

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
**For the Fiscal Year Ended September 30, 2010**

or  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Transition Period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number  
**0-17187**

**LOGIC DEVICES INCORPORATED**  
(Exact name of registrant as specified in its charter)

**California**  
(State of Incorporation)

**94-2893789**  
(I.R.S. Employer Identification No.)

**1375 Geneva Drive, Sunnyvale, CA 94089**  
(Address of principal executive offices, including Zip Code)

**(408) 542-5400**  
(Registrant's telephone number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act : **NONE**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, no par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file report pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the closing price of the common stock as of March 31, 2010, the last day of the registrant's most recently completed second quarter was \$6,499,900.

As of December 23, 2010, the Registrant had 7,398,172 shares of its common stock issued and outstanding.

# LOGIC DEVICES INCORPORATED

## ANNUAL REPORT ON FORM 10-K

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## **CAUTIONARY STATEMENT**

*This Annual Report on Form 10-K contains forward-looking statements which include, but are not limited to, statements concerning projected revenues, expenses, gross margin, net income, market acceptance of our products, the competitive nature of and anticipated growth in our markets, our ability to achieve further product integration, the status of evolving technologies and their growth potential, the timing and acceptance of new product introductions, the adoption of future industry standards, our production capacity, our ability to migrate to smaller process geometries, and the need for additional capital. These forward-looking statements are based on our current expectations, estimates, and projections about our industry, management's beliefs, and certain assumptions made by it. Words such as "anticipates, appears, expects, intends, plans, believes, seeks, estimates, may, will," and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from those results expressed in any forward-looking statements, as a result of various factors, some of which are listed under the section, "Item 1A - Risk Factors," of this Annual Report on Form 10-K. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.*

## **PART I**

### **Item 1. BUSINESS**

#### ***General Development of the Business***

LOGIC Devices Incorporated, an ISO 9001:2008 registered company, develops and markets high-performance, low power digital integrated circuits and integrated modules that perform high-density storage and signal/image processing functions. Our products enable video display, transport, editing, composition, special effects, and the high-performance, high-density storage of electronic information. We also provide solutions for digital filtering in television broadcast stations and image enhancement in medical diagnostic scanning and imaging equipment.

Our products are used in video broadcasting, medical imaging, military, industrial, embedded, and telecommunications markets. Our products address memory, digital signal processing (DSP), and high-performance arithmetic computation. We focus on developing proprietary, silicon intellectual property (IP) and standard catalog products to address specific functional application needs and performance levels that are not otherwise commercially available. We seek to provide related groups of circuits that original equipment manufacturers (OEMs) incorporate into high-performance electronic systems.

We rely on third-party silicon foundries to process silicon wafers, each wafer having up to several hundred integrated circuits of a given LOGIC design, from which finished products are then assembled. Our strategy is to avoid the substantial investment in capital equipment and expertise required to establish a wafer fabrication facility, by outsourcing wafer processing to third-party foundry specialists to take advantage of their expertise. See "Business – Background." We currently have one primary wafer supplier. We continue to explore additional foundry relationships to reduce our dependence on any single wafer foundry.

We market our products worldwide via our direct marketing and business through an external sales management organization, providing increased direct sales support and channel exposure through a combination of domestic sales representatives and international non-stocking distributors and/or agents. In fiscal 2010, approximately 26 percent of net revenues were from international channels. We adjust our sales structure to address appropriate market requirements. We include the following as some of our customers: Texas Instruments, BAE Systems, Harmonic, GE Medical, Northrup Grumman, Qualcomm, and Raytheon.

LOGIC Devices was incorporated under the laws of the State of California in April 1983. Our headquarters are located at 1375 Geneva Drive, Sunnyvale, California 94089, and our telephone number is 408-542-5400.

## **Available Information**

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 are available free of charge on our website, [www.logicdevices.com](http://www.logicdevices.com), as soon as reasonably practicable after we electronically file such material with or furnish such material to the Securities and Exchange Commission.

## **Background**

Continuing advances in fabricating semiconductors are driving a global revolution in electronics. With these ongoing advances, the ability to economically compute, communicate, and control seems to be limited only by the creativity required to implement ever more complex electronic systems. It is increasingly common to implement entire electronic systems on a single, small sliver of silicon. The challenges to the industry have increasingly turned toward innovative product definition, timely product development, technical customer support, and heavy capital investments in advanced semiconductor wafer fabrication facilities. The rapid advances in chip fabrication technology have resulted in a specialization of skills within the industry. In addition to the specialization of materials processing skills required to fabricate semiconductor wafers, the industry increasingly requires and values system architecture development, interoperability standards, signal processing algorithms, and circuit design expertise as essential skills for developing financially successful products. Many opportunities have thus emerged for semiconductor companies that focus on product definition, advanced design techniques, and technical application support, and that rely on third parties for wafer fabrication. We focus our resources on defining and developing high-performance integrated circuit components and integrated multi-chip modular products to growing markets, which require demanding computational throughput.

The semiconductor industry is intensely competitive, highly cyclical, and characterized by rapid technological change, product obsolescence, wide fluctuations in both demand and capacity, and steep price erosion. These factors can obsolete processes and products currently utilized or produced by us. In such cases, we are required to develop products utilizing new processes and to either integrate such products into our existing foundry processes, or seek new foundry sources.

## **Markets and Product Development Strategies**

We have historically derived a significant portion of our revenues from sales to video equipment manufacturers and to defense contractors providing systems that perform computationally intensive image processing. Our products were among the first to provide economical, high-speed, yet low power, computational solutions for common image manipulation and storage problems encountered in implementing these systems. Applications of our products also overlap into medical diagnostic imaging equipment, and digital cinema systems. We jointly define with our customers, a family of digital image filtering circuits that address the filtering requirements of HDTV studio production systems.

As a result of our work on high-speed, low power image processing circuits that are very computationally demanding, we have developed expertise in circuit design and implementation that is not readily available to many OEMs, and within the semiconductor industry, only available within some of the very largest companies that, due to their size, are compelled to pursue very large markets. Our capabilities and size provide opportunities to service technically-demanding industrial and military markets that are not serviced by those larger companies.

In addition to, as well as a result of our work on high-performance, low power silicon developments for the markets, applications, and platforms we serve, we have introduced a product family enabling us to provide advanced, multi-chip, integrated modular products. This product packaging medium facilitates the integration of LOGIC silicon IP as well as silicon IP from other semiconductor manufacturers providing high-density, wide-word memory arrays, sub-systems, and systems in packages.

The same advances in semiconductor technology that have enabled the advancements in high definition broadcast video production and distribution have driven a rapid increase in the ability to transmit vast amounts of data. Communications in all forms with increasing portability and bandwidth are proliferating worldwide. Much of this new communication capability will be utilized to transport video streams. We believe that many opportunities exist to utilize our capabilities in low power, high speed computation and storage to address the requirements of these communications and video systems. The convergence of communications and ubiquitous image processing is an opportunity that is well-suited to our capabilities and far exceeds our abilities to address completely.

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We seek to identify additional markets that require the application of our silicon design and multi-chip packaging expertise; that are stable, long-lived markets that are not extremely cost-sensitive; that offer potential for substantial revenue growth; and that are not served by larger competitors with substantially more resources. Currently, the semiconductor industry is challenged by several factors. First, the cost of developing high complexity products is escalating as fast, if not faster than, the capability of the technology itself is increasing. Second, the disciplines required to develop complex, systems-on-chips (SOCs) requires a rapidly increasing breadth of technical skills. Consumer-related products are experiencing ever shrinking life cycles as new products are quickly supplanted by even newer products.

### ***Wafer Fabrication Technology***

LOGIC Devices is a fabless manufacturer. We rely upon third-party foundry suppliers to produce processed wafers from mask patterns designed by us. Through these wafer suppliers, we have access to advanced high-speed, high-density complimentary metal oxide semiconductor (CMOS) process technology, without the significant investment in capital equipment and facilities required to establish a wafer fabrication factory. Coupled with our structured custom design methodology and experience with high-speed circuit design, this CMOS technology has allowed us to produce products that offer high computational speeds, high reliability, high levels of circuit integration (complexity), and low power consumption.

We are primarily dependent upon one wafer supplier and do not have a guarantee of minimum supplies. Therefore, there can be no assurance that such relationships will continue to be on terms satisfactory to us. The inability to obtain adequate quantities of processed wafers could limit our revenues. As a result of this risk, we carry a large inventory of unassembled wafers that can be packaged into a variety of carrier styles to support customer requirements.

### ***Production, Assembly, and Test***

Our production operations consist of functional and parametric testing, hot and cold testing, final inspection, quality inspection, and shipment. As is customary in the industry, high-volume assembly subcontractors assemble our devices. Thereafter, the assembled devices are returned to us for final testing and shipment to customers. We continue to test materials and products at various stages in the manufacturing process, utilizing automated test equipment.

We have historically maintained, and expect to continue to maintain, high levels of inventory of our products. For some product types, we must purchase our anticipated inventory needs for the life of the product (often ten or more years) in a short period of time. Our high inventory levels heighten the risk of inventory obsolescence and write-offs.

### ***Marketing, Sales, and Customers***

We market our products worldwide via our marketing and business development group as well as an external sales management organization, channeling our products into both domestic and international territories via manufacturers representatives and non-stocking distributor and/or agents. We concentrate our direct marketing efforts on high-performance segments of the broadcast, medical imaging, industrial, embedded telecommunications and consumer markets, in applications where high speed is critical. Among our OEM customers are Texas Instruments, BAE Systems, Harmonic, GE Medical, Northrup Grumman, Qualcomm, and Raytheon.

Distributors purchase our products for resale, generally to a broad base of small- to medium-sized customers. As is customary in the industry, our distributors receive certain price protection and limited stock rotation rights. However, our distributors are discouraged from maintaining uncommitted stock and must place an order of equal or greater value if they do request a return. During fiscal 2010 and 2009, sales through distributors accounted for approximately 29% and 16% of net revenues, respectively.

In fiscal 2010 and 2009, no distributors generated more than 10% of net revenues; however, Benchmark Electronics (manufacturers for Texas Instruments) comprised 16% and 32% of net revenues in fiscal 2010 and 2009, respectively. In addition, Oncore Electronics (manufacturer for Texas Instruments) comprised 15% and 41% of net revenues in fiscal 2010 and 2009, respectively, and BAE Systems comprised 22% of net revenues in fiscal 2010.

Our distributors are not exclusive and they may also market products competitive with our products. We warrant our products against defects in materials and workmanship for a period of 12 months from the date of shipment. Warranty expenses to date have been nominal.

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International sales are conducted by sales representatives and distributors located throughout Europe and Asia. During fiscal 2010 and 2009, our export sales were approximately 26% and 13% of net revenues, respectively (see Note 7 in "Notes to Financial Statements" contained in Item 8). Our international sales are billed in United States dollars, and therefore, settlements are not directly subject to currency exchange fluctuations. However, changes in the relative value of the dollar may create pricing pressures for our products. Although our international sales are subject to certain export restrictions, including the Export Administration Amendments Act of 1985 and the regulations promulgated thereunder, we have not experienced any material difficulties resulting from these restrictions to date.

### ***Backlog***

As of December 2, 2010 and 2009, our backlog was approximately \$185,900 and \$644,400, respectively. This backlog includes all released purchase orders shippable within the following 12 months, including orders from distributors. Our backlog, although useful for scheduling production, does not represent actual sales and should not be used as a measure of future sales or revenues at any particular time. In accordance with accepted industry practice, all orders on the backlog that are not "last-time buys" of obsolete products are subject to cancellation without penalty at the option of the purchaser at any time prior to shipment. In addition, the backlog does not reflect changes in delivery schedules and price adjustments that may be passed on to distributors or credits for returned products. We produce catalog products that may be shipped from inventory within a short time after receipt of a purchase order. The business for our catalog products, like the businesses of other companies in the semiconductor industry, is characterized by short-term orders and shipment schedules rather than by purchase contracts. Our shipments are generally concentrated toward the end of each quarter, making it difficult to predict our revenues and results of operations for any fiscal period. For these reasons, our backlog as of any particular date is not representative of actual sales for any succeeding period and we believe that our backlog is not a good indicator of future revenues.

### ***Research and Development***

As we have not introduced sufficient new products over the past few years, we view new product development as the most important factor affecting revenue growth; therefore, we continue our commitment to research and development. In addition, we bolster our position with the addition of our multi-chip packaged products, facilitating the integration of our silicon IP with the silicon IP of others to provide packaged solutions to our current and prospective customers. Research and development expenditures were 45% and 38% of net revenues in fiscal 2010 and 2009, respectively. These percentages are affected by the declining revenues. See "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Statements of Operations," contained in Items 6, 7, and 8, respectively.

