

PRECISION OPTICS CORPORATION INC
Form 424B3
February 15, 2007

Filed pursuant to Rule 424(b)(3) and Rule 424(c)
Registration No. 333- 136033

PROSPECTUS SUPPLEMENT NO. 3

8,450,000 Shares

PRECISION OPTICS CORPORATION, INC.

Common Stock

This prospectus supplement amends the prospectus dated August 14, 2006, as previously supplemented by Prospectus Supplement No. 1 thereto dated October 13, 2006, and Prospectus Supplement No. 2 thereto dated November 14, 2006, related to the common stock that may be re-sold by the selling security holders named therein to include information related to the financial condition and the results of operations for Precision Optics Corporation, Inc. for the quarter and six months ended December 31, 2006.

This prospectus supplement should be read in conjunction with the prospectus dated August 14, 2006, Prospectus Supplement No.1 thereto dated October 13, 2006 and Prospectus Supplement No. 2 thereto dated November 14, 2006, which are to be delivered with this prospectus supplement.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 1 of the prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

February 14, 2007

FORM 10-QSB

**U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

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

For the quarterly period ended December 31, 2006

Commission file
number 001-10647

PRECISION OPTICS CORPORATION, INC.
(Exact name of small business issuer 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 01440-3338
(Address of principal executive offices) (Zip Code)

(978) 630-1800
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of issuer's common stock, par value \$.01 per share, at February 12, 2007 was 25,458,212 shares.

Transitional Small Business Disclosure Format (check one):

Yes No

Item 1

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
ASSETS

	December 31, 2006	June 30, 2006
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 552,290	\$ 2,030,428
Accounts Receivable, net	319,803	381,097
Inventories, net	511,559	445,802
Prepaid Expenses	105,734	45,912
Total Current Assets	1,489,386	2,903,239
PROPERTY AND EQUIPMENT		
Machinery and Equipment	3,516,860	3,513,736
Leasehold Improvements	553,596	553,596
Furniture and Fixtures	136,762	93,545
Vehicles	42,343	42,343
	4,249,561	4,203,220
Less: Accumulated Depreciation	(4,119,768)	(4,127,287)
Net Property and Equipment	129,793	75,933
OTHER ASSETS		
Cash surrender value of life insurance policies	13,246	13,246
Patents, net	277,903	236,115
Total Other Assets	291,149	249,361
TOTAL ASSETS	\$ 1,910,328	\$ 3,228,533
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 294,309	\$ 218,658
Accrued Employee Compensation	237,505	227,892
Accrued Professional Services	46,169	90,000
Accrued Warranty Expense	50,000	50,000
Other Accrued Liabilities	12	2,086
Total Current Liabilities	627,995	588,636
STOCKHOLDERS' EQUITY		
Common Stock, \$.01 par value- Authorized – 20,000,000 shares Issued and Outstanding – 15,458,212 shares at December 31, 2006 and at June 30, 2006	154,582	154,582
Additional Paid-in Capital	34,823,671	34,729,873
Accumulated Deficit	(33,695,920)	(32,244,558)
Total Stockholders' Equity	1,282,333	2,639,897
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,910,328	\$ 3,228,533

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED
DECEMBER 31, 2006 AND 2005
(UNAUDITED)

	Three Months Ended December 31, (As reclassified. See Note 1.)		Six Months Ended December 31,	
	2006	2005	2006	2005
REVENUES	\$ 470,811	\$ 519,950	\$ 898,436	\$ 930,382
COST OF GOODS SOLD	316,437	403,101	699,897	837,027
Gross Profit / (Loss)	154,374	116,849	198,539	93,355
RESEARCH and DEVELOPMENT EXPENSES	378,954	346,168	643,477	633,998
SELLING, GENERAL and ADMINISTRATIVE EXPENSES	545,994	413,339	1,029,020	836,732
GAIN ON SALE OF FIXED ASSETS	-	-	-	(165,700)
Total Operating Expenses	924,948	759,507	1,672,497	1,305,030
Operating Loss	(770,574)	(642,658)		