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 x No o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes o No x

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 o No x

1

<u>Item 1</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (UNAUDITED) <u>ASSETS</u>

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		Dec	cember 31, 2006	June 30	0, 2006
S 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	CURRENT ASSETS				
Accounts Receivable, net 319,803 381,097 Inventorics, net 511,559 445,802 Prepaid Expenses 105,734 45,912 Total Current Assets 1,489,386 2,903,239 PROPERTY AND EQUIPMENT		\$	552,290	\$	2.030.428
Inventories, net 511,559 445,802 Prepaid Expenses 105,734 45,912 Total Current Assets 1,489,386 2,903,239 PROPERTY AND EQUIPMENT		÷		Ŷ	
Prepaid Expenses 105,734 45,912 Total Current Assets 1,489,386 2,903,239 PROPERTY AND EQUIPMENT					
Total Current Assets 1,489,386 2,903,239 PROPERTY AND EQUIPMENT					
PROPERTY AND EQUIPMENT Interval 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 Kappen and Fixtures 136,762 93,545 Vehicles 42,343 42,343 Less: Accumulated Depreciation (4,119,768) (4,127,287) Net Property and Equipment 129,793 75,933 OTHER ASSETS 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 LLABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts Payable \$ 294,309 \$ 218,658 Accrued Professional Services 46,169 90,000 Accrued Professional Services 46,169 90,000 Accrued Professional Services 50,000 50,000 50,000 50,000 50,000 Other Accrued Liabilities 12 2,086					-
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 2 236,115 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 LABILITIES AND STOCKHOLDERS' EQUITY 2 2 CURRENT LIABILITIES \$ 294,309 \$ 218,658 Accrued Professional Services 46,169 90,000 Accrued Professional Services 46,169 90,000 Accrued Varianty Expense 50,000 50,000 Other Accrued Liabilities 12 2,086 Total Current Liabilities 627,995 588,636			_,,		_,,,,
Leasehold Improvements 553,596 553,596 Furniture and Fixtures 136,762 93,545 Vehicles 42,343 42,343 42,249,561 42,03,220 Less: Accumulated Depreciation (4,119,768) (4,127,287) Net Property and Equipment 129,793 75,933 OTHER ASSETS			3,516,860		3,513,736
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 7 7 Cash surrender value of life insurance policies 13,246 13,246 Patents, net 277,903 236,115 TOTAL ASSETS \$ 1,910,328 \$ 3,228,533 LIABILITIES AND STOCKHOLDERS' EQUITY 2 2 CURRENT LIABILITIES \$ 1,910,328 \$ 3,228,533 LIABILITIES AND STOCKHOLDERS' EQUITY 2 2 CURRENT LIABILITIES \$ 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 627,995 588,636 STOCKHOLDERS' EQUITY 2,086 7074 Common Stock, \$.01 par value- 4,040,672 2,000,000 shar					
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 2 13,246 13,246 Patents, net 277,903 236,115 236,115 Total Other Assets 291,149 249,361 TOTAL ASSETS \$ 1,910,328 \$ 3,228,533 LLABILITIES AND STOCKHOLDERS' EQUITY 248,658 Current LIABILITIES \$ 294,309 \$ 218,658 Accrued Professional Services 46,169 90,000 Accrued Professional Services 46,169 90,000 Accrued Marranty Expense 50,000 50,000 Other Accrued Liabilities 12 2,086 Total Current Liabilities 627,995 588,636 STOCKHOLDERS' EQUITY 2 2 Common Stock, \$.01 par value- 2 2 Authorized - 20,000,000 shares 154,582 154,582 Issued and Outstanding - 15,458,212 shares 154,582 154			,		-
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					
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 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Z 248,658 Accound Professional Services 46,169 90,000 Accrued Professional Services 46,169 90,000 Accrued Varranty Expense 50,000 50,000 Other Accrued Liabilities 12 2,086 Total Current Liabilities 627,995 588,636 STOCKHOLDERS' EQUITY U 2000,000 44,72,2873 Common Stock, \$.01 par value- Authorized – 20,000,000 shares 154,582 154,582 Issued and Outstanding – 15,458,212 shares 154,582 154,582 34,729,873 Accumulated Deficit (33,695,920) (-
