilization. We maintain product liability insurance to cover us in the event of liability claims, and no such claims have been asserted or threatened against us to date. However, our insurance may not be sufficient to cover all possible future product claims, costs and any resulting liabilities.

***We would be liable if our business operations harmed the environment and a failure to maintain compliance with environmental laws could severely damage our business.***

Our operations are subject to a variety of federal, state and local laws and regulations relating to the protection of the environment. From time to time, we use hazardous materials in our operations. Although we believe that we have suitable practices and policies in place to address applicable environmental laws and regulations, our business could be severely damaged by any failure to maintain such compliance.

***Many of our competitors are large, well-financed companies who have research and marketing capabilities that are superior to ours.***

The industries in which we operate are highly competitive. Many of our existing and potential competitors have greater financial resources and manufacturing capabilities, more established and larger marketing and sales organizations and larger technical staffs than we have. Other companies, some with greater experience in the optics, semiconductor or medical products industries, are seeking to produce products and services that compete with our products and services.

***Ross Optical is subject to tariffs and regulatory scrutiny, and it faces the risk of changes to this regulatory environment and business in the future.***

Ross Optical is ISO and ITAR registered and currently imports, exports, and manufactures optical products for the defense industry, some of which are controlled by regulations promulgated by the U.S. Departments of State and Commerce. If we fail to comply with the terms of these regulations and registrations, it may lose its ITAR registration or suffer other consequences, such as the withdrawal or suspension of approvals, suspension of imports, exports or production, or the imposition of fines or other penalties.

There is also the risk that new laws or regulations or changes in enforcement practices applicable to our business could be imposed, which may adversely affect our ability to compete effectively with other institutions that are not affected in the same way, or which may impact its supplier and customers. In addition, regulations imposed on market participants such as foreign tariff increases could negatively affect the overall profitability of Ross Optical's international business.

***Our business and financial performance may be adversely affected by cyber-attacks on information technology infrastructure and products, as well as changes in cybersecurity and if our information technology security systems were infiltrated and confidential and/or proprietary information were taken, we could be subject to fines, lawsuits and loss of customers.***

We rely on information technology (IT) systems, including third-party "cloud based" service providers and rely on our electronic information systems to perform routine transactions to run our business. We transact business over the Internet with customers and suppliers and have implemented security

measures to protect against unauthorized access to this information. We have also implemented security policies that limit access via the Internet to the Company's systems through geofencing. We routinely receive security patches from software providers for the software we use. Our primary concerns are inappropriate access to personnel information, information covered under the International Traffic in Arms Regulation, product designs and manufacturing information, financial information and our intellectual property, trade secrets and know-how. Our business may be impacted by disruptions to our own or third-party information technology infrastructure, which could result from, among other causes, cyberattacks on or failures of such infrastructure or compromises to its physical security. Cybersecurity threats are continuously evolving and include, but are not limited to, both attacks on our IT infrastructure and attacks on the IT infrastructure of our customers, suppliers, subcontractors and other third parties with whom we do business routinely, attempting to gain unauthorized access to our confidential, proprietary, or otherwise protected information, classified information, or information relating to our employees, customers and other third parties, or to disrupt our systems or the systems of third parties. We are also exposed to the risk of insider threat attacks. Any such attacks could disrupt our systems or those of third parties, impact business operations, result in unauthorized release of confidential, proprietary, or otherwise protected information, and corrupt our data or that of third parties. The threats we face are continuous and evolving and vary in degree of severity and sophistication. In addition, as a result of the rapid pace of technological change, we and our customers, suppliers, subcontractors and other third parties with whom we conduct business continue to rely on legacy systems and software, which can be more vulnerable to cyber threats and attacks. The sophistication, availability and use of artificial intelligence by threat actors present an increased level of risk. Due to the evolving threat landscape, we expect to experience more frequent and increasingly advanced cyber-attacks. In addition, changes in domestic and international cybersecurity-related laws and regulations have expanded cybersecurity-related compliance requirements, and cybersecurity regulatory enforcement activity has grown. We expect the regulatory environment to continue to evolve, and staying apace with these regulatory changes could increase our operational and compliance expenditures and those of our suppliers, and lead to new or additional information technology and product development expenses. We also face reputational, litigation and financial risks in relation to potential required disclosures and increased risk of enforcement. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services and operations from potential cybersecurity threats, as well as to comply with evolving regulations. However, given the unpredictability, nature and scope of cyber-attacks, it is possible that we are unable to defend against all cyber-attacks, that potential vulnerabilities could go undetected and persist in the environment for an extended period, or that we may otherwise be unable to mitigate customer losses and other potential consequences of these attacks. In some cases, we must rely on the safeguards put in place by our customers, suppliers, subcontractors and other third parties to protect against and report cyber threats and attacks. We could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromise of confidential information, intellectual property or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our or third-party systems, networks or products, financial losses from remedial actions, loss of business, or potential liability, penalties, fines and/or damage to our reputation. Any of these could have a material adverse effect on our competitive position, results of operations, financial condition or liquidity. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted.

#### **Risks Related to Our Intellectual Property**

***Third parties may infringe on our intellectual property and, as a result, we could incur significant expense in protecting our patents or not have sufficient resources to protect them.***

We utilize numerous licensed patents that are important to our business. Although we are not currently aware of any past or present infringements of these patents, we would expect to protect these patents from infringement. Protecting and obtaining patents, however, is both time consuming and expensive. We therefore may not have the resources necessary to assert all potential patent infringement claims or pursue all patents that might be available to us. If our competitors or other third parties infringe on our patents, our business may be harmed.

***Third parties may claim that we have infringed on their patents and, as a result, we could be prohibited from using all or part of any technology used in our products.***

Should third parties claim a proprietary right to all or part of any technology that we use in our products, such a claim, regardless of its merit, could involve us in costly litigation. If successful, such a claim could also result in us being unable to freely use the technology that was the subject of the claim or sell products embodying such technology. If we engage in litigation, our expenses may increase, and our business may be harmed. If we are prohibited from using a particular technology in our products, our revenues may decline, and our business may be harmed.

***We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

As is common in the technology industry, we employ individuals who were previously employed at other technology companies, including our competitors or potential competitors. We may be subject to claims that these employees, or we, have used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

***If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and products could be significantly diminished.***

We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

***We will not be able to protect our intellectual property rights throughout the world.***

Our business relies on our patents. Filing, prosecuting and defending patents in all countries throughout the world would be prohibitively expensive, and we do not have patent protection outside of the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These infringing products may compete with the product we develop, without any available recourse.

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The laws of some other countries do not protect intellectual property rights to the same extent as the laws of the United States. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries. In addition, the legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection. As a result, many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. Because the legal systems of many foreign countries do not favor the enforcement of patents and other intellectual property protection, it could be difficult for us to stop the infringement, misappropriation or violation of our patents or marketing of competing products in violation of our proprietary rights. Proceedings to enforce our intellectual property and other proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

#### **Risks Related to our Stock**

##### ***Trading in our common stock may be subject to substantial volatility.***

Our common stock is quoted on the Nasdaq Stock Market under the symbol POCI. The price of our common stock may be volatile as a result of a number of factors, including, but not limited to, the following:

- our ability to successfully conceive and to develop new products and services to enhance the performance characteristics and methods of manufacture of existing products;
- our ability to retain existing customers and customers' continued demand for our products and services;
- the timing of our research and development expenditures and of new product introductions;
- the timing and level of acceptance of new products or enhanced versions of our existing products; and
- price and volume fluctuations in the stock market at large which do not relate to our operating performance.

***Our quarterly financial results vary quarter to quarter and depend on many factors. As a result, we cannot predict with a high degree of certainty our operating results in any particular fiscal quarter.***

Our quarterly operating results may vary significantly depending upon factors such as:

- the timing of completion of significant customer orders;
- the timing and amount of our research and development expenditures;
- the costs of initial product production in connection with new products;
- the timing of new product introductions—both by us and by our competitors;
- the timing and level of market acceptance of new products or enhanced versions of our existing products;
- our ability to retain existing customers and customers' continued demand for our products and services;
- our customers' inventory levels, and levels of demand for our customers' products and services; and
- competitive pricing pressures.

We may not be able to grow or sustain revenues or achieve or maintain profitability on a quarterly or annual basis and levels of revenue and/or profitability may vary from one such period to another.

##### ***We are contractually obligated to issue shares in the future, diluting your percentage interest in us.***

We have reserved shares for future issuance under all currently outstanding stock options, we expect to issue additional shares and stock options from time to time to compensate employees, consultants and directors, and we may in the future issue additional shares to raise capital. Any such issuances will have the effect of diluting the percentage interests of other holders of our common stock.

##### ***Failure to remediate and then maintain our internal control over our financial reporting could cause our financial reports to be inaccurate.***

We are required to maintain internal control over financial reporting and to assess and report on the effectiveness of those controls. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Our management concluded that our internal control over financial reporting was ineffective as of June 30, 2024, and identified certain material weaknesses in our internal controls. While management is working to remediate the material weaknesses, there is no assurance that such changes will remediate the identified material weaknesses or that the controls will prevent or detect future material weaknesses. If we are not able to maintain effective internal control over financial reporting, our financial statements, including related disclosures, may be inaccurate, which could have a material adverse effect on our business.

##### ***Failure to maintain our accounting systems and controls could impair our ability to comply with the financial reporting and internal controls requirements for publicly traded companies.***

As a public company, we operate in an increasingly demanding regulatory environment, which requires us to comply with the Sarbanes-Oxley Act of 2002, and the related rules and regulations of the SEC. Company responsibilities required by the Sarbanes-Oxley Act include establishing corporate oversight and adequate internal control over financial reporting and disclosure controls and procedures. Effective internal controls are necessary for us to

produce reliable financial reports and are important to help prevent financial fraud.

Because we are a smaller reporting company and a non-accelerated filer, we are not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. However, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting in this report and future annual reports on Form 10-K, as required by Section 404 of the Sarbanes-Oxley Act. This requires that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts.

As of June 30, 2024, we discovered weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our financial statements. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, or if we are unable to remediate or maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed, and investors could lose confidence in our reported financial information.

***Certain provisions in our organizational documents could enable our board of directors to prevent or delay a change of control .***

Our organizational documents contain provisions that may have the effect of discouraging, delaying or preventing a change of control of, or unsolicited acquisition proposals, that a stockholder might consider favorable. These include provisions:

- requiring advance notice of director nominations and of business to be brought before a meeting of stockholders;
- requiring a majority vote of the outstanding shares of common stock to amend the bylaws; and
- limiting the persons who may call special stockholders' meetings.

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In addition, we are subject to the provisions of Chapter 110F of the MBCA. In general, Chapter 110F prohibits a publicly held Massachusetts corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that the stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, five percent or more of the corporation's voting stock.

A Massachusetts corporation may "opt out" of these provisions with an express provision in its original articles of organization or an express provision in its articles of organization or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. The restrictions contained in Chapter 110F are also not applicable, among other certain exclusions, if the corporation does not have two hundred or more stockholders of record. As of September 20, 2024, we had 118 stockholders of record. As a result, if Chapter 110F is applicable, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

**General Risk Factors**

***Your ownership may be diluted if additional capital stock is issued to raise capital, to finance acquisitions or in connection with strategic transactions.***

We intend to seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing equity or convertible debt securities, which would reduce the percentage ownership of our existing stockholders. Our board of directors has the authority, without action or vote of the stockholders, to issue all or any part of our authorized but unissued shares of common stock. Our articles of organization authorize us to issue up to 50,000,000 shares of common stock. Future issuances of common stock would reduce your influence over matters on which stockholders vote and would be dilutive to earnings per share.

***Negative research about our business published by analysts or journalists could cause our stock price to decline. A lack of regularly published research about our business could cause trading volume or our stock price to decline.***

The trading market for our common stock depends in part on the research and reports that analysts and journalists publish about us or our business. If analysts or journalists publish inaccurate or unfavorable research about our business, our stock price would likely decline. If we fail to meet the expectations of analysts for our operating results, or if the analysts who covers us downgrade our stock, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

***Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.***

Our bylaws contain provisions that eliminate, to the maximum extent permitted by the MBCA, the personal liability of our directors and executive officers for monetary damages for breach of their fiduciary duties as a director or officer. Our bylaws also provide that we will indemnify our directors and executive officers and may indemnify our employees and other agents to the fullest extent permitted by the MBCA. Any claims for indemnification made by our directors or officers could impact our cash resources and our ability to fund the business.

***We have no intention of declaring dividends in the foreseeable future.***

The decision to pay cash dividends on our common stock rests with our board of directors and will depend on our earnings, unencumbered cash, capital requirements and financial condition. We do not anticipate declaring any dividends in the foreseeable future, as we intend to use any excess cash to fund our operations. Investors in our common stock should not expect to receive dividend income on their investment, and investors will be dependent on the appreciation of our common stock to earn a return on their investment.

