

Risk Factors Comparison 2023-09-28 to 2022-09-27 Form: 10-K

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Smaller In addition to the other information set forth in this annual report **reporting companies**, you should carefully consider the following factors, which could materially affect our business, financial condition or results of operations in future periods. The risks described below are not the only risks facing our Company. The following information should be read together and in conjunction with “Forward-Looking Statements,” “Item 1. Business,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our consolidated financial statements and the accompanying notes thereto. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations in future periods. 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. During the years ended June 30, 2022, and 2021, we incurred operating losses of \$ 1, 513, 890 and \$ 905, 583, respectively. Our accumulated deficit at June 30, 2022, amounted to \$ 48, 094, 394. We had working capital of \$ 1, 918, 575 and \$ 2, 265, 325 as of June 30, 2022, and 2021, respectively. 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. If required we believe that we have access to capital resources through possible public or private equity offerings, debt financings, corporate collaborations, strategic alliances, or other means. However, if we are unable to secure adequate additional capital when needed, we may be required to **provide the information required by this item** 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 the COVID-19 world-wide pandemic 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, which is available from only a few sources, in China. During the early stages of the COVID-19 world-wide pandemic, we experienced difficulties with certain suppliers in China. Until the pandemic is sufficiently under control, we may experience further difficulties with suppliers. Our business could be affected if we become unable to procure these essential materials and services in adequate quantities and at acceptable prices. We are always evaluating 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 may not realize the opportunities from our acquisition of Lighthouse Imaging, LLC. In October 2021, we purchased substantially all the assets of Lighthouse Imaging, LLC, a manufacturer of advanced optical imaging systems and accessories. With the Lighthouse acquisition we strengthened our expertise in electrical engineering and development of end-to-end medical visualization devices. The success of the Lighthouse acquisition will depend on our ability to realize the anticipated opportunities to expand our product offerings and our stable of customers. There is no assurance that we will be able to realize those opportunities. The COVID-19 world-wide pandemic and the economic effects of governmental entities and commercial business policy decisions relating to it could cause disruptions with our sources of supply and customer orders and their ability to pay amounts owed us. The COVID-19 world-wide pandemic that began during the quarter ended March 31, 2020, and the domestic and international impact of policy decisions being made in major countries around the world has had, and is expected to have, an adverse impact on our sources of supply, supply chain logistics, current and future orders from our customers, collection of amounts owed to us from our customers, our internal operating procedures, and our overall financial condition. We have taken various actions to augment our operating and human resource policies and procedures to guard against the potential health hazards of COVID-19. These augmented procedures can have a negative impact on our operational efficiencies. We source various components from overseas suppliers throughout Asia including China. We have experienced supply chain and supplier disruptions as well as customer order delays and slow-downs, which we believe was the result of the COVID-19 pandemic and related economic slow-down. Given the uncertainty surrounding the continuation of supply chain disruptions, customer delays, and overall economic slow-downs domestically and abroad, we cannot predict with certainty at this time what the future impact of COVID-19 and resulting business and economic policies in the US and abroad will be on our future operating results. 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. In the fiscal year ended June 30, 2022, and 2021, our largest customer represented approximately 9 % of our total revenues. No other customer accounted for more than 10 % of our revenues during those periods. At June 30, 2022, our largest customer account receivable balance was 8 % of total accounts receivable. At June 30, 2021, our largest customer account receivable balance was 16 % of total accounts receivable. No other customer accounted for more than 10 % of total accounts receivable at June 30, 2022, or 2021. In the future, 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. At June 30, 2022, our largest customer account receivable balance was 8 % of total accounts receivable. 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. During fiscal 2018, we recorded a \$ 227, 500 reserve against accounts receivable amounts owed to us by

