

LOGIC DEVICES Inc

Form S-1

March 24, 2011

As filed with the Securities and Exchange Commission on March 24, 2011

Registration Statement No. 333-

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

**FORM S-1**

**REGISTRATION STATEMENT UNDER**

**THE SECURITIES ACT OF 1933**

**LOGIC Devices Incorporated**

(Exact name of registrant as specified in its charter)

**California**

(State or jurisdiction of  
incorporation

or organization)

**3674**

(Primary Standard Industrial  
Classification Code Number)

**94-2893789**

(I.R.S. Employer

Identification Number)

**1375 Geneva Drive**

**Sunnyvale, California 94089**

**(408) 542-5400**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

**William J. Volz**

**President and Chief Executive Officer**

**LOGIC Devices Incorporated**

**1375 Geneva Drive**

**Sunnyvale, California 94089**

**(408) 542-5400**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Larger accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

**CALCULATION OF REGISTRATION FEE**

| <b>Title of Each Class of Securities to be Registered</b> | <b>Amount to be Registered <sup>1</sup></b> | <b>Proposed Maximum Offer Price Per Unit <sup>2</sup></b> | <b>Proposed Maximum Aggregate Offering Price</b> | <b>Amount of Registration Fee</b> |
|---|---|---|--|-----------------------------------|
| Common Stock,<br>No Par Value                             | 1,740,000                                   | \$0.53  | 922,200  | \$107.07                          |

(1) Pursuant to Rule 416 of the Securities Act of 1933, as amended, the shares being registered hereunder include such indeterminate number of shares of common stock as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends, or similar transactions.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457 of the Securities Act. The price per share and aggregate offering prices for the shares registered hereby are calculated on the basis of \$0.53 per share, which is the average of the high and low prices reported on the OTCQB market on March 21, 2011.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

## **PROSPECTUS**

### **LOGIC DEVICES INCORPORATED**

#### **OFFERING UP TO 1,740,000 COMMON SHARES**

This prospectus relates to the offer and resale of up to 1,740,000 shares of our common stock, no par value, by the selling stockholder, Dutchess Opportunity Fund, II, L.P. ( Dutchess ), which Dutchess has agreed to purchase pursuant to the investment agreement that we entered into with Dutchess on March 10, 2011 ( Investment Agreement ). Subject to the terms and conditions of the Investment Agreement, we have the right to put, or sell up to \$5.0 million in shares of our common stock to Dutchess. This arrangement is sometimes referred to as an Equity Line .

We will not receive any proceeds from the resale of these shares of common stock offered by Dutchess. We will, however, receive proceeds from the sale of shares to Dutchess pursuant to the Equity Line. When we put an amount of shares to Dutchess, the per share purchase price that Dutchess will pay to us in respect of such put will be determined in accordance with a formula set forth in the Investment Agreement. Generally, in respect of each put, Dutchess will pay us a per share purchase price equal to 95% of the lowest daily volume weighted average price, or VWAP, of our common stock during the five consecutive trading day period beginning on the trading day immediately following the date Dutchess receives our put notice.

Dutchess may sell the shares of common stock from time to time at the prevailing market price on the OTCQB market, or in negotiated transactions. Dutchess is an underwriter within the meaning of the Securities Act of 1933, as amended, in connection with the resale of our common stock under the Equity Line.

Our common stock is quoted on the OTCQB market under the symbol, LOGC. The last reported sale price of our common stock on the OTCQB on March 21, 2011 was \$0.55 per share.

**THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK.**

**YOU SHOULD PURCHASE SECURITIES ONLY IF YOU CAN AFFORD A COMPLETE LOSS.**

**SEE RISK FACTORS BEGINNING ON PAGE 3**

We will be responsible for all fees and expenses incurred in connection with the preparation and filing of this registration statement, provided, however, we will not be required to pay any underwriters' discounts or commissions relating to the securities covered by the registration statement.

You should read this prospectus and any prospectus supplement carefully before you decide to invest. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Subject to Completion, the date of this Prospectus is March 24, 2011

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## **LOGIC DEVICES INCORPORATED**

### **PROSPECTUS SUMMARY**

The following information is a summary of the prospectus and it does not contain all the information that you should consider before making an investment decision. You should read the entire prospectus carefully, including the financial statements and the notes relating to the financial statements.