### ***Competition***

The semiconductor industry is intensely competitive and characterized by rapid technological change and rates of product obsolescence, price erosion, periodic shortage of materials, variations in manufacturing yields and efficiencies, and increasing foreign competition. The industry includes many major domestic and international companies that have substantially greater financial, technical, manufacturing, and marketing resources than LOGIC. We face competition from other manufacturers of high-performance integrated circuits, many of which have advanced technological capabilities and internal wafer production capabilities. Our ability to compete in this rapidly evolving environment depends on elements both in and outside our control. These elements include our ability to develop new products in a timely manner, the cost effectiveness of our manufacturing, the acceptance of new products by customers, the speed at which customers incorporate our products into their systems, the continued access to advanced semiconductor foundries, the number and capabilities of our competitors, and general economic conditions.

### ***Patents and Copyrights***

Because of the rapidly changing technology in the semiconductor industry, we rely primarily upon our design know-how, rather than patents and copyrights, to develop and maintain our competitive position. We attempt to protect our trade secrets and other proprietary information through confidentiality agreements with employees, consultants, suppliers, and customers, but there can be no assurance that those measures will be adequate to protect our interests.

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We are of the opinion that patent and maskwork protection is of less significance in our business than other factors, such as the experience and innovative skill of our personnel and the abilities of our management. There can be no assurance that others will not develop or patent technology similar to our technology, or copy or otherwise duplicate our products. We own five patents awarded by the United States Patent and Trademark Office.

Since others have obtained patents covering various semiconductor designs and processes, certain of our present or future designs or processes may be claimed to infringe upon the patents of third parties. We have previously received, and may in the future receive, claims that one or more aspects or uses of our products infringe on patent or other intellectual property rights of third parties. See Item 3 – “Legal Proceedings.” We do not believe that we infringe upon any known patents at this time. If any such infringements exist or arise in the future, we may be liable for damages and may, like many companies in the semiconductor industry, find it necessary or desirable to obtain licenses relating to one or more of our current or future products. Based on industry practice, we expect that any necessary licenses or rights under patents could be obtained on conditions that would not have a material adverse effect. There can be no assurance, however, that licenses could, in fact, be obtained on commercially reasonable terms, or at all, or that litigation would not occur. Our inability to obtain such licenses on economically reasonable terms or the occurrence of litigation could adversely affect us.

***Employees***

As of September 30, 2010, we had 13 full-time employees. We have been careful to retain employees that are important to maintain our ongoing development efforts. Our ability to attract and retain qualified personnel is an important factor in our continued success. None of our employees are represented by a collective bargaining agreement, and we have never experienced any work stoppage. We believe that our employee relations are good.

***Regulations***

Federal, state, and local regulations impose various environmental controls on the discharge of chemicals and gases in connection with the wafer manufacturing process. Since we rely on third party manufacturers and our activities do not involve utilization of hazardous substances generally associated with semiconductor processing, we believe such regulations are unlikely to have a material affect on our business or operations.

**Item 1A. RISK FACTORS**

Set forth below are some of the risks and uncertainties that, if they were to occur, could materially adversely affect our business or that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report and other public statements we make.

*Our independent auditors have issued a report questioning our ability to continue as a going concern. This report may impair our ability to raise additional financing and adversely affect the price of our common stock.*

We have incurred significant losses and negative operating cash flow in the past and we will likely incur significant losses and negative operating cash flow in the foreseeable future. Continued losses and negative operating cash flow could hamper our operations and prevent us from expanding our business.

Reports of independent auditors questioning a company's ability to continue as a going concern are generally viewed unfavorably by analysts and investors. This report may make it difficult for us to raise additional debt or equity financing necessary to continue our business. Continued losses and negative operating cash flow are also likely to make our capital raising needs more acute while limiting our ability to raise additional financing on favorable terms.

*We are a small company with very limited resources compared to our current and potential competitors and we may not be able to compete effectively in our highly competitive industry.*

The semiconductor industry is highly competitive and many of our direct and indirect competitors and potential competitors have substantially greater financial, technological, manufacturing, and sales resources. If we are unable to compete successfully in this environment, our operating results could be harmed.

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The current level of competition is high and may increase as our market expands. We compete directly with companies that have developed similar products. We also compete indirectly with numerous semiconductor companies that offer products and solutions based on alternative technologies. These direct and indirect competitors are established multinational semiconductor companies, as well as emerging companies. In addition, we may experience additional competition from foreign companies in the future.

*We depend on a limited number of customers for a majority of our sales, making our financial results particularly susceptible to the loss of a key customer.*

We anticipate that the concentration of our sales among a limited number of customers will continue in the future. We do not have long-term purchase commitments from any of our customers. Therefore, these customers could cease purchasing our products with limited notice and with no penalty.

Our dependence on a small number of customers increases the risks associated with the potential loss of customers resulting from business combinations or consolidations. If a customer were acquired or combined with another company, the resulting company could cancel purchase orders as part of the integration process.

*We depend on third parties to fabricate silicon wafers and to assemble and test our products, which exposes us to a risk of production disruption or uncontrolled price changes.*

We do not manufacture silicon wafers. We rely upon one primary wafer supplier, which is the sole source for certain of our products, and three assembly/test subcontractors. These suppliers do not have a contractual obligation or commitment to supply such wafers or services in the future. If the suppliers are unable or unwilling to supply wafers or services, our operating results could be harmed. We may not be able to find sufficient suppliers at a reasonable price or at all if such disruptions occur. As a result of our reliance on third parties, we face significant risks, including:

- reduced control over delivery schedules and quality;
- longer lead times;
- the potential lack of adequate capacity during periods of excess industry demand;
- difficulties selecting and integrating new subcontractors;
- limited warranties on products supplied to us;
- potential increases in prices due to capacity shortages; and
- potential misappropriation of our intellectual property.

If we fail to deliver our products on time or if the costs of our products increase, then our profitability and customer relationships could be harmed.

*Our international operations subject us to risks not present in solely domestic operations.*

Our primary silicon wafer supplier and assembly subcontractors are located outside the United States. Financial difficulties, government actions or restrictions, prolonged work stoppages, or any other difficulties experienced by our suppliers could harm future operating results.

We also have many overseas customers. Our export sales are affected by unique risks frequently associated with foreign economics, including:

- governmental controls and trade restrictions;
- export license requirements and restrictions on the export of technology;
- changes in local economic conditions;
- political instability;
- changes in tax rates, tariffs, or freight rates;
- interruptions in air traffic; and
- difficulties in staffing and managing foreign sales offices.

Significant changes in the economic climate in the foreign countries from which we derive our export sales could harm future operating results.

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*The complex nature of semiconductors makes us highly susceptible to manufacturing problems and these problems could have a negative impact on future operating results.*

Making semiconductors is a highly complex and precise process, requiring production in a tightly controlled, clean environment. Even minute imperfections in its materials, difficulties in the wafer fabrication process, defects in the masks used to print circuits on a wafer or other factors can cause a substantial percentage of wafers to be rejected or numerous chips on each wafer to be nonfunctional. We may experience problems in achieving an acceptable quality and yield rate in the manufacture of wafers. The interruption of wafer fabrication or the failure to achieve acceptable yields could harm future operating results. We may also experience manufacturing problems in our assembly and test operations, and in the introduction of new packaging materials.

*We depend on third parties to deliver our products.*

We rely on independent carriers and freight haulers to transport our products between manufacturing locations and to deliver products to our customers. Any transport or delivery problems because of their errors, or because of unforeseen interruptions, such as strikes, political instability, terrorism, natural disasters and accidents, could harm future operating results.

*Earthquakes, other natural disasters, and power shortages may damage our business.*

Our California facility and some of our suppliers are located near earthquake faults that have experienced major earthquakes in the past. In the event of a major earthquake or other natural disaster near our facility or a sustained loss of power at our facility, our operations could be harmed. Similarly, a major earthquake or other natural disaster near one or more of our suppliers could disrupt the operations of these suppliers, which could limit the supply of our products and harm our business.

*We maintain high levels of inventory that decrease our liquidity and substantially increase the risk of write-offs.*

We have historically maintained and expect to continue to maintain high levels of inventory of processed silicon wafers, packaging materials, and finished goods. For some product types, we must purchase all of our anticipated inventory needs for the life of the product in a short period of time. We commit capital to maintain these high inventory levels, which prevents us from using that capital for other purposes, such as research and development, and requires us to utilize more capital than might otherwise be required. Our high inventory levels also heighten the risk of inventory obsolescence and write-offs. Further, we may forecast demand incorrectly and produce insufficient inventory, resulting in supply shortages.

*We currently have no bank credit facility and must rely solely upon existing cash reserves and funds from existing operations to finance future operations.*

We rely upon cash reserves and available-for-sale securities to fund our operations. If these resources should be insufficient, we would be forced to obtain additional funding through debt or equity financing. If we are able to obtain debt financing, which is not assured, the terms of such financing are unknown, since we do not presently have a credit facility, and may be unfavorable to us. Similarly, there can be no assurance that we would be able to sell capital stock on favorable terms or at all and any such sales may adversely affect our existing shareholders.

*Our operating success depends upon our ability to develop new products and access new technologies.*

The semiconductor industry is a dynamic environment marked by rapid product obsolescence. Our future success depends on our ability to introduce new or improved products that meet critical customer needs, while achieving acceptable profit margins. If we fail to introduce these new products in a timely manner or these products fail to achieve market acceptance, operating results would be harmed. The introduction of new products in a dynamic market environment presents significant business challenges. Product development commitments and expenditures must be made well in advance of product sales, while the success of new products depends on accurate forecasts of long-term market demand and future technology developments.

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Future revenue growth is dependent on market acceptance of new products and the continued market acceptance of existing products. The success of these products is dependent on a variety of specific technical factors, including:

- successful product definition;
- timely and efficient completion of product design;
- timely design into customers' future products and maintenance of close working relationships with customers;
- timely and efficient access to wafer manufacturing and assembly processes; and
- product performance, quality and reliability.

If, due to these or other factors, new products do not achieve market acceptance, our operating results would be harmed. Furthermore, to develop new products and maintain the competitiveness of existing products, we need to migrate to more advanced wafer manufacturing processes that use larger wafer sizes and smaller geometries.

*The loss of key personnel or failure to hire and retain additional qualified personnel could impair our ability to develop and market our products.*

Our future success greatly depends on the ability to attract and retain highly qualified technical and management personnel. As a small company, we are particularly dependent on a relatively small group of employees. Competition for skilled technical and management employees is intense in the semiconductor industry. As a result, we may be unable to retain our existing key technical and management employees, or attract additional qualified personnel, which could harm operating results. We do not have employment agreements with any of our employees.

*Our failure to protect our proprietary rights, or the costs of protecting these rights, may harm our ability to compete.*

We own several patents but rely primarily on our design know-how and continued access to advanced wafer process technology to develop and maintain our competitive position. We attempt to protect our trade secrets and other proprietary information through confidentiality agreements with employees, consultants, suppliers and customers. However, competitors may develop, patent or gain access to similar know-how and technology, or reverse engineer our products. Our inability to adequately protect these proprietary rights could result in our competitors offering similar products, potentially causing us to lose a competitive advantage and leading to decreased revenue. We may not obtain an adequate remedy in the event our confidentiality agreements are breached or any remedy if our trade secrets are independently developed by others. Despite our efforts to protect our proprietary rights, existing intellectual property laws afford only limited protection, especially under the laws of some foreign countries. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation could result in substantial costs and diversion of resources.

*We could be harmed by litigation involving patents and other intellectual property rights.*

As a general matter, the semiconductor and related industries are characterized by substantial litigation regarding patent and other intellectual property rights. We have been and in the future may be accused of infringing the intellectual property rights of third parties. Furthermore, we may have certain indemnification obligations to customers with respect to the infringement of third-party intellectual property rights by our products. Infringement claims by third parties or claims for indemnification by customers or end-users of our products resulting from infringement claims may be asserted in the future and such assertions, if proven to be true, may harm our business.

Any litigation relating to the intellectual property rights of third parties, whether or not determined in our favor or settled by us, could be costly and could divert the efforts and attention of management and engineering personnel. In the event of any adverse ruling in any such litigation, we could be required to pay substantial damages, cease the manufacturing, use and sale of infringing products, discontinue the use of certain processes or obtain a license under the intellectual property rights of the third party claiming infringement. A license might not be available on reasonable terms, if at all.