Net Property and Equipment 129,793 75,933 OTHER ASSETS	Less: Accumulated Depreciation				
OTHER ASSETSCash surrender value of life insurance policies13,246Patents, net277,903Patents, net277,903Cash surrender value of life insurance policies291,149Patents, net291,149249,361TOTAL ASSETS\$ 1,910,328S3,228,533LIABILITIES AND STOCKHOLDERS' EQUITYCURRENT LIABILITIESAccounts Payable\$ 294,309Accound Employee Compensation237,505227,892Accrued Professional Services46,16990,000Accrued Varranty Expense50,00050,00050,000Other Accrued Liabilities122,086Total Current Liabilities627,995STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value-Authorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesat December 31, 2006 and at June 30, 2006154,582Accumulated Deficit(33,695,920)G13,695,920)(32,244,558)Total Stockholders' Equity1,282,333Cord1,282,333Accumulated Deficit1,282,333Cotal Stockholders' Equity1,282,333Cotal Stockholders' Equity1	*				
Patents, net 277,903 236,115 Total Other Assets 291,149 249,361 TOTAL ASSETS \$ 1,910,328 \$ 3,228,533 ILIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES 2 Accounts Payable \$ 294,309 \$ 218,658 Accounts Payable \$ 294,309 \$ 218,658 Accrued Employee Compensation 237,505 227,892 Accrued Varranty Expense 50,000 50,000 Other Accrued Liabilities 12 2,086 Total Current Liabilities 627,995 588,636 STOCKHOLDERS' EQUITY Image: Common Stock, \$.01 par value- 2 Authorized – 20,000,000 shares Issued and Outstanding – 15,458,212 shares Image: Stock and					
Patents, net 277,903 236,115 Total Other Assets 291,149 249,361 TOTAL ASSETS \$ 1,910,328 \$ 3,228,533 ILIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES 2 Accounts Payable \$ 294,309 \$ 218,658 Accounts Payable \$ 294,309 \$ 218,658 Accrued Employee Compensation 237,505 227,892 Accrued Varranty Expense 50,000 50,000 Other Accrued Liabilities 12 2,086 Total Current Liabilities 627,995 588,636 STOCKHOLDERS' EQUITY Image: Common Stock, \$.01 par value- 2 Authorized – 20,000,000 shares Issued and Outstanding – 15,458,212 shares Image: Stock and	Cash surrender value of life insurance policies		13,246		13,246
TOTAL ASSETS \$ 1,910,328 \$ 3,228,533 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES 2 2 3 2 18,658 Accounts Payable \$ 294,309 \$ 218,658 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 50,000 Other Accrued Liabilities 627,995 588,636 TOCKHOLDERS' EQUITY 2 2,086 STOCKHOLDERS' EQUITY 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 1,282,333 2,639,897 Stockholders' Equity Stockholders' Equity Stockholders' Equity Stockho					
LIABILITIES AND STOCKHOLDERS' EQUITYCURRENT LIABILITIESAccounts Payable\$ 294,309\$ 218,658Accrued Employee Compensation237,505227,892Accrued Professional Services46,16990,000Accrued Warranty Expense50,00050,000Other Accrued Liabilities122,086Total Current Liabilities627,995588,636STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value-Authorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesat December 31, 2006 and at June 30, 2006154,582154,582Additional Paid-in Capital34,823,67134,729,873Accumulated Deficit(33,695,920)(32,244,558)Total Stockholders' Equity1,282,3332,639,897	Total Other Assets		291,149		249,361
CURRENT LIABILITIESAccounts Payable\$ 294,309\$ 218,658Accrued Employee Compensation237,505227,892Accrued Professional Services46,16990,000Accrued Varranty Expense50,00050,000Other Accrued Liabilities122,086Total Current Liabilities627,995588,636STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value-Authorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesat December 31, 2006 and at June 30, 2006154,582154,582Additional Paid-in Capital34,823,67134,729,873Accumulated Deficit(33,695,920)(32,244,558)Total Stockholders' Equity1,282,3332,639,897	TOTAL ASSETS	\$	1,910,328	\$	3,228,533
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 50,000 50,000 Common Stock, \$.01 par value- 40,159 50,000 Authorized – 20,000,000 shares 5154,582 154,582 Issued and Outstanding – 15,458,212 shares 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	LIABILITIES AND ST	FOCKE	<u> IOLDERS' EQUITY</u>	Ľ	