### **ABOUT US**

We incorporated under the laws of the State of California in April 1983. Our principal executive offices are located at 1375 Geneva Drive, Sunnyvale, CA 94089 and our telephone number is (408) 542-5400. Our fiscal year end is September 30. Our website is [www.logicdevices.com](http://www.logicdevices.com). Information contained on our website does not constitute part of this prospectus.

We are an ISO 9001:2008 registered company that 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 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.

### **SUMMARY FINANCIAL DATA**

Because this is only a summary of our financial information, it does not contain all of the financial information that may be important to you. Therefore, you should carefully read all of the information in this prospectus and any prospectus supplement, including the financial statements and their explanatory notes and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, before making a decision to invest in our common stock. The information contained in the following summary is derived from our financial statements for the quarters ended December 31, 2010 and 2009, and the fiscal years ended September 30, 2010 and 2009.



|                                     | <b>Quarter<br/>Ended<br/>12/31/2010</b> | <b>Quarter<br/>Ended<br/>12/31/2009</b> | <b>Fiscal Year<br/>Ended<br/>09/30/2010</b> | <b>Fiscal Year<br/>Ended<br/>09/30/2009</b> |
|-------------------------------------|---|---|---|---|
| Net revenues                        | \$204,800                               | \$1,102,200                             | \$2,193,300                                 | \$3,013,200                                 |
| Cost of revenues                    | 118,200                                 | 434,100                                 | 1,110,000                                   | 1,268,800                                   |
| Gross margin                        | 86,600                                  | 668,100                                 | 1,083,300                                   | 1,744,400                                   |
| Research and development            | 195,800                                 | 271,600                                 | 997,700                                     | 1,159,300                                   |
| Selling, general and administrative | 297,300                                 | 318,600                                 | 1,211,500                                   | 1,399,800                                   |
| Total operating expenses            | 493,100                                 | 590,200                                 | 2,209,200                                   | 2,559,100                                   |
| Operating loss                      | (406,500)                               | 77,900                                  | (1,125,900)                                 | (814,700)                                   |
| Total other (income) expense, net   |   | 5,700                                   | 44,300                                      | 4,300                                       |
| Net (loss) income                   | \$(406,500)                             | \$83,600                                | \$(1,084,500)                               | \$(811,300)                                 |

## THE OFFERING

This prospectus relates to the resale of up to 1,740,000 shares of our common stock by Dutchess Opportunity Fund, II, L.P. ( Dutchess ). Dutchess will acquire our common stock pursuant to the terms and conditions of the Investment Agreement.

The Investment Agreement with Dutchess provides that Dutchess is committed to purchase from us, from time to time, up to \$5,000,000 of our common stock over the course of thirty-six months. We may draw on the facility from time to time, as and when we determine appropriate in accordance with the terms and conditions of the Investment Agreement. The amount that we are entitled to put in any one notice shall not exceed up to the greater of either 1) 200% of the average daily volume of the common stock for the 3 trading days prior to the applicable put notice date, multiplied by the average of the 3 daily closing prices immediately preceding the put date or 2) \$100,000. When we put, or sell, an amount of shares to Dutchess, the per share purchase price that Dutchess will pay to us in respect of such put will be determined in accordance with a formula set forth in the Investment Agreement. Generally, in respect of each put, Dutchess will pay us a per share purchase price equal to 95% of the lowest daily volume weighted average price, or VWAP, of our common stock during the five consecutive trading day period beginning on the trading day immediately following our put notice. The initial number of shares issuable by us and purchasable by Dutchess under the Investment Agreement is 1,740,000 shares.

Common stock outstanding as of March 10, 2011      7,655,123

Securities Offered      Up to 1,740,000 shares of our common stock by Dutchess, the selling stockholder

Offering Price      To be determined by the prevailing market price for the shares at the time of sale.

Use of Proceeds      We will not receive any proceeds from the sale of the shares by the selling stockholder. We will, however, receive proceeds from the shares of our common stock that we sell to Dutchess under the Equity Line. See Use of Proceeds section.

Risk Factors      An investment in our common stock involves a high degree of risk. See Risk Factors beginning on page 3 and the other information in this prospectus for a discussion of the factors you should consider before investing in the shares of common stock offered hereby.

Stock Symbol

LOGC

## RISK FACTORS

### RISKS RELATED TO OUR BUSINESS

*Our independent registered public accounting firm has 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 suffered reoccurring losses from operations and require additional funds to maintain our operations. Continued losses and negative operating cash flow could hamper our operations and prevent us from expanding our business.

Reports of independent registered public accounting firms 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.

