

PRECISION OPTICS CORPORATION, INC.

Form 424B3

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Registration Statement No. 333-215881

PROSPECTUS

PRECISION OPTICS CORPORATION, INC.

OFFERING UP TO 2,577,884 SHARES OF COMMON STOCK

This prospectus relates to the sale or other disposition of up to 2,577,884 shares of our common stock and shares underlying warrants by selling stockholders. We are not selling any securities in this offering and therefore will not receive any proceeds from this offering. We may receive proceeds from the possible future exercise of warrants. All costs associated with this registration will be borne by us. Our common stock is quoted on the OTCQB under the symbol "PEYE." On March 2, 2017, the last reported sale price of our common stock on the OTCQB was \$0.60 per share.

**THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE
SECURITIES ONLY IF YOU CAN AFFORD A COMPLETE LOSS.**

SEE "RISK FACTORS" BEGINNING ON PAGE 7.

You should rely only on the information provided in this prospectus or any supplement to this prospectus and information incorporated by reference. We have not authorized anyone else to provide you with different information. Neither the delivery of this prospectus nor any distribution of the shares of common stock pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 3, 2017.

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PRECISION OPTICS CORPORATION, INC.

PROSPECTUS SUMMARY

The following information is a summary of the prospectus and it does not contain all of the information you should consider before making an investment decision. You should read the entire prospectus carefully, including the financial statements and the notes relating to the financial statements.

ABOUT US

We incorporated in Massachusetts in December 1982 and have been publicly-owned since November 1990. References to our Company contained herein include our two wholly-owned subsidiaries, Precise Medical, Inc. and Wood's Precision Optics Corporation, Limited, except where the context otherwise requires. Our fiscal year end is June 30. Our principal executive offices are located at 22 East Broadway, Gardner, Massachusetts 01440-3338. Our telephone number is (978) 630-1800. Our website is www.poci.com. Information contained on our website does not constitute part of this prospectus.

We have been developing and manufacturing advanced optical instruments since 1982. Today, the vast majority of our business is the design and manufacture of high-quality medical devices and approximately 6% of our business is design and manufacture of military and industrial products. Our medical instrumentation line includes traditional endoscopes and endocouplers as well as other custom imaging and illumination products for use in minimally invasive surgical procedures. Much of our recent development efforts have been targeted at the development of next generation endoscopes. For the last ten years, we have funded internal research and development programs to develop next generation capabilities for designing and manufacturing 3D endoscopes and very small Microprecision™ lenses, anticipating future requirements as the surgical community continues to demand smaller and more enhanced imaging systems for minimally invasive surgery. Our unique proprietary technology in these areas, combined with recent developments in the areas of 3D displays and millimeter sized image sensors, has allowed us to begin commercialization of these technologies. We believe that new products based on these technologies provide enhanced imaging for existing surgical procedures and can enable development of many new procedures enabled by the small size and image quality of our camera modules.

SUMMARY FINANCIAL DATA

Because this is only a summary of our financial information, it does not contain all of the financial information that may be important to you. Therefore, you should carefully read all of the information in this prospectus and any

prospectus supplement, including the financial statements and their explanatory notes and the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” before making a decision to invest in our common stock. The information contained in the following summary is derived from our unaudited consolidated financial statements for the six months ended December 31, 2016 and 2015, and our audited consolidated financial statements for the fiscal years ended June 30, 2016 and 2015.

	Six Months Ended December 31		Fiscal Year ended June 30	
	2016 (unaudited)	2015	2016 (audited)	2015
Revenues	\$1,451,138	\$1,813,199	\$3,916,702	\$3,912,060
Cost of Goods Sold	1,135,680	1,463,839	2,974,681	3,113,789
Gross Profit	315,458	349,360	942,021	798,271
Research and Development Expenses, net	236,207	258,914	478,267	492,937
Selling, General and Administrative Expenses	686,269	772,114	1,551,895	1,545,462
Gain on Sale of Assets	(1,515)	(18,468)	(32,707)	(27,075)
Total Operating Expenses	920,961	1,012,560	1,997,455	2,011,324
Interest expense			(469)	–
Other income			22,050	35,172
Provision for income taxes			(912)	(912)
Net Loss	\$(605,503)	\$(663,200)	\$(1,034,765)	\$(1,178,793)

THE OFFERING

Common stock
outstanding as of
January 18, 2017
(1) 8,872,916 shares

Common stock to
be registered 2,577,884

Use of proceeds We will not receive any proceeds from the sale or other disposition of common stock by the selling stockholders. We may receive proceeds from the exercise of warrants. We intend to use the proceeds from the exercise of warrants, if any, for working capital purposes.