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**Artificial intelligence presents risks and challenges that can impact our business, including by posing security risks to our confidential information, proprietary information and personal data.**

Issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations. As with many technological innovations, artificial intelligence presents risks and challenges that could impact our business. We may adopt and integrate generative artificial intelligence tools into our systems for specific use cases reviewed by legal and information security. Our vendors may incorporate generative artificial intelligence tools into their offerings without disclosing this use to us, and the providers of these generative artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards with respect to privacy and data protection and may inhibit our or our vendors' ability to maintain an adequate level of service and experience. If we, our vendors, or our third-party partners experience an actual or perceived breach or privacy or security incident because of the use of generative artificial intelligence, we may lose valuable intellectual property and confidential information and our reputation and the public perception of the effectiveness of our security measures could be harmed. Further, bad actors around the world use increasingly sophisticated methods, including the use of artificial intelligence, to engage in illegal activities involving the theft and misuse of personal information, confidential information, and intellectual property. Any of these outcomes could damage our reputation, result in the loss of valuable property and information, and adversely impact our business.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 1C. CYBERSECURITY.**

As a company selling products, including those for defense applications, we may be the target of cyber-attacks from a variety of threat actors. Cybersecurity threats include attacks on, or other attempts to infiltrate, our information technology (IT) infrastructure and the IT infrastructure of our customers, suppliers, subcontractors and other third parties, attempting to gain unauthorized access to our confidential or other proprietary information, classified information, or information relating to our employees, customers, and other third parties, or to disrupt our systems or the systems of our customers, suppliers, subcontractors, and other third parties. Cybersecurity threats also include attempts to infiltrate our products or services, including attacks targeting the security, confidentiality, integrity and/or availability of the hardware, software and information installed, stored or transmitted in our products, including after the purchase of those products and when they are incorporated into third-party products, facilities, or infrastructure.

*Our Cybersecurity Program.*

Our products and services are normally classified as EAR 99 by the U.S. government, but our defense customers generally require compliance with the International Traffic in Arms Regulation ("ITAR"). Moreover, our products sold for defense applications are integrated with our customers' products and these customers may provide us with Controlled Unclassified Information (CUI) that requires, safeguarding and dissemination controls in accordance with laws, regulations, or Government-wide policies. Given the nature of our business and the cybersecurity risks we face, we have instituted cybersecurity measures for identifying, assessing, and managing cybersecurity risks, which include material risks from cybersecurity threats to our internal systems, our products, services and programs for customers, and our supply chain.

The goals of our enterprise cybersecurity program align with the National Institute of Standards and Technology (NIST) standards, among others. The program includes processes and controls for the deployment of new IT systems by the Company and controls over new and existing system operations. We, or third parties we contract with, monitor and conduct regular testing of these controls and systems, including vulnerability management through active discovery and testing to regularly assess patching and configuration status. In addition, we require our employees to complete data security training, and we regularly conduct simulated phishing and cyber-related communications.

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*Incident Response.*

Our cybersecurity program includes monitoring for potential security threats that may lead to vulnerabilities. We evaluate and assign severity levels to incidents, escalate and engage an incident response team based on severity, and manage and mitigate the related risks. Incidents are reported internally to members of senior management and/or the Board of Directors as appropriate based on severity and incident type and are also analyzed for external reporting requirements. Our incident response process is also designed to coordinate functions to enable continuity of essential business operation in the event of a cyber crisis.

*Third Party Service Providers.*

We engage third party service providers to expand the capabilities and capacity of our cybersecurity program, including for design, monitoring and testing of the program's risk prevention and protection measures, and process execution including incident detection, investigation, analysis and response, eradication, and recovery. Our Chief Financial Officer and Vice President of Engineering meet regularly with third party service providers to review their performance and progress towards our cybersecurity initiatives.

*Program Assessment.*

We continuously evaluate and seek to improve and mature our cybersecurity processes against government standards. Our cybersecurity program is regularly assessed through management self-evaluation and ongoing monitoring procedures to evaluate our program effectiveness, including assessments associated with internal controls over financial reporting as well as vulnerability management through active discovery and testing to validate patching and configuration. As cybersecurity threats are continuously evolving, we also periodically engage with third parties to perform maturity assessments of our program to identify potential risk areas and improvement opportunities. This includes assessment of our overall program, policies and processes, compliance with regulatory requirements and an overall assessment of key vulnerabilities. We use these assessments to supplement our own evaluation of the overall health of our program and target improvement areas.

*Board Oversight and Management's Role*

Our Board of Directors has primary oversight responsibility for enterprise cybersecurity risks. The Audit Committee also considers enterprise cybersecurity risks in connection with its financial and compliance risk oversight role. The Chief Financial Officer regularly reports to the Board of Directors on the status of the Company's cybersecurity program and provides the Board with the annual assessment by a third party on the Company's cybersecurity program.

**ITEM 2. PROPERTIES.**

We conduct our domestic operations at four facilities in Gardner, Massachusetts, one facility in El Paso, Texas, and one facility in Windham, Maine. The facilities in El Paso and Windham are leased from unrelated parties. The Company leases its primary facility in Gardner, Massachusetts from Equity Assets, Inc. ("EAI"), an entity formerly owned by the Company's founder Richard E. Forkey and then later owned by a trust controlled by his step-daughter, established for the benefit of the step-daughter and four siblings (including Joseph N. Forkey, who is Chief Executive Officer, President, Treasurer and a Director of the Company). The original lease for the principal facility in Gardner expired in 1999, and the Company has since been a tenant-at-will, paying rent to EAI of \$9,000 per month for that facility. On July 19, 2023, the trust distributed the EAI shares equally among the five beneficiaries (20% each). Those shareholders then entered into a shareholder agreement under which all five were elected as directors of EAI and under which Joseph N. Forkey has been elected as president. The shareholder agreement provides that Dr. Forkey will be recused from any matters involving negotiations with the Company, including without limitation any lease negotiations. Dr. Forkey is not compensated by EAI for his services as president or a director, and his present 20% interest in rents being received from the Company is \$21,600 per year.

We believe these facilities in Gardner, El Paso and Windham are adequate for our current operations and are adequately covered by insurance. Significant increases in production or the addition of significant equipment additions or manufacturing capabilities in connection with manufacturing, however, require improvements to existing facilities or the acquisition or lease of additional facilities.

**ITEM 3. LEGAL PROCEEDINGS.**

Our Company, on occasion, may become involved in legal matters arising in the ordinary course of our business, which could have a material adverse effect on our business, financial condition or results of operations. We are not currently aware of any pending or threatened litigation against us or our officers and directors in their capacity as such that could have a material impact on our operations or finances.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

**Market Information**

Our common stock is quoted on the Nasdaq Stock Market under the symbol POCI.

**Holders**

As of September 20, 2024, we had approximately 118 holders of record of our common stock. Holders of record include nominees who may hold shares on behalf of multiple owners.

**Dividends**

We have not declared any dividends during the last two fiscal years. At present, we intend to retain our earnings, if any, to finance research and development and the expansion of our business.

**Recent Sales of Unregistered Securities**

All information related to equity securities sold by us during the period covered by this report that were not registered under the Securities Act have been included in our Form 10-Q filings or in a Form 8-K filing.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

We did not repurchase any of our equity securities during the year ended June 30, 2024.

**ITEM 6. [RESERVED]**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto, and other financial information included elsewhere in this Annual Report on Form 10-K. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains descriptions of our expectations regarding future trends affecting our business. The following discussion sets forth certain factors we believe could cause actual results to differ materially from those contemplated by the forward-looking statements.

#### Critical Accounting Policies and Estimates

##### Allowance for Credit Losses

We are subject to credit risk primarily in our trade accounts receivable. We generally do not require collateral or other security as a condition of sale, rather we rely on credit approval, balance limitation and monitoring procedures to control credit risk in trade account financial instruments. Our customer base includes many large medical device and defense/aerospace companies, as well as newly incorporated entities pursuing emerging technologies. In those cases when we cannot determine the creditworthiness of our customer, we obtain prepayments and deposits that we judge will be sufficient to mitigate the risk of a significant financial loss. We establish reserves against losses that include both a review of specific account balances and current payment characteristics which are monitored contemporaneously to determine the adequacy of our reserve. Nevertheless, our customers may be adversely impacted by economic factors beyond our understanding and control, and which are difficult to foresee or estimate. A 1% increase in the accounts receivable reserve would increase our costs by approximately \$37,000. We recognized bad debt expense of \$202,000 and \$488,000 for the years ending June 30, 2024, and June 30, 2023, respectively.

##### Reserve for Excess and Obsolete Inventory

Inventories, consisting of raw materials, work in process and finished goods, are primarily accounted for using the first-in first-out method, and are valued at the lower of cost and net realizable value. This valuation requires us to make judgments, based on currently available information, regarding product demand and the potential for a future financial loss resulting from the liquidation and disposal of unusable or unsaleable inventory. These assumptions about the future disposition of inventory are inherently uncertain, and changes in our estimates and assumptions may require us to realize write-downs. In addition, we enter into binding supplier commitments which are based on forecasted customer demand. If our customers reduce their forecasts, we may incur additional costs. An increase in the calculation of the reserve for excess and obsolete inventory equivalent to 1% of gross inventory value would increase our costs by approximately \$35,000.

Other significant accounting policies are included in the Notes to our Financial Statements contained elsewhere in this Annual Report on Form 10-K.

#### Results of Operations for the Fiscal Year Ended June 30, 2024 as Compared to the Fiscal Year Ended June 30, 2023

##### Revenue

	Year Ended June 30,				
	2024	Percent of Sales	2023	Percent of Sales	Increase (Decrease)
					Percent Change
Engineering Design Services	8,323,433	43.6	6,728,867	32.0	1,594,566
Optical Components	8,384,140	43.9	10,523,806	50.0	(2,139,666)
Finished Products and Assemblies	2,396,777	12.5	3,791,794	18.0	(1,395,017)
Total Revenues	<u>19,104,350</u>	100.0	<u>21,044,467</u>	100.0	<u>(1,940,117)</u>
					(9.2)

Total revenues for the fiscal year ended June 30, 2024 were \$19,104,350, as compared to \$21,044,467 for the same period in the prior year, a decrease of \$1,940,117, or 9.2%. Of this decrease, \$600,000 was attributable to the sale of one-time technology rights sold in December 2022 with the remaining decrease of 6.6% attributable to the factors discussed below.

Revenue from Engineering Design Services increased 23.7% during the year ending June 30, 2024 from the prior year ending June 30, 2023. Revenue increases in the engineering design services resulted from increasing demand for services and continued expansion of engineering capacity. Engineering sales were driven by customer design engagements that will be transitioning into the later manufacture of new Finished Products and Assemblies.

Revenue from Optical Components decreased 20.3% during the year ending June 30, 2024 from the prior year ending June 30, 2023, due in large part to reduced industry demand, which we believe to be temporary. We believe the decreases in optical components were driven by lower order volumes and delayed deliveries as customers rebalance their inventories, which had grown beyond sustainable levels due to increased ordering in response to concerns about supply chain disruptions initially driven by the Covid 19 pandemic.

Revenue from Finished Products and Assemblies decreased 36.8% for the year ending June 30, 2024 from the prior year ending June 30, 2023. The decreases in Finished Products and Assemblies were primarily attributable to timing differences between the exit of certain mature customer programs and reorders for ongoing products and the introduction of new customer programs, primarily single-use medical devices and new defense / aerospace opportunities.

##### Gross Profit

Gross margin decreased to 30.3% during the year ended June 30, 2024, compared to 36.8% for the year ended June 30, 2023. Gross profit decreased to \$5,797,777 during the year ended June 30, 2024, compared to \$7,734,136 for the year ended June 30, 2023, primarily driven by changes in the product sales mix and underutilization of fixed cost resources due to the decreases in revenue discussed above. The \$600,000 one-time technology rights revenue in December 2022 of the prior year had a significant impact on gross margin as it did not have any cost of sales associated with it. Excluding that revenue from both sales and gross profit for comparison purposes, the gross margin would have been 34.9% for the year ending June 30, 2023.

##### Research & Development

R&D expenses decreased \$10,594 to \$981,781 during the year ended June 30, 2024, compared to \$992,375 during the year ended June 30, 2023. R&D expenses for the period primarily represent employee-related expenses to support product improvements and the development of new technologies.

### **Selling, General and Administrative Expenses**

SG&A expenses increased \$160,020, or 2.2% to \$7,540,329 during the year ended June 30, 2024, compared to \$7,380,909 during the year ended June 30, 2023. The increase in SG&A for the year was primarily due to increased salaries and benefits, increased travel and marketing-related expenses and increased insurance expense, partially offset by decreases in our reserve for doubtful accounts.