*If we do not timely introduce new products and the products do not achieve market acceptance, then our revenues will decline and have a resulting adverse effect on our operations.*

If we are unable to timely introduce new products to the marketplace, our revenues will continue to decline. We view new product development as the most important factor affecting our revenue growth. We have been unable to develop and introduce a new product to market in the past two fiscal years. Our success significantly depends on our ability to improve our products and develop and market innovative new products. Product development, innovation and enhancement is often a complex, time-consuming and costly process involving significant investment in research and development, with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. Our products generally must conform to various evolving and sometimes competing industry standards, which may adversely affect our ability to compete in certain markets or require us to incur significant costs. In addition, our customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy customer quality standards or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations. In addition, our growth is dependent on our continued ability to identify and penetrate new markets where we have limited experience and competition is intense. There can be no assurance that the markets we serve will grow in the future, that our existing and new products will meet the requirements of these markets, that our products will achieve customer acceptance in these markets, that competitors will not force price reductions or

take market share from us, or that we can achieve or maintain adequate gross margins or profits in these markets. Furthermore, a decline in demand in one or several of our end-user markets could have a material adverse effect on the demand for our products and our results of operations.

*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.

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.*

If we are unable to maintain our current customers, then our financial results will be detrimentally affected. Sales to two contract manufacturers for Texas Instruments comprised 16% and 15% of our net revenues for fiscal 2010, respectively, and 32% and 41% of our net revenues for fiscal 2009, respectively. In addition, one military contractor comprised 22% of net revenues in fiscal 2010. 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. Accordingly, unless and until we diversify and expand our customer base, our future success will significantly depend upon the timing and size of future purchase orders, if any, from these customers and, in particular:

- the product requirements of these customers;
- the financial and operational success of these customers; and
- the success of these customers' products that incorporate our products.

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 one of our customers was acquired or combined with another company, the resulting company could cancel purchase orders as part of the integration process. These customers could, therefore, cease purchasing our products with limited notice and with no penalty. The loss of any one

of these significant customers or the delay, even if only temporary, or cancellation of significant orders from any of these customers would harm our results of operations.

*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, whom is the sole source for certain components of our products, and three assembly/test subcontractors. This supplier does 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;
- 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 several 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.

*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 the materials used, 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 several 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 of our products incorrectly and produce insufficient inventory, resulting in supply shortages.



*We currently have only limited access to capital and we must rely solely upon a limited line of credit, our existing cash reserves, and funds from existing operations to finance future operations.*

We rely upon our limited line of credit, cash reserves and funds from existing operations to fund our Company. Our directors have also purchased common stock to provide our Company with working capital. Additionally, we have entered into an equity line of credit with Dutchess, however we cannot access that equity line of credit until we meet certain conditions including having an effective registration statement. If these resources should become insufficient, we would be forced to obtain additional funding through debt or equity financing. If we are able to obtain additional debt financing, which is not assured, and the terms of such financing are unknown since we do not presently have a sufficient credit line for all of our capital needs, the terms may likely be unfavorable to us and impact our ability to fund operations. 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 by diluting their position.

*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.

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 that our confidentiality agreements are breached or any remedy at all 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.

## RISKS RELATED TO THIS OFFERING

*We are registering the resale of 1,740,000 shares of common stock which may be issued to Dutchess under the Equity Line. The resale of such shares by Dutchess could depress the market price of our common stock and you may not be able to sell your investment for what you paid for it.*

We are registering the resale of 1,740,000 shares of common stock under the registration statement of which this prospectus forms a part. We may issue up to that number of shares to Dutchess pursuant to the Equity Line. The sale of these shares into the public market by Dutchess could depress the market price of our common stock and you may not be able to sell your investment for what you paid for it.

*Existing stockholders could experience substantial dilution upon the issuance of common stock pursuant to the Equity Line.*

Our Equity Line with Dutchess contemplates our issuance of up to 1,740,000 shares of our common stock to Dutchess, subject to certain restrictions and obligations. If the terms and conditions of the Equity Line are satisfied, and we choose to exercise our put rights to the fullest extent permitted and sell 1,740,000 shares of our common stock to Dutchess, our existing stockholders' ownership will be diluted by such sales. Consequently, the value of your investment may decrease.