Stock symbol PEYE

(1) This number includes the 1,333,334 shares of common stock issued in the 2016 private placement described below in the section entitled "*The Transactions*."

THE TRANSACTIONS

Private Placement of Common Stock and Warrants November 2016

On November 22, 2016, we entered into agreements with institutional and accredited investors for the sale and purchase of 1,333,334 units at a per unit price of \$0.60, with each unit consisting of one share of our common stock, \$0.01 par value and one warrant to purchase one-half of one share of common stock, \$0.01 par value, or the November 2016 Warrants. The warrant exercise price for the November 2016 Warrants is variable and depends on our achievement of certain performance criteria (both defined below). We received \$800,000 in gross proceeds from the offering. We intend to use the net proceeds from this placement for general working capital purposes.

The warrant exercise price for the November 2016 Warrants will be \$0.40 per share if we achieve both of the revenue and income performance criteria, the exercise price will be \$0.20 per share if we achieve one of the performance criteria, and the exercise price will be \$0.01 if we do not achieve either of the performance criteria. The November 2016 Warrants issued in this offering will vest on October 2, 2017 and expire on October 16, 2017. We are also

offering up to 666,667 shares of common stock in the event the November 2016 Warrants are exercised.

Pursuant to the revenue criterion, we must achieve at least \$1.85 million of revenue in any one quarter during the fiscal year ending June 30, 2017. Pursuant to the income criterion, we must achieve positive net income in any two quarters, during the fiscal year ending June 30, 2017.

In conjunction with the placement, we also entered into a registration rights agreement with the investors, whereby we are obligated to file a registration statement with the Securities Exchange Commission on or before 90 calendar days after November 22, 2016 to register the resale by the investors of the 1,333,334 shares of the common stock purchased in the placement. Our chairman of the board of directors, Peter H. Woodward, through his company MHW Partners L.P., participated in the November 2016 placement and purchased an aggregate of 156,667 shares of common stock at an aggregate purchase price of \$94,000. Additionally, two 5% stockholders, Dolphin Offshore Partners LP and Hershey Strategic Capital LP participated in the November 2016 placement.

The selling stockholders who participated in the November 2016 private placement are as follows:

Name	Common Shares purchased in the November 2016 Offering	Shares that may be issued upon exercise of the November 2016 Warrants	Aggregate Purchase Price
Dolphin Offshore Partners L.P.	916,667	458,334	\$550,000
Hershey Strategic Capital, L.P.	125,000	62,500	\$75,000
MHW Partners, L.P.	156,667	78,333	\$94,000
Vesselin M. Mihaylov	10,000	5,000	\$6,000
ProActive Capital Resources Group, LLC	33,333	16,667	\$20,000
Joseph A. Schueller	50,000	25,000	\$30,000
Arnold Schumsky	41,667	20,833	\$25,000
TOTAL	<u>1,333,334</u>	<u>666,667</u>	<u>\$800,000</u>

Private Placement of Common Stock and Warrants on September 28, 2012

On September 28, 2012, we closed on agreements with accredited investors for the sale and purchase of units consisting of an aggregate of (i) 2,777,795 shares of our common stock, and (ii) warrants to purchase an aggregate of 1,944,475 shares of common stock, at a per unit price of \$0.90. Each unit consisted of one share of common stock and 70% warrant coverage. The warrants have an exercise price of \$1.25 per share, subject to adjustment and a call provision if certain market price targets are reached, will expire September 28, 2017, and are exercisable in whole or in part, at any time prior to expiration. Certain directors and officers participated in the offering and purchased a total aggregate amount of approximately \$80,000 of units in the offering.

We received \$2.5 million in gross proceeds from the offering. We retained Loewen, Ondaatje, McCutcheon USA LTD as the exclusive placement agent for the offering. In addition to the payment of certain cash fees upon closing of the offering, we issued a warrant to the placement agent to purchase up to 194,446 shares of common stock on substantially similar terms to the warrants issued in the offering, except that the placement agent warrant has an exercise price of \$0.95 per share. We used the net proceeds from the offering to fund start-up costs associated with our previously-announced order for micro endoscopes as well as other orders for new products in addition to working capital needs and for general corporate purposes.