*The price of our common stock may continue to be volatile and our trading volume may continue to be relatively low.*

The market price of our common stock has fluctuated significantly to date. In the future, the market price of the common stock could be subject to significant fluctuations due to general market conditions and in response to quarter-to-quarter variations in:

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- our anticipated or actual operating results;
- announcements or introductions of new products;
- technological innovations or setbacks by us or our competitors;
- conditions in the semiconductor markets;
- the commencement of litigation; and
- general economic and market conditions.

Item 1B. UNRESOLVED STAFF COMMENTS

This items is not applicable as we are not an accelerated filer as defined in Exchange Act Rule 12b-2.

Item 2. PROPERTIES

Our executive offices, as well as our inventories and research and development facilities, are located in approximately 17,200 square feet, in Sunnyvale, California, with a lease expiring August 31, 2014. We believe our facilities will be adequate to meet our reasonably foreseeable needs and, if necessary, alternative facilities will be available on acceptable terms, so as to meet our requirements.

Item 3. LEGAL PROCEEDINGS

From time to time, we receive demands from various parties asserting patent or other claims in the ordinary course of business. These demands are often not based on any specific knowledge of our products or operations. Because of the uncertainties inherent in litigation, the outcome of any such claim, including simply the cost of a successful defense against such a claim, could have a material adverse impact on us.

Item 4. REMOVED AND RESERVED

**PART II**

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock trades under the ticker symbol, LOGC, on The Nasdaq Capital Market. The following tables sets forth, for the period indicated, the high and low closing sales prices for our Common Stock, as reported by Nasdaq during the following calendar quarters:

<u>Calendar Year</u>	<u>High</u>	<u>Low</u>
2008		
Fourth quarter	\$1.01	\$0.53
2009		
First quarter	\$0.69	\$0.41
Second quarter	\$0.61	\$0.41
Third quarter	\$1.10	\$0.44
Fourth quarter	\$2.65	\$0.90
2010		
First quarter	\$1.94	\$1.19
Second quarter	\$1.55	\$1.00
Third quarter	\$1.34	\$0.49

*Holder*s

As of December 7, 2010, there were approximately 1,500 holders of record of our Common Stock.

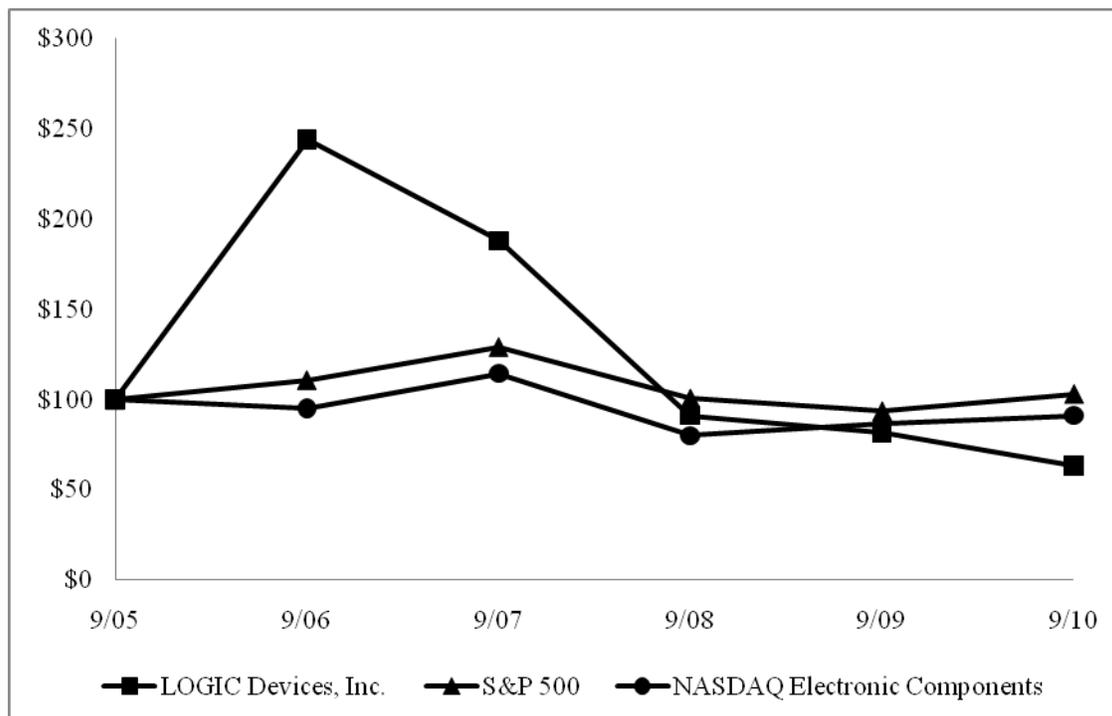
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*Dividends*

We have not paid any dividends on our Common Stock since our incorporation.

*Performance Graph*

The following graph, which is furnished rather than filed, compares the five-year cumulative total return on our Common Stock to the total returns on the S&P 500 Index and the NASDAQ Electronic Components Stock Index. This comparison assumes, in each case, that \$100 was invested on or about September 30, 2005 and all dividends were reinvested. Our fiscal year ends on September 30 each year.



\* \$100 invested on 09/30/05 in stock or index – including reinvestment of dividends.

*Securities Authorized for Issuance Under Equity Compensation Plans*

The following table sets forth the position of our equity compensation plans as of September 30, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
Equity compensation plans approved by security holders	363,500	\$1.246	1,070,000
Equity compensation plans not approved by security holders	—		—
Total	363,500	\$1.246	1,070,000

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including those identified in "Item 1A – Risk Factors" of this Annual Report on Form 10-K. We undertake no obligation to revise or update these forward-looking statements to reflect events or circumstances after the date of this report.

### ***Overview***

LOGIC Devices Incorporated develops and markets high-speed digital integrated circuits that perform high-density storage and signal/image processing functions. Our products enable high definition video display, transport, editing, composition, and special effects. We also provide solutions for digital filtering in television broadcast stations and image enhancement in medical diagnostic scanning and imaging equipment.

Our products are used in the broadcast, medical, military and consumer electronics markets. Our products address storage and digital signal processing (DSP) requirements that involve high-performance arithmetic computation. We focus on developing proprietary catalog products to address specific functional application needs or performance levels that are not otherwise commercially available. We seek to provide related groups of circuits that original equipment manufacturers (OEMs) incorporate into high-performance electronic systems.

### ***Liquidity and Capital Resources***

Our operations used net cash of \$476,700, despite having a net loss of \$1,084,500 for fiscal 2010. Non-cash expenses, such as depreciation (\$296,400) and stock option vesting (\$49,600) affected the net loss, but not our cash position. The collection of accounts receivable produced \$182,700 and the sale of existing inventories produced \$114,100. We used \$53,100 of cash to pay down accrued expenses. During the year, we used \$421,600 and \$351,500 for capital expenditures (mainly mask and production tooling) and for capitalized test software, respectively. Lastly, we received \$250,000 from the private placement of common stock shares to our president.

Despite having a net loss of \$811,300, our operations produced net cash of \$261,300 for fiscal 2009. We wrote-off \$406,700 of inventories and \$49,400 of property and equipment no longer in use, all of which increased our net loss but did not affect cash flows from operations. The collection of accounts receivable produced \$298,900 and the reduction of prepaid expenses produced \$67,100 of net cash, respectively. During fiscal 2009, we also liquidated all \$975,000 of our auction rate securities (ARS), paid down the bank borrowings of \$975,000 based on those ARS, and made capital expenditures of \$310,300.

### ***Working Capital***

Our investment in inventories has been significant and will continue to be significant in the future. However, during the past few years, we have been able to reduce our levels of inventories as we shift from more competitive second source products to proprietary sole source products. We seek to further streamline our inventories as we continue to shift to sole source proprietary products.

We rely on third party suppliers for our raw materials, particularly our processed wafers, for which we currently rely primarily on two suppliers, and as a result, maintain substantial inventory levels to protect against disruption in supplies. We have periodically experienced disruptions in obtaining wafers. As we continue to shift towards higher margin proprietary products, we expect to be able to reduce inventory levels by streamlining our product offerings.

Periodically, we review inventory to determine recoverability of items on-hand using the lower-of-cost-or-market (LOCOM) and excess methods. We group and evaluate our products based on their underlying die or wafer type (our raw materials, silicon wafers, can generally be used to make multiple products), to determine the total quantity on-hand and average unit costs. Management uses judgment in comparing historical sales quantities to the quantity on-hand at the end of the fiscal year. If the quantity on-hand exceeds the sales quantities, we provide a valuation allowance for the potentially obsolete or slow-moving items. For the LOCOM analysis, we compare the average historical sales price to the average unit cost of

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inventories at the end of the fiscal year. If the average unit cost exceeds the average sales price, we provide a valuation allowance.

With continuing low revenue levels, management felt it necessary to also review our raw materials and work-in-process. Our products generally exhibit an active sales product life cycle of ten or more years. However, due to rapid changes in process technology, we are generally unable to obtain wafers for our products for as long a period as their life cycles. As a result, early in a product's life, we are often required to estimate the sales expectations for the entire life cycle and purchase materials upfront. On some occasions, our expectations become lower and we provide a reserve for potential excess materials. In fiscal 2009, we wrote down inventory of \$406,700. In fiscal 2008, we wrote down inventory against our inventory valuation allowance of \$1,573,700 and additional inventory totaling \$2,059,300. We did not write down any inventory during fiscal 2010 and believe our current inventory valuation provides a reasonable estimate of the recoverability of inventories at the end of fiscal 2010.

Although current levels of inventory impact our liquidity, we believe that this is a less costly alternative to owning a wafer fabrication facility or continuously redesigning our products to newer process technologies, which would divert limited engineering resources from new product development. We continue to evaluate alternative suppliers to diversify our risk of supply disruption. However, this requires a significant investment in product development to tool masks with new suppliers. Such efforts compete for our limited product development resources. We seek to achieve on-going reductions in inventory, although there can be no assurance we will be successful. In the event economic conditions remain slow, we may consider identifying additional portions of inventory to write-off at a future date.

Historically, due to customer order scheduling, up to 60% of our quarterly revenues were often shipped in the last month of the quarter, so a large portion of the shipments included in year-end accounts receivable were not yet due per our net 30-day terms. This results in year-end accounts receivable balances being at their highest point for the respective period.

#### *Financing*

Our cost reductions over the past few years have allowed us to generate enough cash from operations to fund current operations and future capital expenditures. As we have multiple new products being introduced, our capital requirements have increased substantially. Cash on-hand and cash from operations may not be sufficient to meet these increased demands.

As such, our continuance of operations may depend on raising additional working capital, and on the increase of revenues from new product introductions. Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is currently negotiating with several parties to provide debt and equity financing sufficient to finance corporate operations and provide working capital for the next twelve months. Although there is no assurance that management's plans will be realized, management believes that the Company will be able to continue operations in the future.

#### *Contractual Obligations*

Our only contractual obligation is our facility operating lease. The following table summarizes the future fixed payments under this lease as of September 30, 2010. Payment timing may be subject to change.

	Payments due by period:			
	Total	Within 1 year	1-3 years	After 3 years
Building	\$987,900	\$239,700	\$748,200	—

#### *Off-Balance Sheet Arrangements*

We have no off-balance sheet arrangements.

## **Results of Operations**

### *Comparison of Fiscal Years Ended September 30, 2010 and 2009*

Net revenues for fiscal 2010 decreased 27 percent from \$3,013,200 in fiscal 2009 to \$2,193,300. This decrease was the result of the digital cinema project declining in fiscal 2010, while military purchases partially offset the decrease.

Cost of revenues for fiscal 2010 decreased 13 percent from \$1,268,800 in fiscal 2009 to \$1,110,000. This decrease is due to the decline in net revenues; however, the cost of revenues did not decrease as much as the net revenues due to certain fixed costs.

Research and development (R&D) expenses decreased 14 percent from \$1,159,300 in fiscal 2009 to \$997,700 in fiscal 2010. This decrease is the result of further salary and staffing cuts. However, as a percent of net revenues, R&D expenses actually increased in fiscal 2010 compared to fiscal 2009. This is mainly due to the decline in net revenues. During fiscal 2010, we capitalized development costs for test software aggregating \$351,500, which reduced our R&D expenses.