*Dutchess will pay less than the then-prevailing market price for our common stock under the Equity Line.*

The common stock to be issued to Dutchess pursuant to the Investment Agreement will be purchased at a 5% discount to the lowest daily volume weighted average price, VWAP, of our common stock during the five consecutive trading day period beginning on the trading day immediately following the date of delivery of a put notice by us to Dutchess, subject to certain exceptions. Dutchess has a financial incentive to sell our common stock upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Dutchess sells the shares, the price of our common stock could decrease.

*We may not be able to access sufficient funds under the Equity Line when needed.*

Our ability to put shares to Dutchess and obtain funds under the Equity Line is limited by the terms and conditions in the Investment Agreement, including restrictions on when we may exercise our put rights, restrictions on the amount

we may put to Dutchess at any one time, which is determined in part by the trading volume of our common stock, and a limitation on Dutchess's obligation to purchase if such purchase would result in Dutchess beneficially owning more than 4.99% of our common stock. Accordingly, the Equity Line may not be available to satisfy all of our funding needs.

## RISKS RELATED TO OUR COMMON STOCK

*Investors who purchase shares of our common stock should be aware of the possibility of a total loss of their investment.*

An investment in our common stock involves a substantial degree of risk. Before making an investment decision, you should give careful consideration to the risk factors described in this section in addition to the other information contained in this prospectus. The risk factors described herein, however, may not reflect all of the risks associated with our business or an investment in our common stock. You should invest in our Company only if you can afford to lose your entire investment.

*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:

- 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.

## USE OF PROCEEDS

We will not receive any proceeds from the resale of our common stock offered by Dutchess. We will, however, receive proceeds from the sale of our common stock to Dutchess pursuant to the Investment Agreement. The proceeds from our exercise of the put option pursuant to the Investment Agreement will be used for working capital and general corporate purposes.

**SELLING STOCKHOLDER**

The information provided in the table and discussions below has been obtained from Dutchess, the selling stockholder. The selling stockholder has not had a position, office, or a material relationship with our Company or any of our predecessors affiliates for the past three years until March 10, 2011 when the Investment Agreement was signed.

The selling stockholder may have sold, transferred, or otherwise disposed of, or may sell, transfer, or otherwise dispose of, at any time or from time to time since the date on which it provided the information regarding the shares, all or a portion of the shares of common stock beneficially owned in transactions exempt from the registration requirements of the Securities Act. As used in this prospectus, selling stockholder includes the person or persons listed in the table below, and the donees, pledgees, transferees, or other successors-in-interest selling shares received from the named selling stockholder as a gift, pledge, distribution, or other transfer.

Beneficial ownership is determined in accordance with Rule 13d-3(d) promulgated by the Commission under the Securities Exchange Act of 1934. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to the shares, subject to community property laws were applicable.

| <b>Name of Selling Security Holder</b>           | <b>Ownership Before Offering</b> | <b>Percentage Before Offering</b> | <b>Number of Shares to be Sold under this Prospectus</b> | <b>Number of Shares Owned After Offering<sup>1</sup></b> | <b>Percentage Owned After Offering<sup>1</sup></b> |
|--|----------------------------------|-----------------------------------|--|--|--|
| Dutchess Opportunity Fund, II, L.P. <sup>2</sup> | 0                                | 0                                 | 1,740,000 <sup>3</sup>                                   | 0  | *  |

\* Percentage of shares owned after the offering does not exceed one percent.

(1) These numbers assume that the selling stockholder sells all of its shares being offered pursuant to this prospectus.

(2) Dutchess is a Delaware limited partnership. Michael Novielli and Douglas H. Leighton are directors of Dutchess with voting and investment power over the shares.

(3) Represents the maximum number of shares issuable by us and purchasable by Dutchess under the Investment Agreement, all of which are being offered by the selling stockholder under this prospectus.

## PLAN OF DISTRIBUTION

The purpose of this prospectus is to permit the selling stockholder to offer and resell up to an aggregate of 1,740,000 shares of our common stock at such times and at such places as they choose. In this section of the prospectus, the term *selling stockholder* includes the partners, pledgees, donees, transferees, or other successors-in-interest of the selling stockholder, which may sell shares received after the date of this prospectus from the selling stockholder as a pledge, gift, partnership, or similar distribution or other non-sale related transfer. To the extent required, we may amend and supplement this prospectus from time to time to describe a specific plan of distribution. The decision to sell any shares offered pursuant to this prospectus is within the sole discretion of the selling stockholder.