As a result of the issuance of shares of common stock in a private placement in July 2014, certain anti-dilution provisions in the September 28, 2012 warrants were triggered and the number of existing September 28, 2012 warrants increased from 1,944,475 to 2,189,724 and 194,446 to 217,322, respectively, and the related exercise price decreased from \$1.25 to \$1.11 and from \$0.95 to \$0.85, respectively.

As a result of the issuance of shares of common stock in a private placement in October 2015, the number of existing September 28, 2012 warrants increased from 2,189,724 to 2,293,013 and 217,322 to 222,559, respectively, and the related exercise price decreased from \$1.11 to \$1.06 and from \$0.85 to \$0.83, respectively.

As a result of the issuance of shares of common stock in a private placement in November 22, 2016, the number of existing September 28, 2012 warrants increased from 2,293,013 to 2,503,237 and 222,559 to 240,144, respectively, and the related exercise price decreased from \$1.06 to \$0.97 and from \$0.83 to \$0.77, respectively. For purposes of this calculation, we assumed that all November 2016 Warrants were exercised at an exercise price of \$0.40 per share.

As the anti-dilution increases in warrant shares from the November 2016 placement have not been previously registered, we are required to register these additional securities. The investors who participated in the 2012 transaction and are named as “*Selling Security Holders*” in this prospectus are as follows:

Selling Security Holder	Common shares purchased in the 2012 financing	Shares that may be issued upon exercise of September 2012 warrants	Additional shares that may be issued due to anti-dilution provisions of the September 2012 warrants as a result of financing	Additional shares that may be issued due to anti-dilution provisions of the September 2012 warrants as a result of financing	Additional shares that may be issued due to anti-dilution provisions of the September 2012 warrants as a result of financing	Consideration paid for common stock and warrants in the 2012 financing
Allan, David G.	111,112	77,779	9,810	4,132	8,409	\$100,000
Alpha Capital Anstalt	277,778	194,445	24,525	10,329	21,022	\$250,000
Arno, Elizabeth	27,778	19,445	2,453	1,033	2,102	\$25,000
Elizabeth Arno cust FBO George Arno UTMA	5,556	3,890	491	207	421	\$5,000
Elizabeth Arno TTEE u/a dtd 09/02/2015	5,556	3,890	491	207	421	\$5,000
FBO Melissa Arno Trust 2015	5,556	3,890	491	207	421	\$5,000
DAFNA LifeScience Market Neutral, LP	77,778	54,445	6,867	2,892	5,886	\$70,000
DAFNA LifeScience, LP	111,111	77,778	9,810	4,132	8,409	\$100,000
DAFNA LifeScience Select, LP	200,000	140,000	17,658	7,437	15,136	\$180,000
DeBare, Charles A.	55,556	38,890	4,905	2,066	4,205	\$50,000
DeBare, Mary A.	55,556	38,890	4,905	2,066	4,205	\$50,000
Forkey, Richard E.	27,778	19,445	2,453	1,033	2,102	\$25,000
Green, Mark	5,556	3,890	491	207	421	\$5,000
Gutfreund, John Peter	11,112	7,779	981	413	841	\$10,000
Iroquois Master Fund, Ltd.	111,112	77,779	9,810	4,132	8,409	\$100,000
JBA Investments LLC	27,778	19,445	2,453	1,033	2,102	\$25,000
Joseph N. Forkey and Heather C. Forkey JTEN	22,223	15,557	1,962	826	1,682	\$20,000
Karfunkel, George	111,112	77,779	9,810	4,132	8,409	\$100,000
Kozersky, Lara	5,556	3,890	491	207	421	\$5,000
Linda Gale Sampson Trust #2	27,778	19,445	2,453	1,033	2,102	\$25,000
Loewen, Ondaatje, McCutcheon USA TD ⁽²⁾	–	194,446	22,876	5,237	17,585	\$ –
Major, Donald A.	27,778	19,445	2,453	1,033	2,101	\$25,000
Matluck, Robert	27,778	19,445	2,453	1,033	2,102	\$25,000
MHW Partners, L.P.	222,223	155,557	19,620	8,263	16,818	\$200,000
Miles, Richard B.	11,112	7,779	981	413	841	\$10,000
MJA Investments LLC	27,778	19,445	2,453	1,033	2,102	\$25,000
NBCN INC. ITF AC 5VE158E GARRETT HERMAN (909369)	33,334	23,334	2,943	1,239	2,523	\$30,000
MLPF&S Custodian FBO Andrew Arno IRA 1663	111,112	77,779	9,810	4,132	8,409	\$100,000