Selling, general and administrative expenses decreased 13 percent from \$1,399,800 in fiscal 2009 to \$1,211,600 in fiscal 2010. These reductions are due to salary cuts and reductions of other operating costs where possible.

Other income for fiscal 2010 consisted of the receipt of unclaimed property from the State of California aggregating \$44,200.

For fiscal 2010, the decreases in expenses did not offset the decrease in net revenues, resulting in 34 percent increase to our net loss from \$811,300 in fiscal 2009 to \$1,084,500.

### *Comparison of Fiscal Years Ended September 30, 2009 and 2008*

Net revenues for fiscal 2009 decreased 10 percent from \$3,352,100 in fiscal 2008 to \$3,013,200. This decrease was the result of fewer military purchases during fiscal 2009 compared to fiscal 2008, while the digital cinema project actually increased during fiscal 2009.

Cost of revenues for fiscal 2009 decreased 70 percent from \$4,196,600 in fiscal 2008 to \$1,268,800, mainly the result of fiscal 2008 including a write-down of \$2,059,300 in inventories compared to \$406,700 in fiscal 2009. Sales of products previously written down to zero were 18 percent of revenues in fiscal 2009 compared to 27 percent in fiscal 2008.

Research and development expenses decreased 26 percent from \$1,563,400 in fiscal 2008 to \$1,159,300 in fiscal 2009, mainly the result of reduced work weeks for certain employees, salary cuts made in January 2009, and staffing cuts made at the end of fiscal 2008.

Selling, general and administrative expenses decreased six percent from \$1,483,200 in fiscal 2008 to \$1,399,800 in fiscal 2009. This decrease was primarily the result of reduced work weeks and other cost cuts made during fiscal 2009.

Interest income decreased 82 percent from \$56,700 in fiscal 2008 to \$10,300 in fiscal 2009, mainly the result of less cash being held with lower interest rates in fiscal 2009. Other expense consists of \$4,100 of property and equipment no longer in use and \$1,900 of interest expense.

As a result of fewer inventory write-downs and increased cost cutting during fiscal 2009, our net loss decreased from \$3,965,000 in fiscal 2008 to \$811,300 in fiscal 2009.

## **Critical Accounting Policies**

Management's discussion and analysis of our financial condition and the results of operations are based upon the financial statements included in this report and the data used to prepare them. The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America and we are required to make judgments, estimates, and assumptions in the course of such preparation. The Summary of Accounting Policies included with the financial statements describes the significant accounting policies and methods used in the preparation of the financial statements. On an ongoing basis, we reevaluate our judgments, estimates, and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, and valuation of long-lived assets. We base our

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judgments and estimates on historical experience, knowledge of current conditions, and our beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. The following are the critical accounting policies we believe are affected by significant judgments, estimates, and assumptions used in the preparation of the financial statements.

### *Revenue Recognition*

Revenue is generally recognized upon shipment of product. Sales to distributors are made pursuant to agreements that provide the distributors certain rights of return and price protection on unsold merchandise. Revenues from such sales are recognized upon shipment, with a provision for estimated returns and allowances recorded at that time, if applicable. While distributors are allowed to return items for stock rotation, they are required to place an order of equal or greater value at the same time. As the Company historically does not have material returns, there is no allowance for returns recorded. Because the Company does not change its pricing of products more than once a year, there have not been any pricing issues in the past several years; therefore, there is no allowance for price protection recorded.

### *Allowance for Doubtful Accounts*

We establish a general allowance for doubtful accounts based on analyzing historical bad debts, specific customer creditworthiness, and current economic conditions. Historically, we have not experienced significant losses related to receivables.

### *Inventories*

We write down our inventories for lower of cost or market reserves, aged inventory reserves, and obsolescence reserves. As a result of production requirements and constraints, we are often required to estimate the sales expectations for the entire life cycle of a product (which can be ten or more years) and purchase materials upfront. If actual product demand or selling prices are less favorable than estimated, additional inventory write-downs may be required in the future. Conversely, if demand increases for product types that have been fully reserved, future margins may be higher.

### *Capitalized Software Costs*

Internal test computer software development costs are capitalized as incurred during the application development stage. The capitalized software costs are classified as other assets and are amortized on a straight-line basis over the shorter of the related expected product life cycle or five years, with amortization beginning when production parts are in process.

### *Long-Lived Assets*

Long-lived assets, including property and equipment, goodwill, and other intangible assets, are assessed for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, or whenever management has committed to a plan to dispose of the assets. Such assets are carried at the lower of book value or fair value as estimated by management based on appraisals, current market value, and comparable sales value, as appropriate. Assets to be held and used affected by such impairment loss are depreciated or amortized at their new carrying amounts over the remaining estimated life; assets to be sold or otherwise disposed of are not subject to further depreciation or amortization. In determining whether an impairment exists, we use undiscounted future cash flows without interest charges compared to the carrying value of the assets.

### *Deferred Income Taxes*

Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits are subject to a valuation allowance when we are unable to conclude that our deferred income tax assets will more likely than not be realized from the results of operations. We have recorded a valuation allowance to reflect the estimated amount of deferred income tax assets that may not be realized. The ultimate realization of deferred income tax assets is dependent upon generation of future

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taxable income during the periods in which those temporary differences become deductible. We consider projected future taxable income and tax planning strategies in making this assessment.

Based on the historical taxable income and projections for future taxable income over the periods in which the deferred tax assets become deductible, management believes it more likely than not that we will not realize benefits of these deductible differences as of September 30, 2010. Accordingly, we have established a valuation allowance against our net deferred income tax assets as of September 30, 2010.

*Impact of New Financial Accounting Standards*

In January 2010, the Financial Accounting Standards Board issued amended standards that require additional fair value disclosures. These disclosure requirements are effective in two phases. In the first quarter of 2010, we adopted the requirements for disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers. Beginning in the first quarter of 2011, these amended standards will require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3). These amended standards do not affect our statements of operations or balance sheets.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company conducts all of its transactions, including those with foreign suppliers and customers, in U.S. dollars. It is therefore not directly subject to the risks of foreign currency fluctuations and does not hedge or otherwise deal in currency instruments in an attempt to minimize such risks. Demand from foreign customers and the ability or willingness of foreign suppliers to perform their obligations to the Company may be affected by the relative change in value of such customer or supplier's domestic currency to the value of the U.S. dollar. Furthermore, changes in the relative value of the U.S. dollar may change the price of the Company's prices relative to the prices of its foreign competitors.

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**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

***Index to Financial Statements and Financial Statement Schedules***

***FINANCIAL STATEMENTS:***

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<a href="#"><u>Balance Sheets, September 30, 2010 and 2009</u></a>	19
<a href="#"><u>Statements of Operations, fiscal years ended September 30, 2010 and 2009</u></a>	20
<a href="#"><u>Statement of Shareholders' Equity, fiscal years ended September 30, 2010 and 2009</u></a>	21
<a href="#"><u>Statements of Cash Flows, fiscal years ended September 30, 2010 and 2009</u></a>	22
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Shareholders and Board of Directors  
LOGIC Devices Incorporated  
Sunnyvale, California

We have audited the accompanying balance sheets of LOGIC Devices Incorporated as of September 30, 2010 and 2009, and the related statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LOGIC Devices Incorporated as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the Summary of Accounting Policies to the financial statements, the Company has suffered recurring losses from operations and requires additional funds to maintain its operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in the Summary of Accounting Policies to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ **Hein & Associates** LLP

Irvine, California  
December 23, 2010

**LOGIC Devices Incorporated****Balance Sheets**

September 30,  
2010

September 30,  
2009

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 241,600	\$1,238,400
Accounts receivable	176,600	359,300
Inventories	963,600	1,077,700
Prepaid expenses and other current assets	63,700	69,700
Total current assets	1,445,500	2,745,100

Property and equipment, net	941,600	816,400
Capitalized software, net	351,500	–
Other assets, net	22,100	22,100
	\$2,760,700	\$3,583,600

**LIABILITIES AND SHAREHOLDERS' EQUITY**

## Current liabilities:

Accounts payable	\$ 85,400	\$ 81,200
Accrued payroll, vacation and bonuses	132,100	122,900
Accrued commissions	13,300	20,100
Other accrued expenses	–	55,500
Total current liabilities	230,800	279,700

Deferred rent	50,600	42,700
Total liabilities	281,400	322,400

## Commitments and contingencies (Note 4)

## Shareholders' equity:

Preferred stock, no par value; 1,000,000 shares authorized; 5,000 designated as Series A, 0 shares issued and outstanding	–	–
70,000 designated as Series B, 0 shares issued and outstanding	–	–
Common stock, no par value; 10,000,000 shares authorized; 7,176,581 and 6,814,438 shares issued and outstanding, respectively	18,796,200	18,543,200
Additional paid-in capital	211,700	162,100
Accumulated deficit	(16,528,600)	(15,444,100)
Total shareholders' equity	2,479,300	3,261,200
	\$2,760,700	\$3,583,600

*See accompanying Summary of Accounting Policies and Notes to Financial Statements.*

**LOGIC Devices Incorporated****Statements of Operations***For fiscal years ended September 30,*

	<u>2010</u>	<u>2009</u>
Net revenues	\$2,193,300	\$3,013,200
Cost of revenues	<u>1,110,000</u>	<u>1,268,800</u>
Gross margin	<u>1,083,300</u>	<u>1,744,400</u>
Operating expenses:		
Research and development	997,700	1,159,300
Selling, general and administrative	<u>1,211,500</u>	<u>1,399,800</u>
Total operating expenses	<u>2,209,200</u>	<u>2,559,100</u>
Operating loss	<u>(1,125,900)</u>	<u>(814,700)</u>
Other (income) expense, net:		
Interest income	(100)	(10,300)
Other (income) expense, net	<u>(44,200)</u>	<u>6,000</u>
Total other (income) expense, net	<u>(44,300)</u>	<u>(4,300)</u>
Loss before provision for income taxes	(1,081,600)	(810,400)
Provision for income taxes	<u>2,900</u>	<u>900</u>
Net loss	<u><u>\$(1,084,500)</u></u>	<u><u>\$ (811,300)</u></u>
Basic loss per common share	<u><u>\$(0.16)</u></u>	<u><u>\$(0.12)</u></u>
Basic weighted average common shares outstanding	<u><u>6,816,521</u></u>	<u><u>6,814,438</u></u>

*See accompanying Summary of Accounting Policies and Notes to Financial Statements.*

**LOGIC Devices Incorporated**

**Statement of Shareholders' Equity**

	<i>Common Stock</i>		<i>Additional Paid-In Capital</i>	<i>Other Comprehensive Loss</i>	<i>Accumulated Deficit</i>	<i>Total</i>
	<i>Shares</i>	<i>Amount</i>				
Balances, September 30, 2008	6,814,438	\$18,543,200	\$155,600	\$(30,600)	\$(14,632,800)	\$4,035,400
Grants of director common stock options	–	–	6,500	–	–	6,500
Unrealized gain on available-for-sale securities	–	–	–	30,600	–	30,600
Net loss	–	–	–	–	(811,300)	(811,300)
Balances, September 30, 2009	6,814,438	18,543,200	162,100	–	(15,444,100)	3,261,200
Grants of director common stock options	–	–	38,100	–	–	38,100
Exercise of employee common stock options	5,000	3,000	–	–	–	3,000
Vesting of employee common stock options	–	–	11,500	–	–	11,500
Private placement of common stock	357,143	250,000	–	–	–	250,000
Net loss	–	–	–	–	(1,084,500)	(1,084,500)
Balances, September 30, 2010	<u>7,176,581</u>	<u>\$18,796,200</u>	<u>\$211,700</u>	<u>\$ –</u>	<u>\$(16,528,600)</u>	<u>\$2,479,300</u>

*See accompanying Summary of Accounting Policies and Notes to Financial Statements.*

**LOGIC Devices Incorporated**

**Statements of Cash Flows**

*For fiscal years ended September 30,*

*2010*

*2009*

	<i>2010</i>	<i>2009</i>
Cash flows from operating activities:		
Net loss	\$(1,084,500)	\$ (811,300)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	296,400	322,300
Vesting of common stock options	49,600	6,500
Write-down of inventory	–	406,700
Loss on disposal of capital equipment	–	49,400
Deferred rent	7,900	16,200
Change in operating assets and liabilities:		
Accounts receivable	182,700	298,900
Inventories	114,100	(59,700)
Prepaid expenses and other current assets	6,000	67,100
Accounts payable	4,200	(75,100)
Accrued payroll and vacation	9,200	(3,300)
Accrued commissions	(6,800)	4,100
Other accrued expenses	(55,500)	39,500
Net cash (used in) provided by operating activities	<u>(476,700)</u>	<u>261,300</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	–	–
Sales of available-for-sale securities	–	975,000
Capital expenditures	(421,600)	(310,300)
Capitalized test software	(351,500)	–
Net cash provided by (used in) investing activities	<u>(773,100)</u>	<u>664,700</u>
Cash flows from financing activities:		
Proceeds of bank borrowings	–	975,000
Repayment of bank borrowings	–	(975,000)
Proceeds of common stock private placement	250,000	–
Exercise of employee stock options	3,000	–
Net cash provided by financing activities	<u>253,000</u>	<u>–</u>
Net (decrease) increase in cash and cash equivalents	(996,800)	926,000
Cash and cash equivalents, beginning	<u>1,238,400</u>	<u>312,400</u>
Cash and cash equivalents, ending	<u>\$ 241,600</u>	<u>\$1,238,400</u>

*See accompanying Summary of Accounting Policies and Notes to Financial Statements.*

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*The Company and Nature of Business*

LOGIC Devices Incorporated (the Company) develops and markets high-performance integrated circuits. The Company's products include chips that are used in digital communications, broadcast and medical imaging processing applications, instrumentation, and smart weapons systems. The Company markets its products worldwide, such that 71 percent of the Company's net revenues in fiscal 2010 were derived from original equipment manufacturers, while sales through distributors accounted for approximately 29 percent of net revenues. Approximately 74 percent of the Company's fiscal 2010 net revenues were from domestic sales and approximately 26 percent from foreign sales.