The distribution of the common stock by the selling stockholder may be effected from time to time in one or more transactions. Any of the common stock may be offered for sale, from time to time, by the selling stockholder at prices and on terms then obtainable, at fixed prices, at prices then prevailing at the time of sale, at prices related to such prevailing prices, or in negotiated transactions at negotiated prices or otherwise. The common stock may be sold by one or more of the following methods:

- on the OTCQB market, or any other national common stock exchange or automated quotation system on which our common stock is traded, which may involve transactions solely between a broker-dealer and its customers which are not traded across an open market and block trades;
- through one or more dealers or agents (which may include one or more underwriters), including, but not limited to:
  - ◆ block trades in which the broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus;
  - ◆ purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus;
  - ◆ ordinary brokerage transactions; or
  - ◆ transactions in which the broker solicits purchasers;
- directly to one or more purchasers; or
- combination of these methods.

Dutchess and any broker-dealers who act in connection with the sale of its shares are *underwriters* within the meaning of the Securities Act, and any discounts, concessions, or commissions received by them and profit on any resale of the shares as principal may be deemed to be underwriting discounts, concessions, or commissions under the Securities Act. Because the selling stockholder is an *underwriter* within the meaning of the Securities Act, it will be subject to the prospectus delivery requirements of the Securities Act, including Rule 172 thereunder.

The selling stockholder or its underwriters, dealers, or agents may sell the common stock to or through underwriters, dealers, or agents, and such underwriters, dealers, or agents may receive compensation in the form of discounts or concessions allowed or reallocated. Underwriters, dealers, broker, or other agents engaged by the selling stockholder may arrange for other such persons to participate. Any fixed public offering price and any discounts and concessions may be changed from time to time. Underwriters, dealers, and agents who participate in the distribution of the common stock may be deemed to be underwriters within the meaning of the Securities Act, and any discounts or commissions received by them or any profit on the resale of shares by them may be deemed to be underwriting discounts and commissions thereunder. The proposed amounts of the common stock, if any, to be purchased by underwriters and the compensation, if any, of underwriters, dealers, or agents will be set forth in a prospectus supplement.

Unless granted an exemption from the SEC from Regulation M under the Exchange Act, or unless otherwise permitted under Regulation M, the selling stockholder will not engage in any stabilization activity in connection with our common stock, will furnish each broker or dealer engaged by the selling stockholder and each other participating broker or dealer the number of copies of this prospectus required by such broker or dealer, and will not bid for or purchase any common stock of ours, or attempt to induce any person to purchase any of the common stock other than as permitted under the Exchange Act.

We will not receive any proceeds from the sale of these shares of common stock offered by the selling stockholder. We shall use our reasonable efforts to prepare and file with the SEC such amendments and supplements to the registration statement and this prospectus as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of the common stock covered by the registration statement for the period required to effect the distribution of such common stock.

We are paying certain expenses incidental to the offering and sale of the common stock to the public, which are estimated to be approximately \$30,000. If we are required to update this prospectus during such period, we may incur additional expenses in excess of the amount estimated above.

In order to comply with certain state securities laws, if applicable, the common stock will be sold in such jurisdictions only through registered or licensed brokers or dealers. In certain states, the shares of common stock may not be sold unless they have been registered or qualify for sale in such state or an exemption from registration or qualification is available and is complied with.

## **DESCRIPTION OF SECURITIES TO BE REGISTERED**

The following description of our capital stock and provisions of our Restated Articles of Incorporation and Bylaws, as amended, is only a summary. You should also refer to our Restated Articles of Incorporation and Bylaws, as amended, copies of which are incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

## COMMON STOCK

We are authorized to issue up to a total of 10,000,000 shares of common stock, no par value. Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of assets legally available at the times and in the amounts that our board of directors may determine from time to time.

Holdings of common stock have no preemptive subscription, redemption, or conversion rights or other subscription rights. Upon our liquidation, dissolution, or winding-up, the holders of common stock are entitled to share in all assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock. Each outstanding share of common stock is, and all shares of common stock to be issued in this offering when they are paid for, will be fully paid and non-assessable.

## INTERESTS OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities registered or upon other legal matters in connection with the registration or offering of the common stock was employed for such purpose on a contingency basis, or had, or is to receive, in connection with this offering, a substantial interest, direct or indirect, in us or any of our parents or subsidiaries, nor was any such person connected with us or any of our parents or subsidiaries as a promoter, managing, or principal underwriter, voting trustee, director, officer, or employee.