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O'Connor, Pamela F.	111,112	77,779	9,810	4,132	8,409	\$100,000
Riordan, Susan	11,112	7,779	981	413	841	\$10,000
Saltiel, Howard	27,778	19,445	2,453	1,033	2,102	\$25,000
Sarachek, Russell	27,778	19,445	2,453	1,033	2,102	\$25,000
SAS Trust #1	27,778	19,445	2,453	1,033	2,102	\$25,000
Schumsky, Arnold	83,334	58,334	7,357	3,099	6,307	\$75,000
Smith, Jr., William W.	27,778	19,445	2,453	1,033	2,102	\$25,000
Special Situations Fund III QP, L.P.	611,112	427,779	53,954	22,723	46,249	\$550,000
Unterberg, Thomas I.	111,112	77,779	9,810	4,132	8,409	\$100,000
TOTAL	<u>2,777,795</u>	<u>2,138,921</u>	<u>268,132</u>	<u>108,531</u>	<u>227,809</u>	<u>\$2,500,000</u>

(1) These shares were previously registered.

We retained Loewen, Ondaatje, McCutcheon USA LTD as the exclusive placement agent for the offering. In addition to the payment of certain cash fees upon closing of the offering, we issued a warrant to the placement agent to purchase up to 194,446 shares of common stock on similar terms to the warrants issued in the offering, subject to adjustment. The placement agent warrant has an exercise price of \$0.95 per share which has been adjusted to \$0.77 per share and may continue to be adjusted downward.

Private Placement of 10% Senior Secured Convertible Notes and Warrants on June 25, 2008

On June 25, 2008, we entered into a purchase agreement, as amended on December 11, 2008, with institutional and other accredited investors pursuant to which we sold a total of \$600,000 of 10% Senior Secured Convertible Notes, referred to as the “Notes,” that were convertible into a total of 480,000 shares of our common stock at a conversion rate of \$1.25. The Notes held by Special Situations Fund III QP, L.P., Special Situations Private Equity Fund, L.P. and Mr. Schumsky have been satisfied in full and the obligations thereunder have been terminated. We also issued warrants to purchase a total of 316,800 shares of our common stock at an exercise price of \$1.75 per share, referred to as the “June 2008 Warrants.” The June 2008 Warrants issued to Special Situations originally expired on June 25, 2015, but were extended by mutual agreement to May 11, 2017. Mr. Schumsky’s June 2008 Warrant expired according to its terms. The exercise price of the June 2008 Warrants has been and may continue to be adjusted downward in the event we issue shares of common stock or securities convertible into common stock at a price lower than the exercise price of the June 2008 Warrants at the time of issuance.

As a result of the issuance of warrants to purchase 100,000 shares of common stock in December 2010 and the September 28, 2012 private placement described above, certain anti-dilution provisions in the June 25, 2008 Warrants were triggered and we are obligated to issue an aggregate of 153,031 additional shares upon the exercise of the June 25, 2008 Warrants. Additionally, the exercise price of the June 25, 2008 Warrants was reduced from \$1.74 to \$1.18.

As a result of the issuance of shares of common stock in a private placement in July 2014, certain anti-dilution provisions of the June 25, 2008 Warrants were triggered and the number of existing June 25, 2008 warrants increased from 430,678 to 493,398 and the related exercise price of the warrants decreased from \$1.18 per share to \$1.03 per share.

As a result of the issuance of shares of common stock in a private placement in October 2015, certain anti-dilution provisions of the June 25, 2008 Warrants were triggered and the number of existing June 25, 2008 warrants increased from 493,398 to 517,222 and the related exercise price of the June 25, 2008 Warrants was reduced from \$1.03 to \$0.98.

As a result of the issuance of shares of common stock in a private placement in November 2016, certain anti-dilution provisions of the June 25, 2008 Warrants were triggered and the number of existing June 25, 2008 warrants increased from 517,222 to 568,776 and the related exercise price of the June 25, 2008 Warrants was reduced from \$0.98 to \$0.89. For purposes of this calculation, we assumed that all November 2016 Warrants were exercised at an exercise price of \$0.40 per share.