*Basis of Presentation*

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. This contemplates that assets will be realized and liabilities and commitments satisfied in the normal course of business. We have incurred operating losses in the past four years and require additional funds to maintain our operations. The Company's continuance of operations is contingent on raising additional working capital, and on the increase of revenues from new product introductions. Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is currently negotiating with several parties to provide debt and equity financing sufficient to finance corporate operations and provide working capital for the next twelve months. Although there is no assurance that management's plans will be realized, management believes that the Company will be able to continue operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue operating as a going concern.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Fair Value of Financial Instruments*

The carrying amounts of cash and cash equivalents, available-for-sale securities, accounts receivable, and accounts payable approximate fair value because of the short maturity of these items.

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

*Accounts Receivable*

The Company establishes a general allowance for doubtful accounts based on its analysis of historical bad debts, specific customer creditworthiness, and current economic conditions. Historically, the Company has not experienced significant losses related to receivables. At September 30, 2010 and 2009, the Company determined that no allowance for doubtful accounts was necessary.

*Inventories*

Inventories of raw materials, work-in-process, and finished goods are stated at the lower of cost (first-in, first-out) or market. Cost includes the purchase price of parts, assembly costs, and overhead.

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*Property and Equipment*

Property and equipment are stated at cost. Depreciation on equipment is calculated on the straight-line method over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements and assets held under capital lease are amortized on a straight-line basis over the shorter of the lease terms or the estimated lives of the assets. Certain tooling costs are capitalized by the Company and are amortized on a straight-line basis over the shorter of the related product life cycle or five years. Upon disposition, the cost and related accumulated depreciation or accumulated amortization is removed from the accounts and the resulting gain or loss is reflected in income for the period.

*Capitalized Software Costs*

Internal test computer software development costs are capitalized as incurred during the application development stage. The capitalized software costs are classified as other assets and are amortized on a straight-line basis over the shorter of the related expected product life cycle or five years, with amortization beginning when production parts are in process.

*Revenue Recognition*

Revenue is generally recognized upon shipment of product. Sales to distributors are made pursuant to agreements that provide the distributors certain rights of return and price protection on unsold merchandise. Revenues from such sales are recognized upon shipment, with a provision for estimated returns and allowances recorded at that time, if applicable. While distributors are allowed to return items for stock rotation, they are required to place an order of equal or greater value at the same time. As the Company historically does not have material returns, there is no allowance for returns recorded. Because the Company does not change its pricing of products more than once a year, there have not been any pricing issues in the past several years; therefore, there is no allowance for price protection recorded.

*Research and Development Costs*

Research and development costs are expensed to operations as incurred.

*Shipping and Handling Costs*

Shipping and handling costs are expensed to cost of revenues as incurred.

*Income Taxes*

Deferred income tax assets and liabilities are recognized based on the temporary differences between the financial statement and income tax basis of assets, liabilities, and net operating loss and tax credit carryforwards using enacted tax rates. Valuation allowances are established for deferred tax assets to the extent of the likelihood that the deferred tax assets may not be realized.

*Income (Loss) Per Common Share*

Basic income (loss) per share is calculated by dividing net income or loss by the weighted average common shares outstanding during the period. Diluted income (loss) per share reflects the net incremental shares that would be issued if dilutive outstanding stock options were exercised, using the treasury stock method. In the case of a net loss, no incremental shares would be issued because they are antidilutive. Stock options with exercise prices above the average market price during the period are also antidilutive.

There were 363,500 and 310,500 common stock options outstanding at September 30, 2010 and 2009, respectively. These options were not considered in calculating diluted net loss per common share as their effect would have been antidilutive. As a result, for fiscal 2010, and 2009, the Company's basic and diluted net loss per common share is the same.

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*Long-lived Assets*

Long-lived assets, including property and equipment and intangible assets, are assessed for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, or whenever management has committed to a plan to dispose of the assets. Such assets are carried at the lower of book value or fair value as estimated by management based on appraisals, current market value, and comparable sales value, as appropriate. Assets to be held and used affected by such impairment loss are depreciated or amortized at their new carrying amounts over the remaining estimated lives; assets to be sold or otherwise disposed of are not subject to further depreciation or amortization. In determining whether an impairment exists, the Company uses undiscounted future cash flows without interest charges compared to the carrying value of the assets.

*Share-based Payments*

The Company issues common stock options to its employees, certain consultants, and certain of its board members. The Company measures the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which services are provided in exchange for the award, known as the requisite service period (usually the vesting period).

In calculating compensation related to stock option grants, the fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted average assumptions:

	<u>2010</u>	<u>2009</u>
Dividend yield	None	None
Expected volatility	133.3%	148.2%
Expected forfeiture rate	32%	10%
Risk-free interest rate	1.3%	1.5%
Expected term (years)	4.0	4.0

The computation of expected volatility used in the Black-Scholes option-pricing model is based on the historical volatility of our share price. The expected term is estimated based on a review of historical exercise behavior with respect to option grants.

*Segment Reporting*

The Company is organized in a single operating segment for purposes of making operating decisions and assessing performance. The president (the chief operating decision maker) evaluates performance, makes operating decisions, and allocates resources based on financial data consistent with the presentation in the accompanying financial statements.

*Impact of New Financial Accounting Pronouncements*

In January 2010, the Financial Accounting Standards Board issued amended standards that require additional fair value disclosures. These disclosure requirements are effective in two phases. In the first quarter of 2010, we adopted the requirements for disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers. Beginning in the first quarter of 2011, these amended standards will require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3). These amended standards do not affect our statements of operations or balance sheets.

[Table of Contents](#)**1. Inventories**

A summary of inventories follows:

	<i>September 30,</i> <i>2010</i>	<i>September 30,</i> <i>2009</i>
Raw materials	\$ 92,100	\$ 38,700
Work-in-process	181,300	194,800
Finished goods	690,200	844,200
	<u>\$ 963,600</u>	<u>\$1,077,700</u>

**2. Property and Equipment**

A summary of property and equipment follows:

	<i>September 30,</i> <i>2010</i>	<i>September 30,</i> <i>2009</i>
Equipment	\$1,208,300	\$1,187,500
Tooling costs	934,200	535,800
Leasehold improvements	197,200	194,700
	<u>2,339,700</u>	<u>1,918,000</u>
Less accumulated depreciation	1,398,000	1,101,600
	<u>\$ 941,700</u>	<u>\$ 816,400</u>

Depreciation expense for fiscal 2010 and 2009 was \$296,400 and \$322,300, respectively.

**3. Capitalized Software**

During fiscal 2010, the Company capitalized test software development costs totaling \$351,500 for products that are in the application development stage. There was no amortization expense related to capitalized software during fiscal 2010 and 2009. There was no capitalization of test software development costs in fiscal 2009.

**4. Share-Based Compensation**

The Company issues options to purchase common stock to its employees, certain consultants, and certain of its board members. Options are generally granted with an exercise price equal to the closing market value of a common share at the date of grant, have five- to ten-year terms and typically vest over periods ranging from immediately to three years from the date of grant. There are 1,070,000 authorized shares remaining for granting of future options.

The estimated fair value of equity-based awards, less expected forfeitures, is amortized over the awards' vesting period on a straight-line basis. Share-based compensation expense recognized in the statements of operations for fiscal years ended September 30, 2010 and 2009 related to common stock options was \$49,600 (\$0.73 per share) and \$6,500 (\$0.12 per share), respectively. The Company did not record income tax benefits related to the equity-based compensation expense as deferred tax assets are fully offset by a valuation allowance.

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A summary of nonvested shares at September 30, 2010 and changes during the fiscal year then ended follows:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested shares at October 1, 2009	33,750	\$0.60
Granted	90,000	\$1.38
Vested	(67,500)	\$1.31
Forfeited/Expired	—	—
Nonvested shares at September 30, 2010	<u>56,250</u>	\$1.01

A summary of changes in common stock options outstanding under the equity-based compensation plans for the fiscal years ended September 30, 2009 and 2008 follows:

	<u>Common Stock Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at September 30, 2008	337,500	\$1.595	2.57	\$ —
Granted	90,000	\$0.53		
Exercised	—	—		
Forfeited/Expired	<u>(73,000)</u>	\$1.958		
Outstanding at September 30, 2009	354,500	\$1.250	3.38	\$32,400
Granted	90,000	\$1.376		
Exercised	(5,000)	\$0.60		\$3,000
Forfeited/Expired	<u>(76,000)</u>	\$1.458		
Outstanding at September 30, 2010	<u>363,500</u>	<u>\$1.246</u>	3.97	\$13,900
Exercisable at September 30, 2010	<u>307,250</u>	<u>\$1.293</u>	3.06	\$11,900
Exercisable at September 30, 2009	<u>320,750</u>	<u>\$1.318</u>	2.71	\$22,600

The weighted average fair value of options granted during the fiscal years ended September 30, 2010 and 2009 was \$1.03 and \$0.29, respectively. As September 30, 2010, there was \$31,100 of total unrecognized compensation cost related to nonvested options granted under the plans. That cost is expected to be recognized over the next three years. The total fair value of options vested during the fiscal years ended September 30, 2010 and 2009 was \$49,600 and \$6,500, respectively.

[Table of Contents](#)**5. Shareholders' Equity and Related Party Transaction**

On September 29, 2010, the Company raised \$250,000 from the private placement of 357,143 shares of Common Stock to the Company's president.

**6. Commitments and Contingencies***Leases*

The Company leases its facilities under an operating lease, which requires the Company to pay certain maintenance and operating expenses, such as taxes, insurance, and utilities. Rent expense under the various leases was \$239,300 for fiscal 2010 and 2009.

A summary of future minimum payments required under non-cancelable operating leases with terms in excess of one year, follows:

	<u>Amount</u>
<i>Fiscal years ending:</i>	
September 30, 2011	\$239,700
September 30, 2012	248,100
September 30, 2013	257,300
Thereafter	<u>242,800</u>
	<u>\$987,900</u>

*Contingencies*

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the Company.