one customer that has not been able to pay us for design services we provided. We have not had significant accounts receivable write-offs or additions to the accounts receivable reserve since then. We have not purchased insurance on our accounts receivable balances. Large uncollectible accounts receivable balances could have a material adverse effect on our financial condition. We rely heavily upon the talents of our Chief Executive Officer and our President of the Ross Optical Division, the loss of whom could damage our business. Our performance depends, to a large extent, 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 and our President of the Ross Optical division, Mr. Divaker Mangadu. 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. The loss of Mr. Mangadu could damage the operations of the Ross Optical division as Mr. Mangadu provides highly valuable contributions to the effective operation of Ross including its sales, customer and vendor relationships, production activities and overall administration. We do not carry key-man life insurance on Dr. Forkey or Mr. Mangadu. 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 clearance to manufacture and market the medical products we currently 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. Also, we cannot predict the impact on our business of FDA regulations or determinations arising from future legislation or administrative action. If we lose the FDA's permission to manufacture and market our current products or we do not obtain regulatory permission to manufacture and market our 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. Fixed-price purchase orders have represented as much as 50% of our total revenues during periods in the last several years. 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 primarily 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 vendor for to acquire those products. Our division Ross Optical, which we acquired effective June 1, 2019, 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 or owns 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. 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. In July 2011, we entered into an asset purchase agreement with Intuitive Surgical Operations, Inc. in which we assigned to Intuitive Surgical all the issued and non-expired patents and pending patent applications we held at that time and, in return, Intuitive Surgical granted to us a royalty-free, worldwide license to these patents in fields outside of medical robotics. Although we are not currently aware of any past or present infringements of our patents, we plan, jointly with Intuitive Surgical, to protect these patents from infringement and obtain additional patents whenever feasible. To this end, we have obtained confidentiality agreements from our employees and consultants and others who have access to the design of our products and other proprietary information. 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 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, each of which is 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 as of September 23, 2022, no such claims have been asserted or threatened against us. 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 comply with all applicable environmental laws and regulations, our business could be severely damaged by any failure to maintain such compliance. 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. 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 Ross Optical fails 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 the business of Ross Optical could be imposed, which may adversely affect its 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, regulation imposed on market participants generally, such as foreign tariff increases could negatively affect the overall profitability of Ross Optical's international business. These developments could impact Ross Optical's profitability, or even make it uneconomical for Ross Optical to continue to conduct all or certain of its business, or could cause Ross Optical to incur significant costs associated with adjusting its business to these changes. RISKS RELATED TO OUR STOCK Trading in our common stock is limited and the price of our common stock may be subject to substantial volatility. Our common stock is quoted on OTCQB, the OTC market tier for companies that report to the SEC, under the symbol PEYE. We expect our common stock to continue to be quoted on the OTCQB for the foreseeable future. Broker-dealers may decline to trade in OTCQB stocks given the market for such securities is often limited, the stocks

are more volatile and the risk to investors is greater. These factors may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of their shares. This could cause our stock price to decline. Additionally, 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; — 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. “Penny stock” rules may make buying or selling our securities difficult which may make our stock less liquid and make it harder for investors to buy and sell our securities. Trading in our securities is subject to the SEC’s “penny stock” rule and we anticipate that trading in our securities will continue to be subject to the penny stock rules for the foreseeable future. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$ 5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by these requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities. We are contractually obligated to issue shares in the future, diluting your interest in us. As of June 30, 2022, there were 2,714,000 shares of our common stock issuable upon exercise of stock options outstanding, at a weighted average exercise price of \$ 1.33 per share. As of June 30, 2022, a total of 206,403 and 1,000,000 shares of our common stock are reserved for issuance under our 2021 and 2022 Equity Incentive Plans respectively. Additionally, we issued 195,113 shares of our common stock during fiscal year 2022 for compensation and stock option exercises, and 3,437,500 shares of our common stock were issued during fiscal 2022 for the Lighthouse acquisition, which brought our total common shares outstanding to 16,915,089 at June 30, 2022. Moreover, we expect to issue additional shares and options to purchase shares of our common stock to compensate employees, consultants and directors, and we may issue additional shares to raise capital. Any such issuances will have the effect of further diluting the interest of the holders of our securities. The market price of our common stock may be volatile, and the value of stockholders’ investment could decline significantly. The trading price for our common stock has been, and we expect it to continue to be, volatile. The price at which our common stock trades depends upon a number of factors, including our historical and anticipated operating results, our financial situation, announcements of new products by us or our competitors, our ability or inability to raise the additional capital we may need and the terms on which we raise it, and general market and economic conditions. Some of these factors are beyond our control. Broad market fluctuations may lower the market price of our common stock and affect the volume of trading in our stock, regardless of our financial condition, results of operations, business or prospects. It is impossible to assure you that the market price of our shares of common stock will not fall in the future.