

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 31, 2020

Predictive Oncology Inc.
(Exact name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-36790
(Commission File Number)

33-1007393
(IRS Employer Identification No.)

2915 Commers Drive, Suite 900
Eagan, Minnesota
(Address of Principal Executive Offices)

55121
(Zip Code)

Registrant's telephone number, including area code: **(651) 389-4800**

Former Name or Former Address, if Changed Since Last Report: Not Applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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	POAI	Nasdaq Capital Market

Item 1.01 Entry into a Material Definitive Agreement.

Effective as of January 31, 2020 (the “Effective Date”), Predictive Oncology Inc. (the “Company”) and Carl Schwartz entered into an Exchange Agreement (the “Exchange Agreement”) with respect to two Company notes held by Dr. Schwartz.

Background. From November 30, 2018 through July 15, 2019, Dr. Schwartz made numerous loans to the Company in the total amount of \$1,920,000 under two promissory notes: (i) the Second Amended and Restated Promissory Note dated February 6, 2019 in the principal amount of \$1,620,000 (the “First Note”); and (ii) the Amended and Restated Promissory Note dated July 15, 2019 in the principal amount of \$315,000 (the “Second Note, and together with the First Note, the “Existing Notes”). The principal amount of the Second Note includes a \$15,000 premium in connection with an extension of the maturity date from September 30, 2019 to December 31, 2019. In connection with the loan evidenced by the First Note, the Company also issued a stock purchase warrant to Dr. Schwartz (the “Warrant”). Immediately before the Effective Date, the Warrant covered 97,313 shares of common stock at exercise prices ranging from \$7.04 to \$11.88 per share, and Dr. Schwartz has received additional warrants on a monthly basis at \$7.04 per share while the First Note was outstanding.

As of January 2020, the Company was in default under the Second Note, which was due in full on December 31, 2019. The Company also determined that it would not be able to pay the First Note when due in full on February 8, 2020. The Company determined to negotiate a new promissory note under new terms to provide for additional extensions. Management proposed terms to the Audit Committee, which under Nasdaq rules is required to approve the terms of material arrangements between the Company and its officers, directors and major stockholders. Following these negotiations, the Company entered into the Exchange Agreement with Dr. Schwartz and completed the transactions described below. The Audit Committee concluded that the terms of the Exchange Agreement and these transactions were more favorable to the Company than could be obtained from a third party. In reaching this conclusion, the Audit Committee considered that Dr. Schwartz had made the advances and agreed to previous extensions while receiving consideration much less favorable than the terms demanded by third party financing sources. The Audit Committee also concluded that it would not be possible to obtain financing from a third party to refinance this indebtedness on terms reasonably acceptable to the Company. Following the negotiation of the Exchange Agreement and Audit Committee approval, the full Board of Directors approved the Exchange Agreement and these transactions, with Dr. Schwartz abstaining.

Exchange Agreement and Transactions. Pursuant to the Exchange Agreement, Dr. Schwartz delivered the Existing Notes and the Warrant to the Company to be cancelled and in exchange received: (a) a promissory note issued by the Company in the original principal amount of \$2,115,000, bearing twelve percent (12%) interest per annum and with a maturity date of September 30, 2020, in the form attached to the Exchange Agreement as [Exhibit A](#) (the “New Note”); and (b) a fee of \$130,000, payable in the form of 50,000 shares of the Company’s common stock (the “Settlement Shares”) based on a \$2.60 closing bid price on the day before the Effective Date, as reported by Nasdaq. In addition, Dr. Schwartz waived any default or breach that did or may have existed under either of the Existing Notes, and agreed that the Company no longer has any obligations under the Existing Notes or the Warrant.

The foregoing description of the Exchange Agreement is qualified in its entirety by reference thereto, which is filed as Exhibit 10.1 to this Current Report, and is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The disclosure in Item 1.01 is incorporated herein by reference thereto. The Settlement Shares were not registered under the Securities Act of 1933, as amended (the “Securities Act”) at the time of issuance, and therefore may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. For this issuance, the Company relied on the exemption from federal registration under Section 4(a)(2) of the Securities Act and/or Rule 506 promulgated thereunder, based on the Company’s belief that the offer and sale of such securities has not and will not involve a public offering.

Item 9.01. Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Exchange Agreement dated January 31, 2020
10.2	Promissory Note to Carl Schwartz dated January 31, 2020

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PREDICTIVE ONCOLOGY INC.

By: /s/ Bob Myers

Name: Bob Myers

Title: Chief Financial Officer

Date: February 4, 2020

EXCHANGE AGREEMENT

This EXCHANGE AGREEMENT ("**Agreement**") is entered into effective as of January 31, 2020 (the "**Effective Date**"), by and between Predictive Oncology, Inc., a Delaware corporation (the "**Company**"), and Carl Schwartz ("**Holder**").