**7. Provisions for Income Taxes**

The provision for income taxes for fiscal 2010 and 2009 includes a current state expense of \$2,900 and \$900, respectively. The following summarizes the difference between the income tax expense and the amount computed by applying the Federal income tax rate of 34 percent in fiscal 2010 and 2009, to the loss before taxes:

	<u>2010</u>	<u>2009</u>
Federal income tax benefit at statutory rate	\$(367,700)	\$(275,500)
Tax credit carryforwards originated in current year	(46,400)	(33,000)
State tax benefit, net of federal tax benefit	(60,400)	(46,800)
Adjustment of prior year net operating loss carryforwards before valuation allowance	2,600	10,700
Valuation allowance	474,800	341,200
Other, net	<u>–</u>	<u>4,300</u>
	<u>\$2,900</u>	<u>\$900</u>

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Deferred tax assets and liabilities comprise the following:

	<i>September 30,</i> <i>2010</i>	<i>September 30,</i> <i>2009</i>
	<u>                    </u>	<u>                    </u>
Deferred tax assets:		
Net operating loss carryforwards	\$8,783,000	\$8,416,200
Tax credit carryforwards	735,300	634,900
	<u>                    </u>	<u>                    </u>
Gross deferred tax assets	9,518,300	9,051,100
Deferred tax liabilities:		
State tax benefit	(618,300)	(581,300)
Other	(21,000)	(41,300)
	<u>                    </u>	<u>                    </u>
Net deferred tax assets	8,879,000	8,428,500
Valuation allowance	(8,879,000)	(8,428,500)
	<u>                    </u>	<u>                    </u>
Net deferred taxes	<u>                    </u> \$ –	<u>                    </u> \$ –

The valuation allowance increased \$450,500 from fiscal 2009 to fiscal 2010. This was the result of an increase in the net deferred tax assets, primarily net operating loss carryforwards (NOLs), partially offset by the increase in the state tax benefit liability. Because the Company's management is unable to determine whether it is more likely than not that the net deferred tax assets will be realized, the Company continues to record a 100 percent valuation against the net deferred tax assets.

As of September 30, 2010, the Company has Federal and State NOLs totaling approximately \$21,687,400 and \$15,942,400, respectively, available to offset future taxable income. These NOLs expire at various times through 2029 and 2019, respectively. The Company also has Federal and State research and development credit carryforwards totaling approximately \$277,000 and \$114,700, respectively, expiring at various times through 2029. The Company has state manufacturing tax credit carryforwards totaling approximately \$289,600, which expire at various times through 2012.

Utilization of the Company's net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration or elimination of the net operating loss and tax credit carryforwards before utilization.

We adopted authoritative guidance related to accounting for uncertain tax positions on October 1, 2007. As of the date of adoption, the Company had no unrecognized income tax benefits. Should the Company incur interest and penalties relating to tax uncertainties, such amounts would be classified as a component of interest expense and operating expense, respectively.

At September 30, 2010, the Company no increase or decrease in unrecognized income tax benefits for the fiscal year and there was no accrued interest or penalties relating to tax uncertainties at September 30, 2010. Unrecognized income tax benefits are not expected to increase or decrease within the next 12 months.

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The Company is subject to income tax in the U.S. federal and California and New Hampshire state jurisdictions. The years still open to audit for the U.S. federal and New Hampshire state jurisdiction are 2007 through 2009 and for the California state jurisdiction are 2006 through 2009. However, because the Company has net operating losses and credits carried forward in both these jurisdictions, certain items attributable to closed tax years are still subject to adjustment by applicable taxing authorities through an adjustment to tax attributes carried forward to open years.

## 8. Major Customers, Major Suppliers, and Export Sales

### *Major Customers and Suppliers*

For fiscal 2010, three customers account for approximately 22, 16, and 15 percent of net revenues. The 22 percent customer had no outstanding accounts receivable as of September 30, 2010, while the 16 and 15 percent customers had accounts receivable of \$22,100 and \$17,500, respectively. For fiscal 2009, two customers account for approximately 41 and 32 percent of net revenues, with accounts receivable of \$159,400 and \$142,000 as of September 30, 2009, respectively.

For fiscal 2010, three suppliers comprised 10 or more percent of the total inventory purchases (48, 24, and 12 percent). For fiscal 2009, three suppliers comprised 10 or more percent of the total inventory purchases (49, 21, and 14 percent).

### *Export Sales*

The following table summarizes export sales information:

	<u>2010</u>	<u>2009</u>
Western Europe	\$325,600	\$225,000
Far East	240,700	180,800
Other	—	—
	<u>\$566,300</u>	<u>\$405,800</u>

In fiscal 2010 and 2009, no one country accounted for more than 10 percent of net revenues.

## 9. Use of Estimates and Concentrations of Credit Risks

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. These estimates are impacted, in part, by the following risks and uncertainties:

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents and trade receivables. The Company places its cash and cash equivalents and available-for-sale securities with high quality financial institutions, and, by policy, limits the amounts of credit exposure to any one financial institution as much as practicable.

A large portion of the Company's accounts receivable have historically been derived from one major class of customer (foreign distributors) with the remainder being spread across many other customers in various electronic industries. The Company believes any risk of accounting loss is significantly reduced due to the diversity of its products, end-customers, and geographic sales areas. The Company performs credit evaluations of its customers' financial condition whenever necessary. The Company generally does not require cash collateral or other security to support customer receivables.

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The Company currently is dependent on one primary supplier as its wafer-processing source. If this supply was to be interrupted or the terms were to become unfavorable to the Company, this could have a material adverse impact on the Company's operations.

The Company produces inventory based on orders received and forecasted demand. The Company must order wafers and build inventory well in advance of product shipments. Due to the Company's reliance upon a limited number of suppliers, high levels of inventory are also maintained to protect against a disruption in supply. Because the Company's markets are volatile and subject to rapid technology and price changes, there is a risk that the Company will forecast incorrectly and produce excess or insufficient inventories of particular products. This inventory risk is heightened because many of the Company's customers place orders with short lead times. Demand will differ from forecasts and such differences may have a material effect on actual operations.

**10. Statements of Cash Flows**

During fiscal 2009, we paid \$1,900 for interest, while there was no interest paid during fiscal 2010. In fiscal 2010 and 2009, the Company paid \$2,900 and \$900 for income taxes, respectively. There were no non-cash investing and financing activities during fiscal 2010 and 2009.

**11. 401(k) Savings Plan**

The Company adopted a 401(k) Savings Plan (the Plan) in September 2005. Employees are able to make voluntary contributions and the Company has the discretion to make matching contributions. The Plan covers all employees meeting certain age and service requirements. The Company funds expenses incurred in connection with the Plan. The Company made no matching contributions in fiscal 2010 and 2009.

**12. Subsequent Events**

On November 9, 2010, the Company raised \$50,000 from the private placement of 62,500 shares of Common Stock to the Company's Chairman of the Board. On December 6, 2010, the Company raised \$50,000 from the private placement of 83,333 shares of Common Stock to the Company's president. On December 9, 2010, the Company raised \$50,000 from the private placement of 75,758 shares of Common Stock to the Company's Chairman of the Board.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

*(a) Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as defined in Rule 13a15(e) and 15d-15(e) under the Securities Exchange Act of 1934) designed to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures, and that such information is recorded, processed, summarized, and reporting within the time periods specified in Securities and Exchange Commission rules and forms. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2010.

*(b) Management's Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2010. In making this assessment, management used the criteria set forth in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As a result of its assessment of internal control over financial reporting, management has concluded that, as of September 30, 2010, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

*(c) Changes in Internal Control Over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. OTHER INFORMATION**

Not applicable.

**PART III**

**Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

Information required by this Item is incorporated by reference from our proxy statement for our 2011 Annual Meeting, expected to be filed with the SEC no later than January 28, 2011.

**Item 11. EXECUTIVE COMPENSATION**

Information required by this Item is incorporated by reference from our proxy statement for our 2011 Annual Meeting, expected to be filed with the SEC no later than January 28, 2011.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS.**

Information required by this Item is incorporated by reference from our proxy statement for our 2011 Annual Meeting, expected to be filed with the SEC no later than January 28, 2011.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Information required by this Item is incorporated by reference from our proxy statement for our 2011 Annual Meeting, expected to be filed with the SEC no later than January 28, 2011.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information required by this Item is incorporated by reference from our proxy statement for our 2011 Annual Meeting, expected to be filed with the SEC no later than January 28, 2011.

**PART IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

- (A) The following documents are filed as part of this report:
- (1) Our Financial Statements, Summary of Accounting Policies, and Notes to Financial Statements appear at pages 18 to 31 of this report; see Index to Financial Statements at page 17 of this report.
  - (2) Our Index to Exhibits appears at page 35 of this report.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, thereunto duly authorized.

LOGIC DEVICES INCORPORATED

Dated: December 23, 2010

By: /s/ William J. Volz  
William J. Volz, President and  
Principal Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Dated
<u>/s/ William J. Volz</u> William J. Volz	President and Director (Principal Executive Officer)	December 23, 2010
<u>/s/ Kimiko Milheim</u> Kimiko Milheim	Chief Financial Officer (Principal Financial and Accounting Officer)	December 23, 2010
<u>/s/ Howard L. Farkas</u> Howard L. Farkas	Chairman of the Board of Directors	December 23, 2010
<u>/s/ James T. Hooper</u> James T. Hooper	Director	December 23, 2010
<u>/s/ Hal Shoemaker</u> Hal Shoemaker	Director	December 23, 2010
<u>/s/ Robert Stanley</u> Robert Stanley	Director	December 23, 2010

## INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Incorporation, as amended. [3.1] (1)
3.2	Bylaws, as amended. [3.2] (2)
10.1	Real estate lease regarding our Sunnyvale, CA facilities. [99.1] (3)
10.2	Amended and Restated LOGIC Devices Incorporated 1998 Director Stock Incentive Plan, as amended. [10.2] (4)
10.3	LOGIC Devices Incorporated 2007 Employee Stock Incentive Plan. [10.3] (4)
10.4	Registration Rights Agreement dated October 3, 1998 between William J. Volz, BRT Partnership, and Registrant. [10.19] (5)
10.5	Stock Purchase Agreement dated September 29, 2010 between William J. Volz and Registrant.
10.6	Registration Rights Agreement dated September 29, 2010 between William J. Volz and Registrant.
23.1	Consent letter of Hein & Associates LLP.
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

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[ ] Exhibits so marked have been previously filed with the Securities Exchange Commission (SEC) as exhibits to the filings shown below under the exhibit numbers indicated following the respective document description and are incorporated herein by reference.

- (1) Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004, as filed with the SEC on January 26, 2005.
- (2) Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2007, as filed with the SEC on May 15, 2007.
- (3) Current Report on Form 8-K, as filed with the SEC on August 7, 2007.
- (4) Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008, as filed with the SEC on May 6, 2008.
- (5) Annual Report on Form 10-K for the transition period January 1, 1998 to October 3, 1999, as filed with the SEC on January 13, 1999.

**Exhibit 10.5**

**STOCK PURCHASE AGREEMENT**

This STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of September 29, 2010, by and between LOGIC Devices Incorporated, a California corporation, (the "Company"), and William Volz, a California resident, (the "Purchaser").

RECITALS:

- A. The Company desires to obtain an infusion of additional capital to fund new product development and introductions.
- B. The Company desires to obtain such infusion of additional capital through the sale of shares of common stock, no par value per share ("Common Stock"), of the Company on the terms and conditions hereinafter set forth.
- C. The Purchaser desires to purchase shares of Common Stock each in an aggregate amount of \$250,000 on the terms and conditions hereinafter set forth.

AGREEMENTS:

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I  
PURCHASE AND SALE

1.1 AGREEMENT TO PURCHASE AND SELL SHARES. Subject to the terms and conditions of this Agreement, at the Closing (as herein defined), the Company shall sell and issue to the Purchaser, 357,143 shares of Common Stock (the shares of Common Stock purchased by the Purchaser, the "Purchased Shares") for an aggregate purchase price of \$250,000.00 and a per share purchase price of \$0.70 (such amount being equal to the Nasdaq Capital Market closing transaction price of the Common Stock on the date hereof).

1.2 MANNER OF DELIVERY OF SHARES AND PAYMENT THEREFOR. At the Closing, the Company shall deliver to the Purchaser a certificate representing 357,143 shares of Common Stock registered in the name of such Purchaser. The \$250,000 purchase price paid by the Purchaser shall be paid by check, wire transfer of immediately available funds, or other method acceptable to the Company.

1.3 CLOSING. The closing (the "Closing") of the sale and purchase of the shares of Common Stock pursuant to this Agreement shall take place at the offices of the Company on September 29, 2010 (the "Closing Date") or at such earlier date or other place as are mutually agreeable to the Company and the Purchaser. Notwithstanding the preceding sentence, the Closing shall not occur unless the conditions set forth in Article IV have been satisfied or waived.

ARTICLE II  
ACKNOWLEDGEMENTS OF THE PURCHASER

The Purchaser acknowledges the following:

2.1 NO REGISTRATION. The shares of Common Stock offered hereby have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, and are being offered and sold in reliance on exemptions from the registration requirements of the Securities Act and state securities laws. The shares of Common Stock offered hereby have not been approved or disapproved by the

Securities and Exchange Commission or the securities regulatory agency of any state, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering. The shares of Common Stock offered hereby may not be sold, transferred, or otherwise disposed of except in compliance with applicable securities laws and other laws governing the offer and sale of such shares.