### **Liquidity and Capital Resources**

During the year ended June 30, 2024, cash on hand funded a net decrease in accounts payable and accrued expenses of \$1,139,314 and an increase in inventory of \$91,884, partially offset by a decrease of accounts receivable of \$361,916. Capital equipment expenditures and additional patent costs during the year ended June 30, 2024, and in the same period in the prior year were \$272,435 and \$21,448, respectively. The increase was primarily attributable to the implementation of new computer-based ERP and IT systems. We also made payments of \$556,468 on our term notes and capital leases and borrowed \$1,000,000 on our revolving line of credit. These items, in addition to the impact of the net loss, net of depreciation, amortization, stock-based compensation and other non-cash items, resulted in a decrease of \$2,520,574 in our cash and cash equivalents at June 30, 2024, from \$2,925,852 at June 30, 2023, to \$405,278 at June 30, 2024.

In October 2021 we entered a \$2,600,000 term loan with a commercial bank. In June 2023 we added a second term loan in the amount of \$750,000. We secured a \$250,000 line of credit from the same bank in October 2021 for working capital needs, which was increased to \$500,000 in May 2022 and to \$1,250,000 in June 2023. There were \$1,000,000 in borrowings outstanding on the line of credit on June 30, 2024, and additional availability in the amount of \$250,000.

Our loan agreement contains a minimum annual debt service coverage ratio covenant of 1.2x, for the period ending June 30, 2024. We did not meet this annual debt service coverage ratio as of June 30, 2024. Our lender has agreed to waive compliance with the debt service ratio covenant for the period ending June 30, 2024. In addition to the waiver, we have entered into amendments dated September 30, 2024 with our lender to both term loans which provide for a six month period of interest only payments from September 15, 2024 through February 15, 2025. We will begin to pay principal and interest under the Notes beginning with the payments due on March 15, 2025, with a new amortization schedule for the remaining term for such Notes through their maturity date. There were no other changes to or modifications to the Loan Agreement or the Notes.

On August 14, 2024 we entered into securities purchase agreements with institutional and accredited investors in addition to certain directors and officers of the Company for the purchase and sale of 265,868 shares of the Company's common stock resulting in gross proceeds of approximately \$1.4 million before deducting placement agent commissions and other estimated offering expenses. Net proceeds were approximately \$1.2 million.

Contractual cash commitments for the fiscal periods subsequent to June 30, 2024, are summarized as follows:

	<b>Fiscal 2025</b>	<b>Thereafter</b>	<b>Total</b>
Capital lease for equipment, including interest	\$ 43,919	\$ 28,004	\$ 71,923
Minimum operating lease payments	\$ 178,450	\$ 11,549	\$ 189,999

We have contractual cash commitments related to open purchase orders as of June 30, 2024, of approximately \$6,250,000.

### **Material Trends and Uncertainties**

We currently have no material trends or uncertainties that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Off-Balance Sheet Arrangements**

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are not required to provide the information requested by this Item.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

##### **Index to Financial Statements**

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<a href="#">Consolidated Balance Sheets at June 30, 2024 and 2023</a>	F-3
<a href="#">Consolidated Statements of Operations for the Years Ended June 30, 2024 and 2023</a>	F-4
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### **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and  
Stockholders of Precision Optics Corporation, Inc.

#### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Precision Optics Corporation, Inc. (the "Company") as of June 30, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two year period ended June 30, 2024, and the related notes (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 as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two year period ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

#### **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 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 Matters**

The critical audit matters 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) relate 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 matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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#### **Revenue Recognition—Refer to Note A to the Consolidated Financial Statements**

##### ***Critical Audit Matter Description***

The Company recognizes revenue upon transfer of control of promised products to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products. The Company may enter into certain customer contracts that contain unique, customer-specific terms and conditions, variable consideration, as well as multiple performance obligations. For such contracts, significant interpretation may be required to determine the appropriate accounting, including the identification of performance obligations, the allocation of the transaction price to performance obligations in the arrangement, the timing of the transfer of control of promised goods for each of those performance obligations, estimates of variable consideration and agent versus principal consideration.

Our assessment of managements' evaluation of the above referenced matters related to proper revenue recognition is significant to our audit because of the nature and extent of audit effort required to address the matter, the amounts are material to the financial statements, the assessment process involves significant auditor judgment, and the application of U.S. generally accepted accounting principles in this area is complex.

##### ***How the Critical Audit Matter Was Addressed in the Audit***

Our principal audit procedures related to the Company's revenue recognition for customer contracts included the following:

- We evaluated the appropriateness of management's revenue recognition policies.
- We tested the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the consolidated financial statements.
- We selected a sample of revenue transactions and performed the following procedures:
  - o Obtained and read source documents for each selection, including master agreements, purchase orders and other documents that evidenced the customer arrangement.
  - o Tested management's identification and treatment of the key contract terms, including performance obligations and variable consideration.
  - o Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of the Company's accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.

/s/ Stowe & Degon LLC  
Westborough, Massachusetts  
September 30, 2024

We have served as the Company's auditor since 2008

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**PRECISION OPTICS CORPORATION, INC.**  
**Consolidated Balance Sheets at June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 405,278	\$ 2,925,852
Accounts receivable, net of allowance for credit losses of \$ 118,872 at June 30, 2024 and \$ 606,715 at June 30, 2023	3,545,491	3,907,407
Inventories	2,868,100	2,776,216
Prepaid expenses	299,364	249,681
Total current assets	<u>7,118,233</u>	<u>9,859,156</u>
Fixed Assets:		
Machinery and equipment	3,341,194	3,227,481
Leasehold improvements	810,914	825,752
Furniture and fixtures	416,425	242,865
Less—Accumulated depreciation and amortization	4,568,533	4,296,098
Net fixed assets	<u>4,074,960</u>	<u>3,862,578</u>
Operating lease right-of-use asset	189,999	358,437
Patents, net	286,559	265,111
Goodwill	8,824,210	8,824,210
Total other assets	<u>9,300,768</u>	<u>9,447,758</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 16,912,574</u></u>	<u><u>\$ 19,740,434</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Revolving line of credit	\$ 1,000,000	\$ —
Current portion of capital lease obligation	41,113	43,209
Current maturities of long-term debt	276,928	513,259
Accounts payable	1,397,313	2,432,264
Customer advances	1,172,350	1,174,690
Accrued compensation and other	840,662	927,521
Operating lease liability	178,450	168,677
Total current liabilities	<u>4,906,816</u>	<u>5,259,620</u>
Capital lease obligation, net of current portion	27,369	68,482
Long-term debt, net of current maturities	1,899,052	2,175,980
Operating lease liability, net of current portion	11,549	189,760
Total liabilities	<u>6,844,786</u>	<u>7,693,842</u>
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding – 6,073,939 shares at June 30, 2024 and 6,066,518 shares at June 30, 2023	60,739	60,665
Additional paid-in capital	61,197,433	60,224,934
Accumulated deficit	(51,190,384)	(48,239,007)
Total stockholders' equity	<u>10,067,788</u>	<u>12,046,592</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 16,912,574</u></u>	<u><u>\$ 19,740,434</u></u>

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

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	2024	2023
Revenues	\$ 19,104,350	\$ 21,044,467
Cost of goods sold	<u>13,306,573</u>	<u>13,310,331</u>
Gross profit	5,797,777	7,734,136
Research and development expenses, net	981,781	992,375
Selling, general and administrative expenses	<u>7,540,329</u>	<u>7,380,309</u>
Total operating expenses	8,522,110	8,372,684
Operating loss	(2,724,333)	(638,548)
Other income (expense)		
Interest expense	(225,108)	(218,927)
Gain on revaluation of contingent earn-out liability	<u>—</u>	<u>714,798</u>
Loss before provision for income taxes	(2,949,441)	(142,677)
Provision for income taxes	<u>1,936</u>	<u>1,936</u>
Net loss	<u>\$ (2,951,377)</u>	<u>\$ (144,613)</u>
Loss per share:		
Basic and fully diluted	<u>\$ (0.49)</u>	<u>\$ (0.03)</u>
Weighted average common shares outstanding:		
Basic and fully diluted	<u>6,068,329</u>	<u>5,666,034</u>

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

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**PRECISION OPTICS CORPORATION, INC.**  
**Consolidated Statements of Stockholders' Equity**  
**for the Years Ended June 30, 2024 and 2023**

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, June 30, 2022	5,638,302	\$ 56,383	\$ 57,009,506	\$ (48,094,394)	\$ 8,971,495
Issuance of common stock in private placement	420,000	4,200	2,284,082	—	2,288,282
Proceeds from exercise of stock option	8,216	82	12,314	—	12,396
Stock-based compensation	—	—	919,032	—	919,032
Net loss	—	—	—	(144,613)	(144,613)
Balance, June 30, 2023	<u>6,066,518</u>	<u>\$ 60,665</u>	<u>\$ 60,224,934</u>	<u>\$ (48,239,007)</u>	<u>\$ 12,046,592</u>
Proceeds from exercise of stock option	4,333	43	12,746	—	12,789
Exercise of stock options net of 2,916 shares withheld	3,088	31	(31)	—	—
Stock-based compensation	—	—	959,784	—	959,784
Net loss	—	—	—	(2,951,377)	(2,951,377)
Balance, June 30, 2024	<u>6,073,939</u>	<u>\$ 60,739</u>	<u>\$ 61,197,433</u>	<u>\$ (51,190,384)</u>	<u>\$ 10,067,788</u>

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

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**PRECISION OPTICS CORPORATION, INC.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

	2024	2023
Cash Flows from Operating Activities:		
Net loss	\$ (2,951,377)	\$ (144,613)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities-		
Gain on revaluation of contingent earn-out liability	—	(705,892)
Depreciation and amortization	212,382	210,735
Stock-based compensation expense	959,784	919,032
Non-cash interest expense	17,504	4,087
Changes in operating assets and liabilities:		

Accounts receivable, net	361,916	(1,243,535)
Inventories	(91,884)	245,931
Prepaid expenses	(49,683)	(36,233)
Accounts payable	(1,034,951)	193,089
Customer advances	(2,340)	269,577
Accrued compensation and other	(104,363)	206,732
Net cash used in operating activities	(2,683,012)	(81,090)
 Cash Flows from Investing Activities:		
Additional patent costs	(21,448)	(35,713)
Purchases of property and equipment	(272,435)	(16,784)
Net cash used in investing activities	(293,883)	(52,497)
 Cash Flows from Financing Activities:		
Payment of capital lease obligations	(43,209)	(40,705)
Payments of long-term debt	(513,259)	(367,341)
Issuance of long-term debt	—	750,000
Payment of debt issuance costs	—	(22,275)
Payment of acquisition earn-out liability	—	(166,667)
Borrowings on revolving line of credit	1,000,000	—
Gross proceeds from private placements of common stock	—	2,288,281
Gross proceeds from exercise of stock options	12,789	12,397
Net cash provided by financing activities	456,321	2,453,690
 Net increase (decrease) in cash and cash equivalents	(2,520,574)	2,320,103
Cash and cash equivalents, beginning of year	2,925,852	605,749
 Cash and cash equivalents, end of year	\$ 405,278	\$ 2,925,852
 Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ 1,936	\$ 1,936

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

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**PRECISION OPTICS CORPORATION, INC.**  
**Notes to Consolidated Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Nature of Business**

Precision Optics Corporation, Inc. (the "Company") designs, develops, manufactures and sells specialized optical and illumination systems and related components. The Company conducts business in one industry segment only and its customers are primarily domestic. The Company performs advanced optical and illumination system design, development, assembly and manufacturing services, and sources for resale specialized optical components for products that fall into two principal areas: (i) medical products for use by hospitals and physicians; and (ii) products used by defense contractors and industrial customers.

**(b) Reverse Stock Split**

In February 2022, the Company's Board of Directors authorized a reverse split of the Company's outstanding shares of common stock within a stated range of 1:1.5 to 1:3, which was subsequently approved by stockholders holding more than a majority of the outstanding shares of Common Stock at the Company's Annual Meeting on April 8, 2022. The Company effected the reverse stock split on a one-for-three basis on November 1, 2022, as reported by the Company on Form 8-K filed with the Securities and Exchange Commission on November 2, 2022.

As a result of the reverse stock split, every three shares of issued and outstanding common stock were automatically combined into one issued and outstanding share of common stock, without any change in the par value per share or the number of the Company's authorized shares. The reverse stock split reduced the number of shares of common stock outstanding from 16,915,089 on November 1, 2022, to approximately 5,638,302 shares, after reduction for the elimination of fractional shares.

Unless otherwise noted, all prior year share amounts and per share calculations throughout these financial statements have been restated to reflect the impact of this 1:3 reverse stock split and to provide data on a comparable basis. Such restatements include calculations regarding the Company's weighted-average shares, and earnings per share, as well as disclosures regarding the Company's stock-based compensation plans.