INTRODUCTION

A. Holder is the Company's CEO and the holder of the following two promissory notes issued by the Company: (i) that certain Second Amended and Restated Promissory Note dated February 6, 2019 in the principal amount of \$1,620,000.00 and bearing eight percent (**8%**) interest per annum (the "**First Note**") and (ii) that certain Amended and Restated Promissory Note dated July 15, 2019 in the principal amount of \$315,000.00 and bearing eight percent (**8%**) interest per annum (the "**Second Note**", and together with the First Note, the "**Existing Notes**").

B. In connection with the loan evidenced by the First Note, the Company also issued Holder that certain Third Amended and Restated Common Stock Purchase Warrant dated May 21, 2019 (the "**Warrant**"). As of the Effective Date, Holder has not exercised the Warrant with respect to any shares of the Company's common stock ("**Common Stock**").

C. The Company is in default under the Second Note, which was due in full on December 31, 2019, and will not be able to pay the First Note when due in full on February 8, 2020.

D. The Company does not believe it can refinance the Existing Notes and has requested that Holder grant an extension.

E. Holder is willing, and the Company has agreed, to exchange the Existing Notes and the Warrant for new consideration, pursuant to the terms and conditions of this Agreement, which were negotiated by the Company's Audit Committee on an arms-length basis with Holder.

AGREEMENT

Now, therefore, in consideration of the foregoing facts and premises, the covenants and agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Exchange. Effective as of the Effective Date, Holder hereby delivers the Existing Notes and Warrant to the Company in exchange for:

(a) a promissory note issued by the Company in the original principal amount of \$2,115,000 bearing twelve percent (12%) interest per annum and with a maturity date of September 30, 2020, in the form attached hereto as Exhibit A (the "**New Note**"); and

(b) \$130,000, payable in 50,000 shares of Common Stock (the "**Settlement Shares**") based on a \$2.60 closing bid price on the day before the Effective Date, as reported by Nasdaq.

Contemporaneously with the execution of this Agreement, Holder shall deliver to the Company the Existing Notes and the Warrant, which the Company shall mark "cancelled". Contemporaneously with the execution of this Agreement, the Company shall issue the New Note and the Settlement Shares to Holder (in the case of the latter, pursuant to an Instruction Letter and Opinion of Counsel in the form attached hereto as Exhibit B and C, respectively).

2. Waiver of Any Default Under the Existing Notes. Holder hereby waives any default or breach that does or may exist under either of the Existing Notes, and acknowledges and agrees that upon his receipt of the New Note and the Settlement Shares, the Company shall no longer have any obligations under the Existing Notes or the Warrant.

3. Holder Representations. Holder hereby represents and warrants to the Company that: (a) the execution, delivery and performance of this Agreement by Holder does not conflict with any other agreement binding upon Holder, and this Agreement represents the valid and binding obligation of Holder, enforceable in accordance with its terms; and (b) Holder is the record and beneficial owner of the Existing Notes and Warrant and has the full power, authority and capacity to transfer the Existing Notes and Warrant free and clear of any liens, pledges, security interests, restrictions of transfer or encumbrances of any kind or nature.

4. Company Representations. The Company hereby represents and warrants to Holder that: (a) the execution, delivery and performance of this Agreement by the Company does not conflict with any other agreement binding upon the Company, and this Agreement represents the valid and binding obligation of the Company, enforceable in accordance with its terms; (b) the Company has the requisite power and authority to enter into this Agreement and to carry out its obligations hereunder; and (c) the Settlement Shares shall be validly issued, duly authorized and non-assessable.

5. General Provisions.

(a) Paragraph/Section Headings; Gender; Number. The paragraph/section headings in this Agreement are for convenience only; they form no part of this Agreement and will not affect its interpretation. Words used herein, regardless of the number and gender specifically used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

(b) Notices. All notices under this Agreement shall be in writing and may be given by personal delivery, express delivery, courier, U.S. mail, facsimile or email. Notice shall be effective upon receipt or refusal.

(c) Right to Specific Performance. In view of the purposes of this Agreement, it is agreed that the remedy at law for failure of any party to perform would be inadequate and that the injured party, at its option, shall have the right to seek the specific performance of this Agreement in a court of competent jurisdiction.

(d) Waiver and Cumulative Remedies. No failure or delay by any party in exercising any right under this Agreement shall constitute a waiver of that right. Other than as expressly stated herein, the remedies provided herein are in addition to, and not exclusive of, any other remedies of a party at law or in equity. In all cases of litigation, the prevailing party shall be entitled to collect from the other party any reasonable attorneys' fees and costs incurred in bringing any action against such party or otherwise to enforce the terms of this Agreement, as well as any attorneys' fees and costs for the collection of any judgments in the prevailing party's favor arising out of this Agreement.