2.2 RESTRICTIONS, INFORMATION. Purchaser agrees that he will not sell or otherwise transfer the Purchaser's Purchased Shares unless they are registered or exempt from registration under the Securities Act. It is understood that all documents, records, and books pertaining to this investment have been made available for inspection by the Purchaser.

2.3 ECONOMIC RISK. Because the Purchased Shares have not been registered under the Securities Act, or certain applicable state securities laws, the economic risk of the investment must be borne by the Purchaser and the Purchased Shares cannot be sold unless subsequently registered under the Securities Act and such state securities laws, or unless an exemption from such registration is available. In the case of any transfer of any Purchased Shares other than pursuant to a registration statement, the Purchaser agrees to furnish an opinion of counsel customary for opinions of such kind to the Company to the effect that a proposed transfer complies with applicable federal and state laws.

### ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Purchaser as follows:

- A. The execution, delivery, and performance of this Agreement have been duly authorized by all necessary corporate action. The Company has the full right, power and authority to execute, deliver, and consummate this Agreement and the transactions provided for herein, without the consent or approval of, notice to, or registration with any person, association, entity, or governmental authority other than the Nasdaq Stock Market, Inc., and, assuming the due and valid execution of this Agreement by the Purchaser, this Agreement represents the valid and binding obligation of the Company, enforceable against the Company and effective in accordance with its terms.
- B. The execution, delivery, performance, and consummation of this Agreement and the transactions provided for herein do not and will not violate: (i) any contract, agreement, or other commitment to which the Company is a party, or by which the Company is bound; (ii) the Company's Articles of Incorporation or bylaws, or (iii) any order, writ, injunction, decree, statute, ordinance, rule, or regulation applicable to the Company.
- C. The issuance of the Purchased Shares has been duly authorized by all necessary corporate action. The Purchased Shares, when issued and delivered to Purchaser, shall be validly issued, fully paid and nonassessable, and shall be free and clear of all options, proxies, voting trusts, voting agreements, judgments, pledges, charges, escrows, rights of first refusal or first offer, mortgages, indentures, claims, transfer restrictions, liens, equities, security interests, and other encumbrances of every kind and nature whatsoever, whether arising by operation of law or otherwise.
- D. The Company is a Company duly existing under the laws of the State of California, and has the full power and authority to own its property and conduct its business as presently conducted by it and is in good standing and duly qualified in each jurisdiction where, because of the nature of its respective activities or properties, such qualification is required.

3.2. REPRESENTATIONS AND WARRANTIES OF PURCHASER. The Purchaser hereby represents and warrants to the Company as follows:

- A. The Purchaser has the full right, power, and authority to execute, deliver, and consummate this Agreement and the transactions provided for herein, without the consent or approval of, notice to, or registration with any person, association, entity, or governmental authority other than the Nasdaq Stock Market, Inc., and, assuming the due and valid execution of this Agreement by the Company, this Agreement represents the valid and binding obligation of the Purchaser, enforceable against the Purchaser and effective in accordance with its terms.
- B. The execution, delivery, performance, and consummation of this Agreement and the transactions provided for herein do not and will not violate: (i) any contract, agreement, or other commitment to which the Purchaser is a party, or by which the Purchaser is bound or (ii) any order, writ, injunction, decree, statute, ordinance, rule, or regulation applicable to the Purchaser.
- C. The Purchaser has the financial ability to bear the economic risk of the Purchaser's investment in the Purchased Shares and has no need for liquidity in this investment in the Purchased Shares.
- D. The Purchaser is an accredited investor as that term is defined in Rule 501 promulgated under the Securities Act.
- E. The Purchaser has the requisite knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Purchased Shares.
- F. The Purchaser has evaluated and understands the risks and terms of investing the Purchased Shares.
- G. The Purchaser is acquiring the Purchased Shares for his account for investment purposes only.

#### ARTICLE IV CONDITIONS TO CLOSING

The obligations of the Company and of the Purchaser under this Agreement are subject to the fulfillment or waiver of the Company (in the case of the conditions of the Company) or by such Purchaser (in the case of the conditions of such Purchaser) of all of the following conditions prior to the Closing Date:

4.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES. Each representation or warranty of the Company (in the case of the Purchaser) or of the Purchaser (in the case of the Company) contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representation and warranty had been made on and as of that date.

4.2 EXECUTION OF REGISTRATION RIGHTS AGREEMENT. A registration rights agreement, with terms mutually satisfactory to the Company and the Purchaser, dated as of the Closing Date, shall have been executed and delivered by the Company and the Purchaser.

#### ARTICLE V POST-CLOSING COVENANT

The Company shall apply for and take all other actions necessary to cause the listing of the Purchased Shares for quotation and trading on the Capital Market System of the Nasdaq Stock Market, Inc. promptly following the Closing unless such Purchased Shares have been so listed on or prior to the Closing Date.

#### ARTICLE VI STOCK CERTIFICATE LEGEND

In addition to any other legends required by Agreement or required by law, each stock certificate issued pursuant to this Agreement shall bear the following legends in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE LAW, AND SUCH SHARES MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS: (A) THEY ARE REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE LAW; OR (B) SUCH SALE OR TRANSFER IS EXEMPT FROM SUCH REGISTRATION AND THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL CUSTOMARY FOR OPINIONS OF SUCH KIND TO THE EFFECT THAT SUCH SALE OR TRANSFER IS SO EXEMPT.

ARTICLE VII  
MISCELLANEOUS

7.1 PRINCIPALS OF CONSTRUCTION. In this Agreement, unless otherwise stated or the context otherwise requires, the following usages apply: (a) headings are inserted for convenience of reference only and are not a part of, nor shall they affect any construction or interpretation of this Agreement; (b) all references to articles, sections, schedules, and exhibits are to articles, sections, schedules, and exhibits in or to this Agreement unless otherwise specified; (c) references to a statute shall refer to the statute and any successor statute, and to all regulations promulgated under or implementing the statute or successor, as in effect at the relevant time; (d) references to a governmental or quasi-governmental agency, authority, or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority, or instrumentality; (e) "including" means "including, but not limited to"; and (f) unless the context requires otherwise, all words used in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular and all words in any gender shall extend to and includes all genders.

7.2 NOTICES. All notices or other communications that are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by confirmed facsimile or email, sent by reputable overnight courier, or sent by registered or certified mail, postage prepaid, return receipt requested, addressed, in the case of the Purchaser, to the address for such Purchaser set forth in the books and records of the Company and, in the case of the Company, to the attention of the Chief Financial Officer at the address of the executive offices of the Company set forth in the most recent filing of the Company under the Securities Exchange Act of 1934, as amended. Any such communication shall be deemed to have been given when delivered if delivered personally or by confirmed facsimile or email, on the first business day after dispatch if sent by reputable overnight courier, and on the third business day after posting if sent by certified mail.

7.3 MODIFICATION. Neither this Agreement nor any provisions hereof shall be waived, modified, discharged, or terminated except by an instrument in writing signed by the party against whom any such waiver, modification, discharge, or termination is sought.

7.4 ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and there are no representations, covenants, or other agreements except as stated or referred to herein.

7.5 SEVERABILITY. Each provision of this Agreement is intended to be severable from every other provision, and the invalidity or illegality of any portion hereof shall not affect the validity or legality of the remainder hereto.

7.6 ASSIGNABILITY. This Agreement is not transferrable or assignable by any of the parties hereto.

7.7 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

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7.8 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:  
LOGIC DEVICES INCORPORATED  
A California Corporation

By: \_\_\_\_\_  
Kimiko Milheim  
Chief Financial Officer

PURCHASER:  
\_\_\_\_\_  
William J. Volz

**Exhibit 10.6**

**REGISTRATION RIGHTS AGREEMENT**

THIS REGISTRATION RIGHTS AGREEMENT is made as of September 29, 2010, by and between LOGIC Devices Incorporated, a California corporation, (the “Company”), and William J. Volz, a California resident (collectively, the “Holder”).

RECITALS:

- A. The Company and the Holder have entered into a Stock Purchase Agreement dated as of September 29, 2010 (the “Purchase Agreement”) pursuant to which the Company has agreed to sell, and the Holder has agreed to purchase (the “Purchase”) in the aggregate, 357,143 shares of the common stock, no par value per share (“Common Stock”), of the Company on the terms and conditions set forth in the Purchase Agreement.
- B. It is a condition to the consummation of the Purchase that the Company and the Holder execute and deliver a registration rights agreement with terms mutually satisfactory to the Company and the Holder.

AGREEMENTS:

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEMAND REGISTRATIONS

1.1 REQUESTS FOR REGISTRATION. Subject to the terms of this Agreement, the Holder (or any assignee or transferee of a number of Registrable Securities equal to the number of Registrable Securities owned by the Holder on the date hereof) may, at any time after the date hereof and prior to the ten-year anniversary of the date hereof, request registration under the Securities Act of 1933, as amended (the “Securities Act”) of all or part of their Registrable Securities. Within 10 days after receipt of any such request, the Company will give written notice of such request to all other holders of the Registrable Securities and will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company’s notice. All registrations requested pursuant to this Section 1.1 are referred to herein as “Demand Registrations.”

1.2 NUMBER OF DEMAND REGISTRATIONS. The Holder will be entitled to request one Demand Registration pursuant to which the Registrable Securities shall be registered and in which the Company will pay all Registration Expenses. A registration will not count as the Demand Registration (i) until it has become effective (unless such Demand Registration has not become effective due solely to the fault of the holder requesting such registration) and (ii) unless the holder of the Registrable Securities requested to be included in such registration (unless such holder is not so able to register such amount of the Registrable Securities due solely to the fault of such holder) are included; provided, however, that in any event the Company will pay all Registration Expenses in connection with any registration initiated as a Demand Registration subject to this Section 1.2.

1.3 TYPE OF DEMAND REGISTRATION. A Demand Registration will be Short-Form Registration whenever any applicable form can be utilized. Otherwise, the Demand Registration will be a Long-Form Registration. As long as the Company remains subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”), the Company will use its best efforts to make Short-Form Registrations available for the sale of Registrable Securities.

1.4 PRIORITY ON DEMAND REGISTRATIONS. The Company will not include in any Demand Registration any securities that are not Registrable Securities without the written consent of the holders of a majority of the Registrable Securities. If other securities are permitted to be included in a Demand Registration that is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and other securities requested to be included exceeds the number of Registrable Securities and other securities that can be sold in such offering, the Company will include in such registration, prior to the inclusion of any securities that are not Registrable Securities, the number of Registrable Securities requested to be included that in the opinion of such underwriters can be sold, pro rata among the respective holders on the basis of the amount of Registrable Securities so requested to be included therein.

1.5 SELECTION OF UNDERWRITERS. The holders of a majority of the Registrable Securities included in any Demand Registration will have the right to select the investment banker(s) and manager(s) to administer the offering and may, in their discretion, elect not to have the Demand Registration underwritten.

1.6 OTHER REGISTRATION RIGHTS. Except as provided in this Agreement, prior to a Demand Registration satisfying the requirements of Sections 1.1 and 1.2 hereof, the Company will not grant to any person or entity the right to request the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities, without the written consent of the holders of a majority of the Registrable Securities.

1.7 TIMING OF DEMAND REGISTRATION. The holders of the Registrable Securities shall use their respective best efforts, to cooperate with the Company in timing the effectiveness of a Demand Registration so as to (i) allow the Company to utilize the financial statements that it otherwise is required to prepare due to the Company being subject to the reporting requirements of the Securities Exchange Act and (ii) minimize the necessity of having audited financial statements prepared sooner after the end of its fiscal year than would be required under the Securities Exchange Act or for periods other than its fiscal year unless the effectiveness of the Demand Registration is delayed beyond the reasonable expectations of the Company and the holders of the Registrable Securities and through no fault of such holders.

## ARTICLE II PIGGYBACK REGISTRATIONS

2.1 RIGHT TO PIGGYBACK. Whenever the Company proposes to register any of its securities under the Securities Act, other than pursuant to a Demand Registration hereunder, and the registration form to be used may, under the Securities Act, be used for the registration of any Registrable Securities (a “Piggyback Registration”), the Company will give prompt written notice to all holders of the Registrable Securities for which the registration form may be used of its intention to effect such a registration and will include in such registration all Registrable Securities (in accordance with the priorities set forth in Sections 2.3 and 2.4 below) with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company’s notice.

2.2 PIGGYBACK EXPENSES. The Registration Expenses of the holders of Registrable Securities will be paid by the Company in all Piggyback Registrations.