Accrued Employee Compensation237,505227,892Accrued Professional Services46,16990,000Accrued Warranty Expense50,00050,000Other Accrued Liabilities122,086Total Current Liabilities627,995588,636STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value-Authorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesat December 31, 2006 and at June 30, 2006154,582154,582Additional Paid-in Capital34,823,67134,729,873Accumulated Deficit(33,695,920)(32,244,558)Total Stockholders' Equity1,282,3332,639,897	CURRENT LIABILITIES				
Accrued Professional Services46,16990,000Accrued Warranty Expense50,00050,000Other Accrued Liabilities122,086Total Current Liabilities627,995588,636STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value-Authorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesIssued and Outstanding – 15,458,212 shares154,582Additional Paid-in Capital34,823,671Accumulated Deficit(33,695,920)Total Stockholders' Equity1,282,333Total Stockholders' Equity1,282,333TOTAL LIABILITIES ANDInterpretation	Accounts Payable	\$	294,309	\$	218,658
Accrued Warranty Expense50,00050,000Other Accrued Liabilities122,086Total Current Liabilities627,995588,636STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value- Authorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesat December 31, 2006 and at June 30, 2006154,582Additional Paid-in Capital34,823,671Accumulated Deficit(33,695,920)Total Stockholders' Equity1,282,333Z,639,897TOTAL LIABILITIES AND	Accrued Employee Compensation		237,505		227,892
Other Accrued Liabilities122,086Total Current Liabilities627,995588,636STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value- Authorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesat December 31, 2006 and at June 30, 2006154,582154,582Additional Paid-in Capital34,823,67134,729,873Accumulated Deficit(33,695,920)(32,244,558)Total Stockholders' Equity1,282,3332,639,897	Accrued Professional Services		46,169		90,000
Total Current Liabilities627,995588,636STOCKHOLDERS' EQUITYCommon Stock, \$.01 par value- Authorized – 20,000,000 sharesAuthorized – 20,000,000 sharesIssued and Outstanding – 15,458,212 sharesat December 31, 2006 and at June 30, 2006154,582Additional Paid-in Capital34,823,67134,729,873Accumulated Deficit(33,695,920)Total Stockholders' Equity1,282,3332,639,897	Accrued Warranty Expense		50,000		50,000
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	Other Accrued Liabilities		12		2,086
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 Current Liabilities		627,995		588,636
Authorized – 20,000,000 shares Issued and Outstanding – 15,458,212 shares at December 31, 2006 and at June 30, 2006 154,582 Additional Paid-in Capital 34,823,671 Accumulated Deficit (33,695,920) Total Stockholders' Equity 1,282,333 TOTAL LIABILITIES AND	STOCKHOLDERS' EQUITY				
Issued and Outstanding – 15,458,212 shares at December 31, 2006 and at June 30, 2006 154,582 Additional Paid-in Capital 34,823,671 Accumulated Deficit (33,695,920) Total Stockholders' Equity 1,282,333 TOTAL LIABILITIES AND	Common Stock, \$.01 par value-				
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					
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	Issued and Outstanding – 15,458,212 shares				
Accumulated Deficit(33,695,920)(32,244,558)Total Stockholders' Equity1,282,3332,639,897TOTAL LIABILITIES ANDImage: Comparison of the second sec	at December 31, 2006 and at June 30, 2006		154,582		154,582
Total Stockholders' Equity1,282,3332,639,897TOTAL LIABILITIES AND	·		34,823,671		
TOTAL LIABILITIES AND					
	Total Stockholders' Equity		1,282,333		2,639,897
STOCKHOLDERS' EQUITY \$ 1,910,328 \$ 3,228,533					
	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,			Six Months Ended December 31,				
		(As reclassifie 2006 2005		d. See Note 1.) 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
EAFENSES		576,954		540,108		045,477		055,998
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)				