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this prospectus are 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 caption "Risk Factors" beginning on page 3 of this prospectus. Readers should carefully review this information as well as the risks and other uncertainties described in other filings that we may make after the date of this prospectus with the SEC.

Readers are cautioned not to place undue reliance on forward-looking statements. They reflect opinions, assumptions, and estimates only as of the date they were made, and we undertake no obligation to publicly update or revise any forward-looking statements in this prospectus, whether as a result of new information, future events or circumstances, or otherwise.

## **INFORMATION ABOUT THE COMPANY**

### **DESCRIPTION OF BUSINESS**

We develop and market 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, 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. 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, which provides 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. Our customers include: Texas Instruments, BAE Systems, Harmonic, GE Medical, Northrup Grumman, Qualcomm, and Raytheon.

## 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 render processes and products currently utilized or produced by us obsolete. 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 a family of digital image filtering circuits that address the filtering requirements of HDTV studio production systems with our customers.

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 that we serve, we have introduced a product family enabling us to provide advanced, multi-chip, integrated modular products. This product's packaging medium facilitates the integration of LOGIC silicon intellectual property as well as silicon intellectual property 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.

We seek to identify additional markets that:

- require the application of our silicon design and multi-chip packaging expertise;
- are stable, long-lived markets that are not extremely cost-sensitive;
- offer potential for substantial revenue growth; and
- 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) require 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 semiconductor manufacturer. We rely upon third-party foundry suppliers to produce processed wafers from mask patterns that we design. Through these wafer suppliers, we have access to advanced

high-speed, high-density complementary 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.

Currently, we are primarily dependent upon one wafer supplier and we do not have a guarantee of minimum supplies. Therefore, there can be no assurance that such relationship 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 TESTING

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 manufacturer representatives and non-stocking distributors 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. We did have two contract manufacturers for Texas Instruments comprise 16% and 15% of net revenues for fiscal 2010, respectively, and 32% and 41% of net revenues for fiscal 2009, respectively. In addition, one military contractor comprised 22% of net revenues in fiscal 2010.

Our relationships with 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.

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. 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.

## RESEARCH AND DEVELOPMENT

As we have not introduced new products sufficient for market demand over the past few years, we view new product development as the most important factor affecting revenue growth; therefore, we continue to prioritize our commitment to research and development. We, as a company, bear all research and developments costs. In addition, we bolster our competitive 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 our declining revenues.

## 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.

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 granted 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 again receive, claims that one or more aspects or uses of our products infringe on patent or other intellectual property rights of third parties. See section entitled 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 on our operations. 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 December 31, 2010, we had 11 full-time employees. We have been careful to retain employees that are necessary in order 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 effect on our business or operations.

## DESCRIPTION OF PROPERTY

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.

## LEGAL PROCEEDINGS

We may be involved from time to time in ordinary litigation, negotiation and settlement matters that we believe will not have a material effect on our operations or finances. From time to time, we also receive demands from various parties asserting patent infringement 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 our business.

We are not aware of any pending or threatened litigation against us or our officers and directors in their capacity as such that could have a material impact on our operations or finances.

## MARKET PRICE OF AND DIVIDENDS ON COMMON EQUITY

### AND RELATED STOCKHOLDER MATTERS

## MARKET INFORMATION

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Our common stock is traded on the OTCQB market under the symbol LOGC . The following table sets forth the high and low closing prices for our common stock for each quarter during the last two calendar years:

|   | <u>High</u> | <u>Low</u> |
|---|-------------|------------|
| Fiscal Year Ended September 30, 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     |
| Fiscal Year Ended September 30, 2010    |             |            |
| First quarter                           | \$1.94      | \$1.19     |
| Second quarter                          | \$1.55      | \$1.00     |
| Third quarter                           | \$1.34      | \$0.49     |
| Fourth quarter                          | \$0.84      | \$0.57     |
| Fiscal Year Ended September 30, 2011    |             |            |
| First quarter                           | \$0.87      | \$0.53     |
| Second quarter (through March 10, 2011) | \$0.93      | \$0.61     |

HOLDERS

As of March 10, 2011, there were approximately 100 holders of record of our common stock.

DIVIDENDS

We have not paid any dividends on our common stock since our incorporation.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **OVERVIEW**

We develop and market 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**

Despite a net loss of \$406,500 for the quarter ended December 31, 2010, our net cash used by operations was \$260,200, which included depreciation and other expenses that were non-cash items. We used \$45,900 of cash to increase inventory for new products and \$26,500 to reduce accrued payroll and vacation, while accounts receivable provided \$66,400 of cash. During the quarter, we received \$175,000 from four private placements of our common stock to our President and Chairman of the Board. We invested \$37,400 and \$58,700 for capital expenditures and capitalized test software development, respectively.