2.3 PRIORITY ON PRIMARY REGISTRATIONS. If a Piggyback Registration is an underwritten primary registration on behalf of the Company and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number that can be sold in such offering, the Company will include in such registration, (i) first, the securities that the Company proposes to sell and (ii) second, the Registrable Securities requested to be included in such registration and other securities requested to be included in such registration pro rata among the holders of the Registrable Securities and the other securities on the basis of the number of securities so requested to be included therein.

2.4 PRIORITY ON SECONDARY REGISTRATIONS. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number that can be sold in such offering, the Company will include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration and the Registrable Securities requested to be included in such registration, pro rata among the holders requesting registration and the holders of Registrable Securities on the basis of the number of securities so requested to be included therein, and (ii) second, the other securities requested to be included in such registration.

2.5 SELECTION OF UNDERWRITERS. If any Piggyback Registration is an underwritten offering, the selection of investment banker(s) and manager(s) for the offering will be in the discretion of the Company.

2.6 OTHER REGISTRATIONS. If the Company has previously filed a registration statement with respect to Registrable Securities pursuant to Article I or pursuant to this Article II, and if such previous registration has not been withdrawn or abandoned, the Company will not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-8 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least six months has elapsed from the effective date of such previous registration except with respect to any Demand Registration that is made during such six-month period that includes Registrable Shares that the holders thereof requested to be included in any Piggyback Registration.

### ARTICLE III ADDITIONAL AGREEMENTS AND REPRESENTATIONS

3.1 COMPANY HOLDBACK AGREEMENT. The Company agrees (i) not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during a period not to exceed seven days prior to and 90 days following the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration (except as part of such underwritten registration or pursuant to registrations on Form S-8 or any successor form), if the underwriters managing the registered public offering so request, and (ii) to cause each holder of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, purchased from the Company (other than in a registered public offering) to agree not to effect any public sale or distribution of any such securities during such period (except as part of such underwritten registration, if otherwise permitted, or except as permitted in Section 3.1), unless the underwriters managing the registered public offering otherwise agree.

3.2 HOLDER REGULATION M RESTRICTIONS. Each holder of Registrable Securities agrees not to effect any public sale or distribution of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, unless such sale or distribution complies with Regulation M (or any similar provision then in force) under the Securities Exchange Act.

3.3 COMPANY REGULATION M RESTRICTIONS. The Company agrees not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities unless such sale or distribution complies with Regulation M (or any similar provision then in force) under the Securities Exchange Act.

3.4 BEST EFFORTS. Whenever the holders of Registrable Securities have requested that any Registrable Securities will be registered pursuant to this Agreement, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto, the Company will as expeditiously as possible.

#### ARTICLE IV REGISTRATION PROCEDURES

Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto, the Company will as expeditiously as possible:

- A. Prepare and file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective (provided that, before filing a registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to the counsel or counsels of the holders of the Registrable Securities covered by such registration statement copies of all such documents proposed to be filed);
- B. Prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than six months and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;
- C. Furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;
- D. Use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller of Registrable Securities reasonably requests and do any and all other acts and things that may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of Registrable Securities owned by such seller (provided that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction);
- E. Notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

- F. Cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed, if any;
- G. Provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;
- H. Enter into such customary agreements (including underwriting agreements, if any, in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split or a combination of shares); and
- I. Make available for inspection during normal business hours by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant, or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate document and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent in connection with such registration statement.

#### ARTICLE V REGISTRATION EXPENSES

5.1 RESPONSIBILITY OF COMPANY. All expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, and fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding discounts and commissions) and other person or entity retained by the Company (all such expenses being herein called "Registration Expenses") will be borne by the Company. The Company will also pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed.

5.2 FEES OF COUNSEL. In connection with each Demand Registration, the Company will reimburse the holders of Registrable Securities covered by such registration for the reasonable fees and disbursements of one counsel chosen by the holders of a majority of such Registrable Securities.

#### ARTICLE VI INDEMNIFICATION

6.1 COMPANY OBLIGATIONS. The Company agrees to indemnify, to the extent permitted by law, each holder of Registrable Securities, its trustees, beneficiaries, officers, and directors and each person or entity who controls such holder (within the meaning of the Securities Act) against all losses, claims, damages, liabilities, and expenses caused by any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus, or preliminary prospectus, or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such holder expressly for use therein or which such holder failed to provide after being so requested or by such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same or which is otherwise attributable of the negligence or willful misconduct of such holder. In connection with an underwritten offering,

the Company will indemnify such underwriters, their officers and directors, and each person or entity who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

6.2 **HOLDER OBLIGATIONS.** In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder will furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, will indemnify the Company, its directors and officers, each person or entity who controls the Company (within the meaning of the Securities Act), against any losses, claims, damages, liabilities, and expenses resulting from any untrue or alleged untrue statement of material fact contained or required to be contained in the registration statement, prospectus or preliminary prospectus, or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained or required to be contained in any information or affidavit so furnished or required to be furnished in writing by such holder; provided that the obligation to indemnify will be individual and independent, not joint or several, among such holders of Registrable Securities and the liability of each such holder of Registrable Securities will be in proportion to and limited to the net amount received by such holder from the sale of Registrable Securities pursuant to such registration statement.

6.3 **NOTICE.** Any person or entity entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim, with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party will not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

6.4 **MISCELLANEOUS.** The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director, or controlling person or entity of such indemnified party and will survive the transfer of securities. The Company also agrees to make such provisions, as are reasonably requested by any indemnified party, for contribution to such party in the event the Company's indemnification is unavailable for any reason.

6.5 **CONTRIBUTION.** To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Article VI to the fullest extent permitted by law; provided, however, that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Article VI, (ii) no person guilty of fraudulent misrepresentation (within the meaning of the Section 11(f) of the Securities Act) shall be entitled to any contribution from any party hereto who was not guilty of such fraudulent misrepresentation, and (iii) contribution (together with any indemnification or other obligations under this Agreement) by any holder of Registrable Securities shall be in proportion to and limited to the net amount received by such holder from the sale of Registrable Securities pursuant to the applicable registration statement (and each holder's contribution obligations shall be individual and independent and not joint and several).

ARTICLE VII  
CURRENT PUBLIC INFORMATION

At all times after the Company has filed a registration statement with the Securities and Exchange Commission pursuant to the requirements of either the Securities Act or the Securities Exchange Act and such registration statement has been declared effective, the Company will file all reports required to be filed by it under the Securities Act and the Securities Exchange Act and the rules and regulations adopted by the Securities and Exchange Commission thereunder, and will take such further action as any holder or holders of Registrable Securities may reasonably request, all to the extent required to enable such holders to sell Registrable Securities pursuant to (i) Rule 144 adopted by the Securities and Exchange Commission under the Securities Act (as such rule may be amended from time to time) or any similar rule or regulation hereafter adopted by the Securities and Exchange Commission or (ii) a registration statement on Form S-2, Form S-3, or any similar registration statement form hereafter adopted by the Securities and Exchange Commission. Upon request, the Company will deliver to such holders of Registrable Securities a written statement as to whether it has complied with such requirements.

ARTICLE VIII  
DEFINITIONS

8.1 REGISTRABLE SECURITIES. The term “Registrable Securities” means (i) any of the Company’s Common Stock issued and sold to the Holder pursuant to the Purchase Agreement, and (ii) any Common Stock issued or issuable with respect to the securities referred to in clause (i) whether or not by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation, or other reorganization. As to any particular Registrable Securities, such securities will cease to be Registrable Securities when they have (a) been effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them, (b) been sold to the public in accordance with Rule 144 (or any similar provision then in force) under the Securities Act, or (c) been otherwise transferred and new certificates for them not bearing a Securities Act restrictive legend have been delivered by the Company. Whenever any particular securities cease to be Registrable Securities, the holder thereof will be entitled to receive from the Company, without expense, new certificates representing such Registrable Securities not bearing a restrictive legend as set forth in the Purchase Agreement.

8.2 The term “Long-Form Registration” means a registration under the Securities Act on Form S-1 or any similar form.

8.3 The term “Short-Form Registration” means a registration under the Securities Act of Form S-2, Form S-3, or any similar form.

ARTICLE IX  
MISCELLANEOUS

9.1 PRINCIPLES OF CONSTRUCTION. In this Agreement, unless otherwise stated or the context otherwise requires, the following usages apply: (a) headings are inserted for convenience of reference only and are not a part of, nor shall they affect any construction or interpretation of this Agreement; (b) all references to articles, sections, schedules, and exhibits are to articles, sections, schedules, and exhibits in or to this Agreement unless otherwise specified; (c) references to a statute shall refer to the statute and any successor statute, and to all regulations promulgated under or implementing the statute or successor, as in effect at the relevant time; (d) references to a governmental or quasi-governmental agency, authority, or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority, instrumentality; (e) “including” means

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“including, but not limited to”; and (f) unless the context requires otherwise, all words used in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular and all words in any gender shall extend to and include all genders.

9.2 NO INCONSISTENT AGREEMENTS. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement.

9.3 ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES. The Company will not take any action or permit any change to occur with respect to its securities which would materially and adversely affect the ability of the holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement or which would materially and adversely affect the marketability of such Registrable Securities in any such registration (including, without limitation, effecting a stock split or a combination of shares).

9.4 SUCCESSORS AND ASSIGNS. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of purchasers or holders of Registrable Securities are also for the benefit of, and enforceable by, any subsequent holder of Registrable Securities. This Agreement is not transferrable or assignable by the Company.

9.5 TERM. This Agreement shall terminate on the date that all securities that are Registrable Securities have ceased to be Registrable Securities pursuant to Section 8.1 hereof.

9.6 NOTICES. All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by confirmed facsimile or email, sent by reputable overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed, in the case of the Holder, to the address for such Holder set forth in the books and records of the Company and, in the case of the Company, to the attention of the Chief Financial Officer at the address of the executive offices of the Company set forth in the most recent filing of the Company under the Securities Exchange Act. Any such communication shall be deemed to have been given when delivered if delivered personally or by confirmed facsimile or email, on the first business day after dispatch if sent by reputable overnight courier and on the third business day after posting if sent by certified mail.

9.7 MODIFICATION. Neither this Agreement nor any provisions hereof shall be waived, modified, discharged, or terminated except by an instrument in writing signed by the party against whom any such waiver, modification, discharge, or termination is sought.

9.8 ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and there are no representations, covenants, or other agreements except as stated or referred to herein.

9.9 SEVERABILITY. Each provision of this Agreement is intended to be severable from every other provision, and the invalidity or illegality of any portion hereof shall not affect the validity or legality of the remainder hereof.

9.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

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9.11 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:  
LOGIC DEVICES INCORPORATED  
A California Corporation

By: \_\_\_\_\_  
Kimiko Milheim  
Chief Financial Officer

PURCHASER:  
\_\_\_\_\_  
William J. Volz

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-109261 and No. 333-32819 on Form S-8 of LOGIC Devices Incorporated and Registration Statement No 333-16591 on Form S-3 of LOGIC Devices Incorporated of our report dated December 23, 2010, relating to our audit of the financial statements, which appear in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K of LOGIC Devices Incorporated for the year ended September 30, 2010.

/s/ Hein & Associates LLP

Irvine, CA  
December 23, 2010

## EXHIBIT 31.1

### Certification

I, William J. Volz, certify that:

1. I have reviewed this annual report on Form 10-K of LOGIC Devices Incorporated (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 23, 2010

/s/ William J. Volz  
William J. Volz  
President and Chief Executive Officer

## EXHIBIT 31.2

### Certification

I, Kimiko Milheim, certify that:

1. I have reviewed this annual report on Form 10-K of LOGIC Devices Incorporated (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 23, 2010

/s/ Kimiko Milheim  
Kimiko Milheim  
Chief Financial Officer

**EXHIBIT 32.1**

**Certifications of  
Chief Executive Officer and Chief Financial Officer  
Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

We, William J. Volz, President and Chief Executive Officer, and Kimiko Milheim, Chief Financial Officer, of LOGIC Devices Incorporated (the Company), do hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on our knowledge:

- (1) the Annual Report on Form 10-K of the registrant, to which this certification is attached as an exhibit (the Report), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 23, 2010

By: /s/ William J. Volz  
William J. Volz,  
President and Chief Executive Officer

Dated: December 23, 2010

By: /s/ Kimiko Milheim  
Kimiko Milheim,  
Chief Financial Officer