**(c) Revenues**

The Company determines revenue recognition for arrangements that we determine are within the scope of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, ("ASC 606"), by performing the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when, or as, we satisfy the performance obligations. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within the contract and determine those that are performance obligations and assess whether each promised good or service is distinct based on the contract.

The Company disaggregates revenues by product and service types as it believes best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. Revenues are comprised of the following for year ended June 30, 2024, and 2023:

	Year Ended June 30,	
	2024	2023
Engineering Design Services	\$ 8,323,433	\$ 6,728,867
Optical Components	8,384,140	10,523,806
Medical Device Products and Assemblies	2,396,777	3,791,794
Total Revenues	<u>\$ 19,104,350</u>	<u>\$ 21,044,467</u>

Other selling costs to obtain and fulfill contracts are expensed as incurred due to the short-term nature of a majority of contracts. The Company extends terms of payment to its customers based on commercially reasonable terms for the markets of its customers, while also considering their credit quality. Shipping and handling costs charged to customers are included in revenue.

Revenue recognition policies for each of the three product and service types appear below.

#### *Engineering Design Services*

The Company enters into contractual agreements with our customers, including design services agreements, statements of work and receive purchase orders for development projects. These agreements provide costs on an estimated basis for the services we have agreed to provide. Engineering Design Services are rendered on a time and materials basis. The Company recognizes revenue as customers are invoiced for the actual engineering services provided in the period. Revenue is also recognized on materials purchased for development projects at the time of receipt. Engineering Design Services are provided on a best-efforts basis; no warranty is provided as there is no guarantee that the work will result in the attainment of the customer's project objectives. The Company may obtain customer deposits in advance of rendering engineering design services. Customer deposits are treated as contractual liabilities until the terms of customer agreements are satisfied and are not a component of revenue.

#### *Optical Components, Finished Products and Assemblies*

The Company provides fixed price quotations to our customers and requires purchase orders for all purchased optical components, finished devices and assemblies. Revenue is recognized at the time title passes to our customer based on our review of the customer contract, generally at the time of shipment from our facilities. Occasionally the Company may enter into "bill and hold" contractual arrangements where title is held by our customers while goods are stored at our facilities for their convenience.

#### *Technology Rights and Royalties*

The Company may recognize revenue for the sale of technology rights and through the receipt of royalties obtained under a license of our intellectual property. These revenues are recognized in the period in which, in our judgment, they are earned and no longer contingent under the terms and conditions of the relevant customer contract.

#### **Contract Assets and Liabilities**

The nature of the Company's products and services does not generally give rise to contract assets as it typically does not incur costs to fulfill a contract before a product or service is provided to a customer. The Company's costs to obtain contracts are typically in the form of sales commissions paid to employees. The Company has elected to expense sales commissions associated with obtaining a contract as incurred as the amortization period is generally less than one year. These costs have been recorded in selling, general and administrative expenses. As of June 30, 2024 and 2023, there were no contract assets recorded in the Company's Consolidated Balance Sheets.

The Company's contract liabilities arise as a result of unearned revenue received from customers at inception of contracts or where the timing of billing for services precedes satisfaction of performance obligations. The Company generally satisfies performance obligations within one year from the contract inception date.

Contract liabilities, which were recorded as customer advances in the Company's Consolidated Balance Sheets, and unearned revenue are comprised of the following:

	Year Ended June 30,	
	2024	2023
Contract liabilities, beginning of period	\$ 1,174,690	\$ 905,113
Unearned revenue received from customers	1,946,946	2,545,317
Revenue recognized	(1,949,286)	(2,275,740)
Contract liabilities, end of period	<u>\$ 1,172,350</u>	<u>\$ 1,174,690</u>

#### **(d) Cash and Cash Equivalents**

The Company includes in cash equivalents all highly liquid investments with original maturities of three months or less at the time of acquisition. Cash and cash equivalents of \$405,278 and \$2,925,852 on June 30, 2024 and 2023, respectively, consist primarily of cash at banks and money market funds. The Company maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on its cash and cash equivalents.

#### **(e) Inventories**

Inventories are stated at the lower of cost (first-in, first-out) and net realizable value and include material, labor and manufacturing overhead. The components of inventories on June 30, 2024 and 2023 are as follows:

	<b>2024</b>	<b>2023</b>
Raw material	\$ 1,570,135	\$ 1,142,816
Work-in-progress	157,406	322,538
Finished goods	1,140,559	1,310,862
	<b><u>\$ 2,868,100</u></b>	<b><u>\$ 2,776,216</u></b>

The Company provides for estimated obsolescence on unmarketable inventory based upon assumptions about future demand and market conditions. If actual demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Inventory, once written down, is not subsequently written back up, as these adjustments are considered permanent adjustments to the carrying value of the inventory.

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**(f) Fixed Assets**

Fixed assets are recorded at cost. Maintenance and repair items are expensed as incurred. The Company provides for depreciation and amortization by charges to operations, using the straight-line and declining-balance methods, which allocate the cost of fixed assets over the following estimated useful lives:

<b>Asset Classification</b>	<b>Estimated Useful Life</b>
Machinery and equipment	2-7 years
Leasehold improvements	Shorter of lease term or estimated useful life
Furniture and fixtures	5 years
Vehicles	3 years

Depreciation and amortization expense was \$212,382 and \$210,735 for the years ended June 30, 2024 and 2023, respectively.

**(g) Significant Customers and Concentration of Credit Risk**

Financial instruments that subject the Company to credit risk consist primarily of cash equivalents and trade accounts receivable. The Company places its investments with highly rated financial institutions. The Company has not experienced any losses on these investments to date. At June 30, 2024, and 2023, two individual customers accounted for more than 10% of the Company's total accounts receivable.

The allowance for credit losses was \$118,872 at June 30, 2024, and \$606,715 at June 30, 2023.

	<b>Year Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Allowance for credit losses, beginning of period	\$ 606,715	\$ 44,135
Change in the provision for expected credit losses	(23,541)	567,066
Writeoffs charged against the allowance	(464,302)	(4,847)
Allowance for credit losses, end of period	<b><u>\$ 118,872</u></b>	<b><u>\$ 606,715</u></b>

In the year ended June 30, 2023, the Company increased the credit loss reserve to cover potential losses due to the insolvency of one customer and wrote off the receivable against the reserve during the year ended June 30, 2024. The Company generally does not require collateral or other security as a condition of sale, rather it relies on credit approval, balance limitation and monitoring procedures to control credit risk in trade account financial instruments. Management believes the allowance for credit losses, which is established based upon review of specific account balances and historical experience, is adequate at June 30, 2024.

**(h) Loss per Share**

Basic income (loss) per share is computed by dividing net income or net loss by the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share is computed by dividing net income or net loss by the weighted average number of shares of common stock outstanding during the period, plus the number of potentially dilutive securities outstanding during the period such as stock options and warrants. For the years ended June 30, 2024 and 2023, the effect of such securities was antidilutive and not included in the diluted calculation because of the net loss generated in those periods.

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The following is the calculation of loss per share for the years ended June 30, 2024 and 2023:

	<b>Year Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Net Loss— Basic and Diluted	<b><u>\$ (2,951,377)</u></b>	<b><u>\$ (144,613)</u></b>
Basic and diluted weighted average shares outstanding	<b><u>6,068,329</u></b>	<b><u>5,666,034</u></b>
Loss per share		
Basic and fully diluted	<b><u>\$ (0.49)</u></b>	<b><u>\$ (0.03)</u></b>

The number of shares issuable upon the exercise of outstanding stock options and warrants that were excluded from the computation as their effect was antidilutive was approximately 1,357,735 and 1,017,041 for the years ended June 30, 2024 and 2023, respectively.

**(i) Stock-Based Compensation**

The measurement and recognition of compensation costs for all stock-based awards made to employees and the Board of Directors are based upon fair value over the requisite service period for awards expected to vest. The Company estimates the fair value of share-based awards on the date of grant using the Black-Scholes option-pricing model. Stock-based compensation costs recognized for the years ended June 30, 2024, and 2023 amounted to \$959,784 and \$919,032, respectively.

**(j) Goodwill and Patents**

Long-lived assets such as goodwill and patents are capitalized when acquired and reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. Impairment of the carrying value of long-lived assets such as goodwill and patents would be indicated if the best estimate of future undiscounted cash flows expected to be generated by the asset grouping is less than its carrying value. If an impairment is indicated, any loss is measured as the difference between estimated fair value and carrying value and is recognized in operating income or loss. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No such impairments of goodwill or patents have been estimated by management during the years ended June 30, 2024 or 2023.

**(k) Fair Value of Financial Instruments**

Financial instruments consist principally of cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of these financial instruments approximates their carrying value due to their short-term nature.

**(l) Research and Development**

Research and development expenses are charged to operations as incurred. The Company groups development and prototype costs and related reimbursements in research and development. There were no reimbursements for research and development recorded in research and development for the years ended June 30, 2024, and 2023.

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**(m) Comprehensive Income**

Comprehensive income or loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive loss or income for the years ended June 30, 2024 and 2023 was equal to its net loss for the same periods.

**(n) Income Taxes**

Income taxes are accounted for under the asset and liability method. 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 and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the likelihood of utilization of existing deferred tax assets, management has considered historical results of operations and the current operating environment.

**(o) Segment Reporting**

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions about how to allocate resources and assess performance. The Company's chief decision-maker is its Chief Executive Officer. To date, the Company has viewed its operations and manages its business as principally one segment.

**(p) Use of Estimates**

The preparation of financial statements in conformity with accounting standards generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(q) Recent Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Public business entities classified as smaller reporting companies were required to apply the provision of ASU 2016-13 with annual reporting periods after December 15, 2022. The Company adopted the standard as of July 1, 2023, and the adoption of this guidance did not have a material impact on its consolidated financial statements and related disclosures.

**(2) BUSINESS ACQUISITION**

On October 4, 2021, the Company entered into an asset purchase agreement to acquire substantially all of the assets of Lighthouse Imaging, LLC, a medical optics and digital imaging business. The aggregate cash purchase price consisted of \$2,855,063 in cash at closing, 833,333 shares of common stock and \$1,500,000 as earn-out consideration over the subsequent two-year period. The earn-out consideration of \$1,500,000, which would have been paid at a rate of \$750,000 per annum from October 1, 2021 to September 30, 2023 was not paid because the required levels of gross profit were not attained. Accordingly, the Company recognized a gain on the revaluation of the contingent earn-out liability for the final year of the earn-out in the year ended June 30, 2023.

## (3) COMMITMENTS

## (a) Bank Financing Activities

Bank Line of Credit

On October 4, 2021, the Company entered into a Loan Agreement with Main Street Bank of Marlborough, Massachusetts ("Lender"), which provided for a \$2,600,000 Term Loan and a \$250,000 Revolving Line of Credit Loan Facility, which was increased to \$500,000 effective May 17, 2022, and \$1,250,000 effective June 2, 2023. The \$1,250,000 line of credit is due on demand and had \$1,000,000 in borrowings outstanding at June 30, 2024. Borrowings under the line of credit bear interest payable monthly at the prime lending rate plus 1.5% per annum and shall not be less than 4.75% per annum. Borrowings under the line of credit are limited to the borrowing base comprised of a percentage of accounts receivable and inventory and are secured by all the assets of the Company.

The Company's Loan Agreement with the Lender contains a minimum annual debt service coverage ratio covenant of 1.2x, for the period ending June 30, 2024. The Company did not meet this annual debt service coverage ratio as of such fiscal year end date. The Company's Lender has agreed to waive compliance with such debt service ratio covenant for the period ending June 30, 2024. In connection with its waiver the Company will pay a waiver fee of \$5,000. In addition to such waiver, the Lender and the Company have entered into an amendment dated September 30, 2024 to that certain Term Loan dated October 4, 2021, as amended and that certain Promissory Note dated June 2, 2023 (collectively, the "Notes") which amendments provide for a six month period of interest only payments from September 15, 2024 through February 15, 2025 for the Notes. The Company will begin to pay principal and interest under the Notes beginning with the payments due on March 15, 2025, with a new amortization schedule for the remaining term for such Notes through their maturity date. There were no other changes to or modifications to the Loan Agreement or the Notes.