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 for capital expenditures (mainly mask and production tooling) and \$351,500 for capitalized test software. Lastly, during the fiscal year ended September 30, 2010, 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. In regards to the processed wafers, we currently rely primarily on one supplier, 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 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 accommodate 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 create 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. These transactions result in year-end accounts receivable balances being at their highest point for the respective period at the end of the 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. While we have established a limited line of credit with a commercial finance company and an equity line with an investment fund, our limited financing, cash on-hand and cash from operations may not be sufficient to meet the increased demands of our market.

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 our ability to continue as a going concern. We are 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 we may not be able to negotiate final terms that are acceptable to us. Although there is no assurance that management's plans will be realized, management believes that we will be able to continue our current operations.

### *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.

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

*Off-Balance Sheet Arrangements*

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## RESULTS OF OPERATIONS

### *Comparison of Quarter Ended December 31, 2010 and 2009*

For the quarter ended December 31, 2010, our net revenues decreased by \$897,400 (81%) compared to the same quarter of fiscal 2010. This decrease was primarily the result of sales of older products continuing to decline with sales of newer products not making up the difference. We do not anticipate this revenue decrease trend to continue as we believe that the new products will begin to contribute to our revenues. We are seeing an increase in interest and inquiry regarding our newer products. In addition, bookings and quoting activity for military programs have recently increased.

Our cost of revenues for the quarter ended December 31, 2010 decreased \$315,900 (73%) compared to the same quarter of fiscal 2010. This decrease is the corresponding result of the decrease in net revenues.

Research and development expenditures decreased \$75,800 (28%) as we reduced staffing. In addition, there were higher prototype expenses in the prior fiscal year. Sales, general, and administrative expenditures decreased \$21,300 (7%) compared to the same period of fiscal 2010. Unfortunately, there are many fixed operating expenses that we cannot reduce any further. In addition, our annual audit expenses are highest during this first quarter of fiscal 2011.

As a result of the lower net revenues not being offset by reductions in expenses, we have a net loss of \$406,500 for the first quarter of fiscal 2011 compared to a net income of \$83,600 in the same quarter of fiscal 2010.

### *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, with military purchases partially offsetting 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 \$1,211,500 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.

## 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 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 we historically do not have material returns, there is no allowance for returns recorded. Because we do not change our 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 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, nor as of December 31, 2010. Accordingly, we have established a valuation allowance against our net deferred income tax assets as of September 30, 2010 and as of December 31, 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.

## **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS**

### **ON ACCOUNTING AND FINANCIAL DISCLOSURE**



There have been no disagreements with our independent public accountant in regards to accounting and financial disclosure.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a Smaller Reporting Company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

**DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

As of March 10, 2011, the current directors and executive officers of LOGIC Devices Incorporated who will serve until the next annual meeting of shareholders or until their successors are elected or appointed and qualified, are set forth below:

| Name              | Age | Position  |
|-------------------|-----|---|
| Howard L. Farkas  | 86  | Chairman of the Board; Chairman of the Audit Committee and of the Nominating and Corporate Governance Committee |
| James T. Hooper   | 76  | Director  |
| Hal Shoemaker     | 65  | Director  |
| Robert C. Stanley | 59  | Director; Chairman of the Compensation Committee  |
| William J. Volz   | 63  | President, Chief Executive Officer, and Director  |
| Kimiko Milheim    | 40  | Chief Financial Officer and Corporate Secretary   |

Background information about LOGIC Devices' s officers and directors is as follows:

*Howard L. Farkas* has been a director since our inception. Mr. Farkas is President of Farkas Group, Inc., a company that provides management services to various business interests. He is the sole owner, chairman, president and managing broker of Windsor Gardens Realty, Inc., a residential real estate brokerage company which he co-founded in 1964. He serves as director and chairman of the audit committee for Synthetech, Inc., a public chemical research and manufacturing company whose products are used extensively in new drug research; as an outside director in privately-held Northwestern Engineering Company; and as a director/manager for a number of privately-held oil and gas exploration and development companies owned by himself and family members.