(e) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law, the provision shall be modified by the court and interpreted so as best to accomplish the objectives of the original provision to the fullest extent permitted by law, and the remaining provisions of this Agreement shall remain in effect.

(f) Assignment. No party may assign any of its rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other parties. Any attempted assignment, delegation, or transfer in contravention of this Agreement shall be null and void *ab initio*.

(g) Governing Law; Venue. The validity, construction and performance of this Agreement shall be governed by, interpreted and enforced in accordance with the laws of the State of Minnesota, without regard to its conflicts-of-law principles. The venue for any action hereunder shall be in the State of Minnesota, whether or not such venue is or subsequently becomes inconvenient, and the parties consent to the jurisdiction of the courts of the State of Minnesota, County of Hennepin, and the U.S. District Court, District of Minnesota.

(h) Further Assurances. Each party shall execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and the transactions contemplated hereby.

(i) Entire Agreement; Counterparts. This Agreement, including any attachments and exhibits hereto, constitutes the entire agreement between the parties as to its subject matter and supersedes all previous and contemporaneous agreements, proposals or representations, written or oral, concerning its subject matter. No modification, amendment or waiver of any provision of this Agreement shall be effective unless in writing signed by all parties. This Agreement may be executed electronically and in counterparts, which taken together shall form one legal instrument.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement to be effective as of the Effective Date.

PREDICTIVE ONCOWGY, INC.,
a Delaware corporation

By: /s/ Bob Myers
Name: Bob Myers
Its: Chief Financial Officer

/s/ Carl Schwartz
Carl Schwartz

PROMISSORY NOTE

\$2,115,000

DATE: January 31, 2020

FOR VALUE RECEIVED, the undersigned, Predictive Oncology Inc., a Delaware corporation ("**Borrower**"), HEREBY PROMISES TO PAY to Carl Schwartz ("**Payee**"), in lawful money of the United States of America in immediately available funds, the principal sum of Two million one hundred fifteen thousand and 0/100 Dollars (\$2,115,000), together with interest at a rate equal to the sum of Twelve percent (12.0%) per annum, in accordance with the terms of this Promissory Note ("**Note**").

The principal sum of the Note together with any accrued and unpaid interest shall be due and payable in full on September 30, 2020.

The undersigned shall have the right to prepay this Note, in whole or in part, without premium or penalty, The to prepay or in part, without premium or penalty, at any time. Any prepayment shall include interest accrued to the date of such prepayment.

All payments hereunder shall be paid to Payee at 2915 Commers Drive, Suite 900, Eagan, Minnesota 55121 or at such other place or places as Payee may from time to time designate in writing.

At the election of Payee or the legal holder hereof and without notice, the indebtedness remaining unpaid hereon shall become at once due and payable at the place of payment aforesaid in case of default ("**Default**") as follows: (i) in the payment, when due and payable (after giving effect to the express subordination provisions hereof), of any installment hereunder, or any portion thereof, in accordance with the terms hereof, or (ii) any insolvency, filing of a petition in bankruptcy, or assignment for the benefit of creditors of Borrower. In the event of a Default, Payee or the legal holder hereof shall be entitled to (a) interest on all overdue payments at eighteen percent (18%) per annum (or the maximum permitted by law, whichever is higher) and (b) reasonable costs of collection, including reasonable attorneys' fees.

All remedies afforded by law shall be cumulative, and all shall be available to Payee at all times until this Note has been paid and performed in full. No delay or omission of Payee to exercise any right or power under this Note shall impair such right or power to be construed to be a waiver of any Default or acquiescence therein, and any single or partial exercise of any such right or power shall not preclude any other or further exercise thereof or the exercise of any other right or power, and no waiver whatsoever shall be valid unless in writing signed by Payee and then only to the extent in such writing specifically set forth.

The terms and provisions of this Note shall be binding upon Borrower and its successors, assigns and transferees but any such assignment or transfer shall not relieve Borrower of its obligations hereunder.

Borrower hereby waives presentment, demand, notice of nonpayment and protest and all other demands or notices in connection with the acceptance, performance or enforcement of this Note.

The invalidity or unenforceability of any of the provisions hereof shall not affect the validity or enforceability of the remainder hereof. This Note shall be construed and enforced in accordance with the laws of the State of Minnesota.

[signature page follows]

IN WITNESS WHEREOF, Borrower has duly executed this Note on the date first above written.

PREDICTIVE ONCOLOGY, INC.,
a Delaware corporation

By: /s/ Bob Myers
Bob Myers
Its: Chief Financial Officer