Long-Term Debt

Long-term debt consists of the following at June 30, 2024:

	Amount
Term Loan Note payable to Main Street Bank with monthly principal payments of \$30,952, excluding six months in Fiscal 2025, plus interest at the prime lending rate plus 1.5% per annum. Secured by all assets of the Company, and subject to certain periodic reporting to the bank, an annual minimum debt service coverage ratio of 1.20:1 commencing with the fiscal year ending June 30, 2023, and other conditions. The Term Loan Note matures on October 15, 2028	\$ 1,609,524
Permanent Working Capital Loan payable to Main Street Bank with monthly principal payments of \$12,500 excluding six months in Fiscal 2025, plus interest at a fixed rate of 8.625% per annum. Secured by all assets of the Company, and subject to certain periodic reporting to the bank, an annual minimum debt service coverage ratio of 1.20:1 commencing with the fiscal year ending June 30, 2023, and other conditions. The Term Loan Note matures on June 15, 2028	600,000
Less current maturities	(276,928)
Less debt issuance costs, net of accumulated amortization of \$ 14,360.	(33,544)
Long-term debt, net of current portion of debt issuance costs	<u>\$ 1,899,052</u>

At June 30, 2024 principal payments due on long-term debt are as follows:

Fiscal Year Ending June 30:

2025	\$ 285,097
2026	594,578
2027	594,578
2028	594,578
2029	140,693
Total long-term debt	<u>\$ 2,209,524</u>

## (b) Lease Obligation

In March 2021 the Company entered into a five-year capital lease in the amount of \$ 161,977 and in January 2020, the Company entered into a five-year capital lease for \$47,750, both for manufacturing equipment. The net book value of fixed assets under capital lease obligations as of June 30, 2024 is \$71,107.

On July 1, 2019 the Company entered into a three-year operating lease for its facility in El Paso, Texas, and in February 2022 the Company entered into an extension of the lease for an additional three years through June 2025. Remaining minimum lease payments at June 30, 2024 total \$46,047. Total lease costs including base rent and common area expenses was \$64,621 and \$67,534 during the fiscal years ended June 30, 2024 and 2023, respectively. On October 4, 2021 the Company assumed the remaining term of the Windham Maine lease as part of the Lighthouse acquisition. The lease expires on July 31, 2025. Remaining minimum lease payments at June 30, 2024 total \$144,943. Total lease costs including base rent and common area expenses was \$137,728 and \$141,351 during the fiscal year ended June 30, 2024 and 2023, respectively. The amount of variable lease payments is immaterial. Included in the accompanying balance sheet at June 30, 2024 is a right-of-use asset of \$189,999 and current and long-term right-of-use operating lease liabilities of \$178,450 and \$11,549, respectively.

At June 30, 2024 future minimum lease payments under the capital lease and operating lease obligations are as follows:

Fiscal Year Ending June 30:	Capital Leases	Operating Lease
-----------------------------	----------------	-----------------

2025	\$ 43,919	\$ 183,319
2026	28,028	11,933
Total Minimum Payments	71,947	195,252
Less: amount representing interest	3,465	5,253
Present value of minimum lease payments	68,482	189,999
Less: current portion	41,113	178,450
Future minimum long-term lease liability	\$ 27,369	\$ 11,549

The Company's four facilities in Gardner, Massachusetts which are used for offices, production and storage spaces are leased primarily on a tenant-at-will basis. Rent expense on these operating leases was \$200,678 and \$191,088 for the fiscal years ended June 30, 2024 and 2023, respectively.

**(4) STOCKHOLDERS' EQUITY**

**(a) Stock-Based Compensation Expense**

The following table summarizes stock-based compensation expense for the years ended June 30:

	<b>2024</b>	<b>2023</b>
Cost of Goods Sold	\$ 93,713	\$ 34,966
Research and Development Expenses	—	182,498
Selling, General and Administrative Expenses	866,071	701,568
Stock Based Compensation Expense	<u>\$ 959,784</u>	<u>\$ 919,032</u>

As of June 30, 2024, the unrecognized compensation costs related to options vesting in the future is \$ 1,053,617. No compensation has been capitalized because such amounts would have been immaterial. There was no net income tax benefit recognized related to such compensation for the years ended June 30, 2024, or 2023, as the Company is currently in a loss position. There were 285,527 stock options granted during the year ended June 30, 2024, and 267,336 stock options granted during the year ended June 30, 2023.

The Company uses the Black-Scholes option-pricing model as the most appropriate method for determining the estimated fair value for the stock awards. The Black-Scholes method of valuation requires several assumptions: (1) the expected term of the stock award; (2) the expected future stock volatility over the expected term; and (3) risk-free interest rate. The expected term represents the expected period of time the Company believes the options will be outstanding based on historical information. Estimates of expected future stock price volatility are based on the historic volatility of the Company's common stock and the risk-free interest rate is based on the U.S. Zero-Bond rate. The Company utilizes a forfeiture rate based on an analysis of the Company's actual experience. The fair value of options at date of grant was estimated with the following assumptions for options granted in fiscal year 2024:

	<b>Year Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Assumptions:		
Option life	6.25 years	5.3 years
Risk-free interest rate	4.35-4.47%	3.0-7.0%
Weighted average stock volatility	99.4%	101.9%
Dividend yield	0.0%	0.0%
Weighted average fair value of grants	\$ 4.69	\$ 4.77

**(b) Stock Option Plans**

The type of share-based payments currently utilized by the Company is stock options.

The Company has four stock option plans outstanding as of June 30, 2024, namely the Precision Optics Corporation, Inc. 2022 Equity Incentive Plan (the "2022 Plan"), the Precision Optics Corporation, Inc. 2021 Equity Incentive Plan (the "2021 Plan"), the Precision Optics Corporation, Inc. 2011 Equity Incentive Plan (the "2011 Plan") and the Precision Optics Corporation, Inc. 2006 Equity Incentive Plan (the "2006 Plan"). Vesting periods under each of the Plans are at the discretion of the Board of Directors and typically average three years and in some instances are subject to future performance criteria. Options under these Plans are granted at fair market value on the date of grant and typically have an initial term of ten years from the date of grant, subject to certain cancellation provisions such as upon employment termination. The Company has filed Registration Statements on Form S-8 with the Securities and Exchange Commission to register all shares of common stock issuable under the 2022, 2021, 2011, and 2006 Plans.

On April 8, 2022, our Shareholders approved the 2022 Plan which provides eligible participants (certain employees, directors, consultants, etc.) the opportunity to receive a broad variety of equity based and cash awards. A maximum of 633,333 shares of the Company's common stock may be issued pursuant to stock options or other awards under the 2022 Plan. At June 30, 2024, options for a total of 485,258 shares of common stock were outstanding and 148,075 shares of common stock were available for future grants under the 2022 Plan. The 2022 Plan permits the Board of Directors to authorize and increase of up to 5% of the then outstanding shares on an annual basis.

On May 10, 2021, our Board of Directors approved the 2021 Plan which likewise authorizes a broad variety of equity based and cash awards. A maximum of 333,333 shares of the Company's common stock may be issued under the 2021 Plan. At June 30, 2024, options for a total of 247,326 shares of common stock were outstanding under the 2021 Plan and 80,786 shares of common stock were available for future grants under the 2021 Plan.

The 2011 Plan and 2006 Plan likewise provided for a broad variety of equity based and cash awards, but terminated in 2021 and 2016, respectively. At

June 30, 2024, options for 614,252 shares of common stock were outstanding under the 2011 Plan. At June 30, 2024, options for a total of 10,899 shares of common stock were outstanding under the 2006 Plan.

The following tables summarize stock option activity for the years ended June 30, 2024 and 2023:

	Options Outstanding		Weighted Average Contractual Life
	Number of Shares	Weighted Average Exercise Price	
<b>Outstanding at June 30, 2022</b>	904,667	\$ 3.99	7.08 years
Grants	294,003	\$ 6.27	
Exercised	(8,523)	\$ 3.05	
Cancellations	(63,007)	\$ 5.87	
<b>Outstanding at June 30, 2023</b>	1,127,140	\$ 4.54	6.88 years
Grants	285,257	\$ 5.76	
Exercised	(10,332)	\$ 2.70	
Cancellations	(44,330)	\$ 4.18	
<b>Outstanding at June 30, 2024</b>	1,357,735	\$ 4.72	6.60 years

The aggregate intrinsic value of the Company's "in-the-money" outstanding and exercisable options as of June 30, 2024, was \$ 1,820,411 and \$1,761,704, respectively.

**(c) Sale of Stock in June 2023**

On June 15, 2023, the Company entered into agreements with certain institutional and accredited investors for the sale and purchase of 420,000 unregistered shares of its common stock, \$0.01 par value at a purchase price of \$6.00 per share. The Company used the net proceeds from this placement for general working capital needs.

In conjunction with the placement, the Company also entered into a registration rights agreement with the investors, whereby it registered the resale by the investors of 420,000 shares of its common stock purchased in the placement on a registration statement that was filed on July 20, 2023, and became effective on October 18, 2023.

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**(d) Sale of Stock in August 2024**

On August 14, 2024, the Company entered into agreements with certain institutional and accredited investors, in addition to certain directors and officers of the Company, for the sale and purchase of 265,868 shares of the Company's common stock as further described in Footnote 7, Subsequent Events.

**(5) INCOME TAXES**

The Company has identified its federal tax return and its state tax return in Massachusetts as "major" tax jurisdictions. The periods subject to examination for its federal and state income tax returns are the years ended in 2018 and thereafter. The Company believes its income tax filing positions and deductions will be sustained on audit and it does not anticipate any adjustments that would result in a material change to its financial position. Therefore, no liabilities for uncertain income tax positions have been recorded.

The provision for income taxes in the accompanying consolidated statements of operations consists of the state income tax liability of \$ 1,936 for the years ended June 30, 2024, and 2023.

A reconciliation of the federal statutory rate to the Company's effective tax rate for the fiscal years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Income tax expense (benefit) at federal statutory rate	(21.0)%	(21.0)%
Increase (decrease) in tax resulting from:		
State taxes, net of federal benefit	(6.3)%	(5.8)%
Change in valuation allowance	(16.3)%	(23.3)%
Stock based compensation	10.5 %	176.0 %
Net Operating Loss Utilization	– %	5.0 %
Revaluation of contingent earn out liability	– %	(135.2)%
Nondeductible items	0.4 %	5.6 %
Effective tax rate	0.0 %	1.3 %

The components of deferred tax assets and liabilities at June 30, 2024 and 2023 are approximately as follows:

	2024	2023
Deferred tax assets:		
Net operating loss carry forwards	\$ 3,999,000	\$ 2,617,000
Tax credit carry forwards	353,000	247,000
Reserves and accruals not yet deducted for tax purposes	254,000	407,000
Total deferred tax assets	4,606,000	3,271,000
Valuation allowance	(4,606,000)	(3,271,000)
Net deferred tax asset	\$ –	\$ –

The Company has provided a valuation allowance to reduce the net deferred tax asset to an amount the Company believes is "more likely than not" to be

realized.

At June 30, 2024, the Company had federal and state net operating loss carry forwards of approximately \$ 16,418,000 and \$8,717,000, respectively, which will, if not used, expire at various dates beginning in fiscal year 2025.

**(6) PROFIT SHARING PLAN**

The Company has a defined contribution 401(k) profit sharing plan. Employer profit sharing and matching contributions to the plan are discretionary. No employer profit sharing or matching contributions were made to the plan in fiscal years 2024 and 2023.

**(7) SUBSEQUENT EVENTS**

On August 14, 2024 the Company entered into securities purchase agreements with institutional and accredited investors in addition to certain directors and officers of the Company for the purchase and sale of 265,868 shares of the Company's common stock pursuant to a registered direct offering at a purchase price of \$5.25 per share for the institutional and unaffiliated accredited investors and \$5.79 per share for the directors and officers, resulting in gross proceeds of approximately \$1.4 million before deducting placement agent commissions and other estimated offering expenses. Net proceeds were approximately \$1.2 million.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

***Management's Evaluation of Disclosure Controls and Procedures***

Our Chief Executive Officer and our Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2024 due to the existence of the material weaknesses described below.

***Management's Annual Report on Internal Control Over Financial Reporting***

Our disclosure controls and procedures include components of our internal control over financial reporting. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, with our Company have been detected.

A "material weakness" is defined as a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A "significant deficiency" is a control deficiency, or a combination of control deficiencies, that adversely affects a company's ability to initiate, authorize, record, process or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the annual or interim financial statements that is more than inconsequential will not be prevented or detected.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of June 30, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* (2013). Based on our evaluation, our management concluded that our internal control over financial reporting was not effective as of June 30, 2024.

The following is a description of a material weaknesses in our internal control over financial reporting and planned and implemented remediation:

We did not properly value our raw material and work-in-process inventory resulting in an overstatement of inventory and an understatement of cost of

goods sold in the amount of \$320,000. We used a manually updated spreadsheet to maintain our records of quantities and costs in inventory, prior to transitioning to a new ERP system. The new ERP system was not properly updated to reflect current costs, and proper units of measure for certain items in inventory. To address and remediate this material weakness, beginning with the quarter ending September 30, 2024, we will implement compensating controls, including conducting a thorough review of inventory item costs, updating incorrect item costs and units of measure in the new ERP system and establishing a methodology to continually monitor changes in costs through an analysis of purchase price variances and customer margin analysis.

We did not properly expense certain research and development costs totaling \$147,000. We erroneously believed certain research and development costs were allowed to be capitalized under GAAP. The result was understatement of research and development expense by \$147,000. The remediation of this material weakness has now been completed.

#### ***Changes in Internal Control over Financial Reporting***

Except as described in the preceding section, there has been no change in our internal control over financial reporting that occurred during the fiscal year covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION.**

During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Our loan agreement contains a minimum annual debt service coverage ratio covenant of 1.2x, for the period ending June 30, 2024. We did not meet this annual debt service coverage ratio as of June 30, 2024. Our lender has agreed to waive compliance with the debt service ratio covenant for the period ending June 30, 2024. In addition to the waiver, we have entered into amendments dated September 30, 2024 with our lender to both term loans which provide for a six month period of interest only payments from September 15, 2024 through February 15, 2025. We will begin to pay principal and interest under the Notes beginning with the payments due on March 15, 2025, with a new amortization schedule for the remaining term for such Notes through their maturity date. There were no other changes to or modifications to the Loan Agreement or the Notes.

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required under this item is incorporated by reference to the applicable information set forth in the Proxy Statement for the 2024 Annual Meeting of Stockholders.

Our Board of Directors has adopted a written Code of Business Conduct and Ethics applicable to all officers, directors and employees, which has been filed as an exhibit to this Annual Report.

#### **ITEM 11. EXECUTIVE COMPENSATION.**

The information required under this item is incorporated by reference to the applicable information set forth in the Proxy Statement for the 2024 Annual Meeting of Stockholders.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information required under this item is incorporated by reference to the applicable information set forth in the Proxy Statement for the 2024 Annual Meeting of Stockholders.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required under this item is incorporated by reference to the applicable information set forth in the Proxy Statement for the 2024 Annual Meeting of Stockholders.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information required under this item is incorporated by reference to the applicable information set forth in the Proxy Statement for the 2024 Annual Meeting of Stockholders.

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## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

#### a. Documents filed as part of this report

The following documents are filed as part of this Annual Report on 10-K:

#### 1. FINANCIAL STATEMENTS

The following documents are filed in Part II, Item 8 of this Annual Report on Form 10-K:

[Report of Independent Registered Public Accounting Firm](#)  
[Consolidated Balance Sheets at June 30, 2024 and 2023](#)  
[Consolidated Statements of Operations for the years ended June 30, 2024 and 2023](#)  
[Consolidated Statements of Stockholders' Equity for the years ended June 30, 2024 and 2023](#)  
[Consolidated Statements of Cash Flows for the years ended June 30, 2024 and 2023](#)  
[Notes to Consolidated Financial Statements](#)

#### 2. FINANCIAL STATEMENT SCHEDULES

All financial statement schedules have been omitted as they are not required, not applicable, or the required information is otherwise included.

#### b. Exhibits

The exhibits listed below are filed with or incorporated by reference in this report.

Exhibit	Description
3.1	<a href="#">Restated Articles of Organization of Precision Optics Corporation, Inc.</a> (included as Exhibit 3.1 to the Form 10-K filed September 28, 2023, and incorporated herein by reference).
3.2	<a href="#">Amended and Restated Bylaws of Precision Optics Corporation, Inc.</a> (included as Exhibit 3.1 to the Current Report on Form 8-K filed July 11, 2014, and incorporated herein by reference).
3.3	<a href="#">Amendment to the Amended and Restated Bylaws of Precision Optics Corporation, Inc. effective May 13, 2022</a> (included as exhibit 3.5 to the Form 10-Q filed May 16, 2022, and incorporated herein by reference).
3.4	<a href="#">Articles of Amendment to the Amended Articles of Organization as filed with the Commonwealth of Massachusetts on October 24, 2022; and Articles of Amendment as filed with the Commonwealth of Massachusetts on October 26, 2022, to override the earlier amendment</a> (included as Exhibit 3.1 to the Current Report on Form 8-K filed November 2, 2022, and incorporated herein by reference).
3.5	<a href="#">Articles of Amendment to the Amended Articles of Organization as filed with the Commonwealth of Massachusetts on October 27, 2022, to set revised effective date of reverse stock split</a> (included as Exhibit 3.2 to the Current Report on Form 8-K filed November 2, 2022, and incorporated herein by reference).
4.1 *	Form of Common Stock Certificate
4.2*	Description of Securities

Exhibit	Description
10.1	<a href="#">Precision Optics Corporation, Inc. 2011 Equity Incentive Plan, dated October 13, 2011</a> (included as Exhibit 10.2 to Form S-8 filed October 14, 2011, and incorporated herein by reference.)
10.2	<a href="#">Precision Optics Corporation, Inc. Amended 2011 Equity Incentive Plan, dated October 14, 2011, as amended on April 16, 2015</a> (included as Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed April 20, 2015, and incorporated herein by reference).
10.3	<a href="#">Compensation Agreement, by and between the Company and Joseph N. Forkey, dated August 2, 2018</a> (included as Exhibit 10.1 to the Form 8-K filed on August 3, 2018, and incorporated herein by reference).

10.4 [Form of Purchase Agreement, by and among Precision Optics Corporation, Inc. and several Investors, dated July 1, 2019](#) (included as Exhibit 10.2 to the Form 8-K filed on July 8, 2019, and incorporated herein by reference).

10.5 [Form of Registration Rights Agreement, by and among Precision Optics Corporation, Inc. and several Investors, dated July 1, 2019](#) (included as Exhibit 10.3 to the Form 8-K filed on July 8, 2019, and incorporated herein by reference).

10.6 [Employment Agreement, by and among Precision Optics Corporation, Inc. and Divaker Mangadu, dated July 1, 2019](#) (included as Exhibit 10.4 to the Form 8-K filed on July 8, 2019, and incorporated herein by reference).

10.7† [Employment Agreement, by and among Precision Optics Corporation, Inc. and Jeff DiRubio, dated April 26, 2019](#) (included as Exhibit 10.16 to the annual report on Form 10-K filed on September 26, 2019, and incorporated herein by reference).

10.8+ [Lease Agreement, by and among Precision Optics Corporation, Inc. and Texzona Industries Ltd, dated July 1, 2019](#) (included as Exhibit 10.17 to the annual report on Form 10-K filed on September 26, 2019, and incorporated herein by reference).

10.9†+ [Asset Purchase Agreement, dated October 4, 2021, by and among Precision Optics Corporation, Inc. and Lighthouse Imaging, LLC and Anania & Associates Investment Company, LLC](#) (included as Exhibit 10.1 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).

10.10 [Form of Securities Purchase Agreement, by and among Precision Optics Corporation, Inc. and several Investors, dated October 4, 2021](#) (included as Exhibit 10.2 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).

10.11 [Form of Registration Rights Agreement, by and among Precision Optics Corporation, Inc. and several Investors, dated October 4, 2021](#) (included as Exhibit 10.3 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).

10.12+ [Loan Agreement dated October 4, 2021, by and among Precision Optics Corporation, Inc. and Main Street Bank](#) (included as Exhibit 10.4 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).

10.13 [\\$250,000 Revolving Line of Credit Note dated October 4, 2021](#) (included as Exhibit 10.5 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).

10.14 [\\$2,600,000 Term Loan Note dated October 4, 2021](#) (included as Exhibit 10.6 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).

10.14 [Security Agreement dated October 4, 2021, by and among Precision Optics Corporation, Inc. and Main Street Bank](#) (included as Exhibit 10.7 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).

Exhibit	Description
10.16	<a href="#">Director side letter agreement dated October 4, 2021</a> (included as Exhibit 10.8 to the current report on Form 8-K filed on October 8, 2021, and incorporated herein by reference).
10.17	<a href="#">Precision Optics Corporation, Inc. 2022 Equity Incentive Plan</a> (included as Appendix B to the proxy statement on Form DEF14A filed on February 24, 2022, and incorporated herein by reference).
10.18	<a href="#">Second Amendment to Loan Agreement dated June 2, 2023, by and between Precision Optics Corporation, Inc. and Main Street Bank</a> (included as Exhibit 10.1 to the current report on Form 8-K filed on June 7, 2023, and incorporated herein by reference).
10.19	<a href="#">\$750,000 Promissory Note dated June 2, 2023</a> (included as Exhibit 10.2 to the current report on Form 8-K filed on June 7, 2023, and incorporated herein by reference).
10.20	<a href="#">Second Amendment to Demand Revolving Line of Credit Note dated June 2, 2023, by and between Precision Optics Corporation, Inc. and Main Street Bank</a> (included as Exhibit 10.3 to the current report on Form 8-K filed on June 7, 2023, and incorporated herein by reference).
10.21	<a href="#">Form of Securities Purchase Agreement, by and among Precision Optics Corporation, Inc. and several investors, dated June 15, 2023</a> (included as Exhibit 10.1 to the current report on Form 8-K filed on June 20, 2023, and incorporated herein by reference).
10.22	<a href="#">Form of Registration Rights Agreement, by and among Precision Optics Corporation, Inc. and several investors, dated June 15, 2023</a> (included as Exhibit 10.2 to the current report on Form 8-K filed on June 20, 2023, and incorporated herein by reference).
10.23	<a href="#">Placement Agent Agreement, by and between Precision Optics Corporation, Inc. and A.G.P/Alliance Global Partners, dated June 15, 2023</a> (included as Exhibit 10.3 to the current report on Form 8-K filed on June 20, 2023, and incorporated herein by reference).
10.24	<a href="#">Employment Agreement dated March 30, 2023 between Precision Optics Corporation, Inc. and Mahesh Lawande</a> (included as Exhibit 10.31 to the Form S-1 filed July 20, 2023, and incorporated herein by reference).
10.25	<a href="#">Employment Agreement dated June 7, 2023 between Precision Optics Corporation, Inc. and Wayne M. Coll</a> (included as Exhibit 10.31 to the Form S-1 filed July 20, 2023, and incorporated herein by reference).
10.26	<a href="#">Modification to Employment Agreement by and between Precision Optics Corporation, Inc. and Jeffrey L. DiRubio dated June 29, 2024</a> (included as Exhibit 10.1 to the current report on Form 8-K filed on July 3, 2024, and incorporated herein by reference).
10.27	<a href="#">Consulting Agreement by and between Precision Optics Corporation, Inc. and Jeffrey L. DiRubio dated June 29, 2024</a> (included as Exhibit 10.2 to the current report on Form 8-K filed on July 3, 2024, and incorporated herein by reference).
10.28	<a href="#">Form of Securities Purchase Agreement for August 13, 2024 securities offering</a> (included as Exhibit 10.1 to the current report on Form 8-K filed on August 14, 2024, and incorporated herein by reference).
10.29	<a href="#">Placement Agency Agreement between Precision Optics Corporation, Inc and A.G.P./Alliance Global Partners</a> (included as Exhibit 10.2 to the current report on Form 8-K filed on August 14, 2024, and incorporated herein by reference).

Exhibit	Description
10.31*	Modification and Amendment of Promissory Note dated September 30, 2024 by and between Precision Optics Corporation, Inc. and Main Street Bank
14.1	<a href="#">Precision Optics Corporation, Inc. Corporate Code of Ethics and Conduct</a> (included as Exhibit 14.1 to the Form 10-K filed September 28, 2008, and incorporated herein by reference).
19.1*	Insider Trading Policy
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 .
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 .
32.1*	Certification of Officers pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .
97.1*	Precision Optics, Corporation, Inc. Restatement Recoupment Policy
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed Herewith.

† Certain portions of the agreement have been omitted to preserve the confidentiality of such information. The Company will furnish copies of any such information to the SEC upon request.

+ The schedules to agreement have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish copies of any such schedules to the SEC upon request.

Copies of above exhibits not contained herein are available to any stockholder, upon written request to: Chief Financial Officer, Precision Optics Corporation, Inc., 22 East Broadway, Gardner, MA 01440.

#### ITEM 16. FORM 10-K SUMMARY.

None.

#### SIGNATURES

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

PRECISION OPTICS CORPORATION, INC.

Date: September 30, 2024

By: s/ Joseph N. Forkey  
Joseph N. Forkey  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: September 30, 2024

By: s/ Wayne M. Coll  
Wayne M. Coll  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting 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	Capacity	Date
<u>/s/ Joseph N. Forkey</u> Joseph N. Forkey	Chief Executive Officer, President, Treasurer and Director (Principal Executive Officer)	September 30, 2024
<u>/s/ Wayne M. Coll</u> Wayne M. Coll	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 30, 2024
<u>/s/ Peter V. Anania</u> Peter V. Anania	Director	September 30, 2024
<u>/s/ Andrew J. Miclot</u> Andrew J. Miclot	Director	September 30, 2024
<u>/s/ Richard B. Miles</u> Richard B. Miles	Director	September 30, 2024
<u>/s/ Peter H. Woodward</u> Peter H. Woodward	Director, Chairman	September 30, 2024



PRECISION OPTICS CORPORATION, INC.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT- .....Custodian ..... (Cust) (Minor)
TEN ENT - as tenants by the entireties	under Uniform Gifts to Minors Act ..... (State)
JT TEN - as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT .....Custodian (until age... ). ..... (Cust) (Minor) under Uniform Transfers to Minors Act. .... (State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

For value received, \_\_\_\_\_ hereby sell, assign and transfer unto \_\_\_\_\_

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

Shares  
of the Post-Split Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney  
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated: \_\_\_\_\_ 20 \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_  
Notice: The signature to this assignment must correspond with the name  
as written upon the face of the Certificate, in every particular,  
without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp  
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks,  
Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED  
SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

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

*Precision Optics Corporation, Inc. has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock.*

In this **Exhibit 4.1**, when we refer to "POCI," the "Company," "we," "us" or "our", we mean Precision Optics Corporation, Inc., excluding, unless otherwise expressly stated or the context requires, our subsidiaries. All references to "common stock" refer only to common stock issued by POCI. The general terms and provisions of our common stock are summarized below. This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our articles of organization and bylaws, each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read our articles of organization and bylaws and the applicable provisions of the Massachusetts Business Corporations Act ("MBCA") for additional information.

**Authorized Shares**

Under our articles of organization, we have the authority to issue 50,000,000 shares of common stock, par value \$0.01 per share.

**Dividends**

The directors may specify the manner in which the accounts of the Company shall be kept and may determine what constitutes net earnings, profits, and surplus, what amounts, if any, shall be reserved for any corporate purpose, and what amounts, if any, shall be declared as dividends. Unless the board of directors otherwise specifies, the excess of the consideration for any share of its capital stock with par value issued by it over such par value shall be surplus. The board of directors may allocate to capital stock less than all of the consideration for any share of its capital stock without par value issued by it, in which case the balance of such consideration shall be surplus. All surplus shall be available for any corporate purpose, including the payment of dividends.

Holders of outstanding shares of common stock are entitled to receive ratably any dividends declared by our Board of Directors, in its discretion, out of assets legally available, subject to any preferences that may be applicable to any preferred stock outstanding at the time. Payment of dividends on the common stock may be restricted by loan agreements, indentures and other transactions entered into by us from time to time.

**Voting Rights**

Holders of common stock are entitled to one vote per share on all matters voted on generally by the stockholders, including the election of directors, and, except as otherwise required by law or except as provided with respect to any series of preferred stock, the holders of common stock possess all voting power. Our articles of organization does not provide for cumulative voting for the election of directors.

Directors are elected by a plurality of votes cast at the annual meeting of stockholders (or special meeting in lieu thereof).

At any meeting of stockholders, a majority in interest of all stock issued, outstanding and entitled to vote upon a question to be considered at such meeting shall constitute a quorum. When a quorum is present at any meeting, a majority in interest of the stock present or represented and entitled to vote on a matter, (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, a majority in interest of the stock of that class present or represented and entitled to vote on a matter) shall decide any matter to be voted on by the stockholders, except where a larger vote is required by law, the articles of organization or our bylaws.

Our articles of organization provide that the directors may make, amend, or repeal the bylaws in whole or in part, except with respect to any provision thereof which requires action by the stockholders. Our stockholders may amend any provisions of our bylaws by obtaining the affirmative vote of the holders of a majority of each class of issued and outstanding shares of our voting securities, at any annual meeting of the stockholders or at a meeting of the board of directors, called for the purpose of amending and/or restating our bylaws.

POCI, by vote of a two-thirds of the stock outstanding and entitled to vote thereon (or if there are two or more classes of stock entitled to vote as separate classes, then by vote of a two-thirds of each such class of stock outstanding), may (i) authorize any amendment to our articles of organization pursuant to Section 10.03 of Chapter 156D of the MBCA, as amended from time to time, (ii) authorize the sale, lease, or exchange of all or substantially all of its property and assets, including its goodwill, pursuant to Section 12.02 of Chapter 156D of the Massachusetts General Laws, as amended from time to time, and (iii) approve an agreement of merger or consolidation pursuant to Section 11.04 of Chapter 156D of the Massachusetts General Laws, as amended from time to time.

**Advance notice provisions for stockholder proposals and stockholder nominations of directors**

Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of stockholders. These procedures provide that notice of stockholder proposals must be timely and given in writing to our corporate Secretary. Generally, to be timely, notice must be received at our principal executive offices not fewer than 120 calendar days prior to the first anniversary date on which our notice of meeting and related proxy statement were mailed to stockholders in connection with the previous year's annual meeting of stockholders. The notice must contain the information required by the bylaws, including information regarding the proposal and the proponent.

**Limitations on Stockholder action without a meeting and the ability of stockholders to call a meeting.**

Although our articles of organization and bylaws allow stockholders to act by written consent, such written consent must be signed by all stockholders entitled to vote on the matter to be approved. This essentially requires that stockholders may act only at a duly called stockholders' meeting. In addition, under the bylaws, special meetings of stockholders may be called only by our President or a majority of the Board of Directors.

**Liquidation Rights**

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of our common stock will be entitled to share ratably on the basis of the number of shares held in any of the assets available for distribution after we have paid in full, or provided for payment of, all of our debts and after the holders of all outstanding series of any class of stock have preference over the common stock, if any, have received their liquidation preferences in full.

**Absence of Other Rights**

Our issued and outstanding shares of common stock are fully paid and nonassessable. Holders of shares of our common stock are not entitled to

preemptive rights. Shares of our common stock are not convertible into shares of any other class of capital stock, nor are they subject to any redemption or sinking fund provisions.

#### **Massachusetts Law**

##### **Provisions regarding a classified board of directors**

Section 8.06(b) of the MBCA provides that, unless a company opts out of such provision, the terms of directors of a public Massachusetts company shall be staggered by dividing the directors into three groups, as nearly equal in number as possible, with only one group of directors being elected each year. We have opted out of this default requirement for a classified board of directors.

Pursuant to Section 8.06(c)(2) of the MBCA, however, our board of directors may unilaterally opt back into default requirements under Section 8.06(b) of the MBCA and become a classified board of directors without the approval of our stockholders. Sections 8.06(d) and (e) of the MBCA provide that when a board of directors is so classified, (i) stockholders may remove directors only for cause, (ii) the number of directors shall be fixed only by the vote of the board of directors, (iii) vacancies and newly created directorships shall be filled solely by the affirmative vote of a majority of the remaining directors and (iv) a decrease in the number of directors will not shorten the term of any incumbent director. If our board of directors opts into this classified structure in the future, these provisions are likely to increase the time required for stockholders to change the composition of our board of directors. For example, at least two annual meetings would generally be necessary for stockholders to effect a change in a majority of the members of our board of directors. As a result, the ability of our board of directors to adopt a classified structure in the future without the approval of our stockholders could have the effect of discouraging a potential acquirer from making a tender offer for a majority of the outstanding voting interest of our capital stock or otherwise attempting to obtain control of POCI.

##### **Provisions regarding business combinations**

If the Company were to have more than 200 stockholders of record (as determined by the statute), the Company would be subject to the provisions of Chapter 110F and 110D of the Massachusetts General Laws, the so-called Business Combination Statute and Control Share Acquisition Act, respectively.

Under Chapter 110F, a Massachusetts corporation with at least 200 shareholders of record (as determined by the statute), which is otherwise subject to the statute, may not engage in a "business combination" with an "interested shareholder" for a period of three years after the date of the transaction in which the person becomes an interested shareholder, unless (i) the interested shareholder obtains the approval of the Board of Directors of the Company prior to becoming an interested shareholder, (ii) the interested shareholder acquires 90% of the outstanding voting stock of the Company (excluding shares held by certain affiliates of the Company) at the time it becomes an interested shareholder, or (iii) the business combination is approved by both the Board of Directors of the Company and the holders of at least two-thirds of the outstanding voting stock of the Company (excluding shares held by the interested shareholder), which in the case of the shareholder approval is authorized at an annual or special meeting of shareholders, and not by written consent.

An "interested shareholder" is a person who, together with affiliates and associates, owns (or at any time within the prior three years did own) 5% or more of the outstanding voting stock of the Company (which 5% number is adjusted to 15% for such person so long as such person is eligible to file Schedule 13-G under the Securities Exchange Act). A "business combination" includes a merger, a stock or asset sale, and other transactions resulting in a financial benefit to the shareholder.

Under Chapter 110D, a Massachusetts corporation with at least 200 shareholders of record (as determined by the statute), generally provides, with certain exceptions, that any person, including his, her or its affiliates who acquires shares of a corporation that are subject to the Control Share Acquisition Act, and whose shares represent one-fifth or more, one-third or more, or a majority or more of the voting power of the corporation in the election of directors cannot exercise any voting power with respect to those shares, unless those voting rights are authorized by the stockholders of the corporation. The authorization of voting rights requires the affirmative vote of the holders of a majority of the outstanding voting shares, excluding shares owned by: (i) the person making the acquisition of this nature, (ii) any officer of the corporation, and (iii) any employee who is also a director of the corporation. Our bylaws provide a provision which permits the Company to effect redemptions of shares acquired in a control share acquisition under certain circumstances.

**MODIFICATION AND AMENDMENT OF  
TERM NOTE**

WITNESS this Modification and Amendment of Term Note made on September 30, 2024 by and between **Main Street Bank**, a banking corporation duly organized according to law with a usual place of business at 81 Granger Blvd., Marlborough, Massachusetts (hereinafter the "Lender") and **Precision Optics Corporation, Inc.**, a Massachusetts Corporation established pursuant to the laws of the Commonwealth of Massachusetts with a usual place of business at 22 East Broadway, Gardner, Massachusetts (hereinafter the "Borrower").

WHEREAS, the Borrower has obtained a Loan from the Lender in the amount of \$2,600,000.00 dated October 4, 2021, documented and secured by a Term Note, as amended if applicable, with an outstanding principal balance of \$1,547,619.08 (the "Note"), a Loan and Security Agreement and other documents of even date therewith (the "Loan Documents"); and

WHEREAS, the Borrower has requested, and the Lender has agreed, to modify certain terms and provisions of said Note, as set forth in the Note and this Modification,

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Effective upon the signing hereof, monthly payments due under the Note will convert to interest only for a period of 6 months, commencing with the payment due October 15, 2024, through the payment due March 15, 2025. On March 15, 2025, the Note will convert back to payments of Level Principal + Accrued Interest. The principal portion will be determined by recasting the principal balance outstanding on March 15, 2025, over the remaining 43-month term of the loan. The new monthly payment, in arrears, will be in effect beginning with the payment due April 15, 2025, and will remain in effect until the Maturity Date of this loan at which time all principal, interest and any other fees or charges shall be due and payable.
2. A Modification Fee of \$5,000.00 is due and payable in connection with this agreement.
3. Except as expressly provided in this Modification, nothing herein shall be construed to limit, restrict or modify any of the provisions of the Note and accompanying Loan Documents, all of which shall remain in full force and effect; provided, in the event of any conflict between the terms of the Note and Loan Documents or any previous Modification, if applicable, the terms of this Modification shall govern.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

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1

EXECUTED UNDER SEAL as of the date first written above.

The Borrower:

Precision Optics Corporation, Inc.

The Lender:

Main Street Bank

By: \_\_\_\_\_

Joseph N. Forkey  
President and Treasurer

By: \_\_\_\_\_

Jeffrey D. Morse  
Senior Vice President

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2

**MODIFICATION AND AMENDMENT OF  
PROMISSORY NOTE**

WITNESS this Modification and Amendment of Promissory Note made on September 30, 2024 by and between **Main Street Bank**, a banking corporation duly organized according to law with a usual place of business at 81 Granger Blvd., Marlborough, Massachusetts (hereinafter the "Lender") and **Precision Optics Corporation, Inc.**, a Massachusetts Corporation established pursuant to the laws of the Commonwealth of Massachusetts with a usual place of business at 22 East Broadway, Gardner, Massachusetts (hereinafter the "Borrower").

WHEREAS, the Borrower has obtained a Loan from the Lender in the amount of \$750,000.00 dated June 2, 2023, documented and secured by a Promissory Note, as amended if applicable, with an outstanding principal balance of \$575,000.00 (the "Note"), a Loan and Security Agreement and other documents of even date therewith (the "Loan Documents"); and

WHEREAS, the Borrower has requested, and the Lender has agreed, to modify certain terms and provisions of said Note, as set forth in the Note and this Modification,

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Effective upon the signing hereof, monthly payments due under the Note will convert to interest only for a period of 6 months, commencing with the payment due October 15, 2024, through the payment due March 15, 2025. On March 15, 2025, the Note will convert back to payments of Level Principal + Accrued Interest. The principal portion will be determined by recasting the principal balance outstanding on March 15, 2025, over the remaining 39-month term of the loan. The new monthly payment, in arrears, will be in effect beginning with the payment due April 15, 2025, and will remain in effect until the Maturity Date of this loan at which time all principal, interest and any other fees or charges shall be due and payable.
2. A Modification Fee of \$5,000.00 is due and payable in connection with this agreement.
3. Except as expressly provided in this Modification, nothing herein shall be construed to limit, restrict or modify any of the provisions of the Note and accompanying Loan Documents, all of which shall remain in full force and effect; provided, in the event of any conflict between the terms of the Note and Loan Documents or any previous Modification, if applicable, the terms of this Modification shall govern.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

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1

EXECUTED UNDER SEAL as of the date first written above.

The Borrower:

Precision Optics Corporation, Inc.

The Lender:

Main Street Bank

By: \_\_\_\_\_

Joseph N. Forkey  
President and Treasurer

By: \_\_\_\_\_

Jeffrey D. Morse  
Senior Vice President

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2

**Precision Optics Corporation  
Insider Trading Policy  
Effective: June 2015**

At POC, we value highly our reputation for integrity and ethical conduct. The purpose of this Insider Trading Policy is to provide assistance in preventing inadvertent violations of securities laws, as well as to avoid even the appearance of improper conduct on the part of anyone employed by our organization. All Company personnel, directors, officers, and consultants must comply with this policy.

**1. Introduction**

It is generally illegal for any person, either personally or on behalf of others, to trade in securities while in possession of material, non-public information. It is also generally illegal to communicate (to "tip") material, non-public information to others so that they may trade in securities on the basis of that information. These illegal activities are commonly referred to as "insider trading," and are described below.

**2. Insider Trading Policy**

If any POC employee, director, officer or consultant has material, non-public information relating to any company, it is our policy that neither that person nor any related person may buy or sell securities of the company, or engage in any other action to take advantage of, or pass on to others, that information. This policy applies to both public and private companies.

**3. What Information is Material?**

Material information is all information that an investor might consider important in deciding whether to buy, sell or hold securities. Either positive or negative information may be material, and information that could reasonably affect the price of securities is almost always material. Common examples of some types of material information are:

- Projections of future earnings or losses.
- Financial results for the quarter or year.
- News of a pending or proposed merger, acquisition, disposition, investment, joint venture or other purchase or sale of assets.
- Changes in dividend policies or the declaration of a stock split or the offering of additional securities.
- Changes in management.
- Obtaining or losing important contracts, customers or suppliers.
- Important product developments or discoveries.
- Impending bankruptcy or financial liquidity problems.
- Financing developments.
- Litigation developments.

Remember, if your securities transactions become the subject of scrutiny, they will be viewed after the fact with the benefit of 20/20 hindsight. As a result, before engaging in any transaction, you should carefully consider how regulators and others might view your transaction with hindsight.

**4. What is Non-Public Information?**

Information is considered to be non-public unless it has been effectively disclosed to the public. Examples of effective disclosure include public filings with the Securities and Exchange Commission, company press releases, and company meetings with members of the press and public. In addition to being publicly disclosed, there must also be adequate time for the market as a whole to digest the information. At least one full business day of general availability may be required for information to be considered public.

**5. Transactions Prohibited While in Possession of Material, Non-Public Information**

When you know material information about any company that has not been made public, you are prohibited from these activities:

- Trading in that company's securities (including its OTC and exchange-traded options, if any) for your own account or for the account of another (including any trust of which you are a trustee).
- Having others trade for you in that company's securities.
- Disclosing the information to anyone else who might then trade or who in turn tips another person who might trade.

Neither you nor anyone acting on your behalf nor anyone who learns the information from you may trade. This prohibition continues whenever and for as long as you know material, non-public information. The same restrictions apply to your family members and others living in your household. In addition, you may be subject to insider trading penalties if you pass material, non-public information on to others who trade, whether or not you derive any benefit from the trading.

Although it is most likely that any material, nonpublic information you might learn would be about POC, these prohibitions apply to trading in the securities of any company about which you have material, nonpublic information.

**6. Additional Policies**

In addition to the general policy described above, POC has the following specific policies regarding trades of the Company's stock::

**a. Trading Windows Policy**

Employees having access to the Company's corporate revenue or booking information or the Company's financial reporting process, as well as the Company officers and non-independent directors, should NOT trade in the Company's stock from the 15th day of the third month in any quarter (i.e., March, June, September or December) until 24 hours after the financial results for the quarter are officially released.

Independent non-employee directors should NOT trade in the Company's stock from the end of the third month in any

quarter (i.e., March, June, September or December) until 24 hours after the financial results for the quarter are officially released.

The reason for this policy is that the trend of each quarter's results is often clear to persons within the Company by the middle of the third month of the quarter. Any trading in the Company's stock based on these results before they are made public constitutes "insider trading" and is illegal.

**b. Blackout Period Policy**

No employee may trade in the Company's stock during any special blackout periods designated by the CEO or CFO. Furthermore, no employee may disclose to any outside third party that a special blackout period has been designated.

**7. Systematic Trading Plans**

Officers and other insiders who wish to enter into arrangements for systematic trading of the Company's securities under a systematic trading plan pursuant to Rule 10b5-1 are permitted to do so upon the approval of the Company's Board of Directors. The trading plan must be entered into by an insider during an open trading window period as defined above while he or she is unaware of any material nonpublic information and must be in compliance with the Rules and Regulations of the Securities and Exchange Commission and all other applicable federal and state laws.

**8. Unauthorized Disclosure**

As discussed above, disclosing material, nonpublic information to others can lead to significant legal difficulties. Therefore, you should not discuss information about the Company with anyone, including other employees, except as required in the performance of your regular duties.

Also, it is important that only specifically designated representatives of POC discuss the Company and information about the Company with the news media, securities analysts and investors. Inquiries of this type received by any employee should be referred to the company's CEO or CFO.

**9. Confidential Information**

The Company has strict policies (described elsewhere) relating to safeguarding the confidentiality of its internal, proprietary information. You should comply with these policies at all times.

**10. Questions about this Policy; Company Assistance**

Compliance by all employees with these policies is of the utmost importance to you and to the Company. If you have any questions about the application of these policies to any particular case, please contact CFO immediately. In certain cases, the CEO or CFO may consult with company counsel, or suggest that you consult with company counsel. Remember, however, that the ultimate responsibility for adhering to these policies and avoiding improper transactions rests with you.

**11. Consequences of Policy Violations**

The consequences of insider trading violations can be staggering. Penalties for insider trading violations include civil fines of up to three times the profit gained or loss avoided by the trading, criminal fines (no matter how small the profit) of up to \$1 million, and imprisonment for up to ten years. There may also be liability to those damaged by the trading. In addition, a company whose employee violates the insider trading prohibitions (as well as possibly any supervisory person) may be liable for a civil fine of up to the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee's insider trading violation, or possibly more in certain circumstances, as well as criminal penalties.

If an employee violates the Company's policy with respect to trading in securities, we may impose sanctions including termination of employment.

POC Insider Trading Policy June 2015

**PRECISION OPTICS CORPORATION ACKNOWLEDGMENT**

I acknowledge that I have read and understood the Precision Optics Corporation Insider Trading Policy and will comply with its terms and conditions. I agree that if I have any questions regarding this policy, I will direct them to the CEO or CFO.

Print Name

SIGNATURE

DATE



**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation of our report dated September 30, 2024 relating to the consolidated financial statements of Precision Optics Corporation, Inc. for the year ended June 30, 2024 included in this Form 10-K, into the Company's previously filed Form S-1 Registration Statement Nos. 333-273346 and 333-265564; Form S-8 Registration Statement Nos. 333-275180, 333-110946, 333-128628, 333-177330, 333-203524, 333-233650, 333-256746, 333-97525, 333-94125, and 333-89989; and Form S-3 Registration Statement No. 333-280047.

*/s/ Stowe & Degon LLC*

September 30, 2024

Westborough, Massachusetts

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

I, Joseph N. Forkey, certify that:

1. I have reviewed this Annual Report on Form 10-K of Precision Optics Corporation, Inc. for the fiscal year ended June 30, 2024;
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: September 30, 2024

By: /s/ Joseph N. Forkey

Joseph N. Forkey  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

I, Wayne M. Coll, certify that:

1. I have reviewed this Annual Report on Form 10-K of Precision Optics Corporation, Inc. for the fiscal year ended June 30, 2024;
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.

By: /s/ Wayne M. Coll  
Wayne M. Coll

Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

Date: September 30, 2024

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officers of Precision Optics Corporation, Inc., a Massachusetts corporation (the "Company"), do hereby certify, to such officers' knowledge, that:

The Annual Report on Form 10-K of Precision Optics Corporation, Inc. for the fiscal year ended June 30, 2024 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 30, 2024

By: /s/ Joseph N. Forkey  
Joseph N. Forkey  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: September 30, 2024

By: /s/ Wayne M. Coll  
Wayne M. Coll  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Precision Optics Corporation, Inc. and will be retained by Precision Optics Corporation, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

PRECISION OPTICS CORPORATION, INC.  
CLAWBACK POLICY

**Introduction**

Under applicable rules of the Securities and Exchange Commission ("SEC") and an applicable listing standard of The Nasdaq Stock Market LLC ("Nasdaq"), listed companies must adopt policies to recover financial-metric based compensation paid to current and former executive officers if the company later is required to adjust or restate its reported financial results for relevant periods.

This Clawback Policy (this "Policy") is intended to address the relevant Nasdaq listing standard and is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the "Exchange Act").

**Administration**

This Policy shall be administered by the Company's Board of Directors (the "Board"). Any determinations made by the Board shall be final and binding on all affected individuals.

**Covered Executives**

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the applicable listing standards of Nasdaq ("Covered Executives").

**Recoupment: Accounting Restatement**

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, the Board will require reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

For these purposes, a "restatement" is broadly defined to mean any correction of an error in previously issued financial statements that

- is material to the previously issued financial statements; or
- is not material to previously issued financial statements, but would result in a material misstatement if the error (x) was left uncorrected in the current period or (y) was recognized in the current period.

For these purposes, materiality shall be analyzed by the Board based on the applicable facts and circumstances.

**Incentive Compensation**

For purposes of this Policy, "Incentive Compensation" means any bonus, stock award, stock option award, or the like, if granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure. "Financial reporting measures" means (x) measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, such as Company revenues, EBITDA, or earnings per share and (y) measures that are derived wholly or in part from Company stock price or total shareholder return. Incentive Compensation is considered "received" in the Company's fiscal period during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the payment or grant of the incentive-based compensation occurs after the end of that period.

The term "Incentive Compensation" will generally *not* include: salaries; bonuses paid solely by satisfying subjective standards, such as demonstrating leadership; non-equity incentive plan awards earned solely by satisfying strategic or operational measures; wholly time-based stock options or other equity awards; or discretionary bonuses or other compensation that is paid on a discretionary basis. Consistent with existing Company practices, sales commissions are subject to adjustment in cases of errors or discrepancies in the dollar amounts of sales attributed to the recipient, but will generally *not* be considered "Incentive Compensation" within the meaning of this Policy.

**Excess Incentive Compensation: Amount Subject to Recovery**

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board. If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

The Board's recovery calculations will be made without regard to taxes paid or payable by the Covered Executive, who shall remain responsible for his or her associated taxes and the cost of making any amendments of his or her prior tax returns.

The Company shall maintain documentation of the Board's recovery calculations, and shall make such documentation available to Nasdaq upon request.

**Method of Recoupment**

The Board will determine, in its sole discretion, the method for recouping excess Incentive Compensation. In the case of a proposed recoupment through offset of future deferred compensation, the Board shall consider the effect (if any) of Section 409A of the Internal Revenue Code. Consistent with Nasdaq standards, recoupment from the Covered Executive shall be required reasonably promptly.

**No Indemnification**

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

**Interpretation**

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of

this Policy. Reasonable good-faith determinations by the Board in this regard shall be binding on the Covered Executive and the Company except in cases of clear computational error. It is intended that this Policy be interpreted and administered in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC or Nasdaq.

#### **Effective Date**

This Policy shall be effective once approved by the Board and shall apply to Incentive Compensation that is thereafter approved, awarded, or granted to Covered Executives on or after October 2, 2023 (the effective date of the relevant Nasdaq listing standard).

#### **Amendment; Termination**

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

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#### **Other Recoupment Rights**

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

#### **Impracticability**

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the relevant Nasdaq listing standard.

#### **Successors**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators, or other legal representatives.

**Date Approved:** November 28, 2023

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