*James T. Hooper* retired as Director of Quality Engineering for the Manufacturing Services Group of Advanced Micro Devices, and has additional quality and manufacturing experience with Fairchild Semiconductor Corporation, Omnex Corporation, and Supertex Corporation. Through his firm, Hooper's Contract Management Services, Mr. Hooper develops and provides quality management systems for semiconductor-related industries. Mr. Hooper consulted with LOGIC Devices from January 2008 through February 2010 as our Director of Quality to oversee our ISO 9001 and Mil-PRF-38535 certifications.

*Hal Shoemaker* is a principal of Cumulative Technologies Corporation, which markets semiconductor packaging equipment, materials, and services. He has extensive sales and marketing experience related to semiconductor manufacturing materials and equipment. His experience includes sales of specialty and precious metals while at the Sel-Rex-OMI division of Occidental Petroleum. He was previously a vice president and director at specialty semiconductor packaging manufacturer, Hestia Technologies, Inc.

*Robert Stanley* has been a member of the New York Mercantile Exchange (now CME Group) since 1980. He is on the board of directors for the Fountain Valley School of Colorado, has been a committee chairman for the National Kidney Foundation, and has owned various businesses.

*William J. Volz* is one of our founders and has been a director since our inception. Mr. Volz has been President and Chief Executive Officer since December 1987. He served as our Vice President of Engineering from August 1983 to December 1987.

*Kimiko Milheim* is our Chief Financial Officer and Corporate Secretary. She joined us in November 1999 (served as a consultant during a brief period of fiscal 2004 and 2007 before returning as an employee). Ms. Milheim is a Certified Public Accountant, with an M.B.A. degree from the University of California, Irvine. Prior to joining us, she was General Accounting Manager at ArthroCare Corporation, an Audit Manager at BDO Seidman, LLP, and an In-Charge Accountant with the Office of the California State Auditor.

## DIRECTOR INDEPENDENCE

Our Board of Directors undertook a review of director independence in March 2011 as to all of the five directors then serving. As part of that process, our Board reviewed all transactions and relationships between each director (or any member of his immediate family) and LOGIC, our executive officers, and our auditors, and other matters bearing on the independence of directors. As a result of this review, our Board affirmatively determined that all of the directors, except Mr. Volz, are independent as defined by the Nasdaq Marketplace Rules. Mr. Volz is not independent under the Nasdaq Marketplace Rules because he is employed by LOGIC and he serves as our President and Chief Executive Officer.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### *Overview of Compensation Program*

The Compensation Committee of our Board of Directors oversees our compensation and policies, our compensation levels, including reviewing and approving equity awards to our executive officers, and reviews and recommends annually for approval by our Board of Directors all compensation decisions relating to our executive officers.

### *Compensation Philosophy*

Our executive compensation policies are designed to attract, retain, and motivate qualified executives by providing them with a competitive total compensation package based in large part on the executive's contribution to our financial and operational success and the executive's personal performance. We believe that total compensation paid to our executives should be fair, reasonable, and competitive. Accordingly, each executive officer's compensation package may be comprised of three elements: base salary, which is determined on the basis of the individual's position and responsibilities, the level of the individual's performance, and the financial performance of our Company; incentive performance awards payable in cash and tied to the achievement of performance goals; and long-term stock incentive awards designed to strengthen the mutuality of interest between executive officers and our shareholders. In certain periods, the compensation of executive officers is also affected by our internal conditions and our external market position.

### *Use of Compensation Consultants and Role of Management*

For fiscal 2010, the Compensation Committee did not use the services of a compensation consultant. For fiscal 2010, the Compensation Committee reviewed surveys, reports, and other market data compiled by Equilar Inc., against which it measured the competitiveness of our compensation programs to other companies within our industry with comparable revenues.

The Compensation Committee makes all compensation decisions for the executive officers and approves recommendations regarding equity awards to all executive officers. The Compensation Committee solicits input from our Chief Executive Officer regarding the duties, responsibilities, and performance of the other executive officer and the results of performance reviews. The conclusions reached and recommendations based on these reviews, including with respect to the salary adjustments and annual award amounts, are presented to the Compensation Committee, who can exercise their discretion in modifying any recommended adjustments or awards to executive officers.

### *Executive Compensation Components*

Our typical executive compensation components include base salary and variable bonus awards. The base salary of an executive officer at our Company is established primarily on the bases of the individual's qualifications and relevant experience, the strategic goals for which he or she has responsibility, the compensation levels at comparable companies, and the incentives necessary to attract and retain qualified management. We attempt to set the base salary

each year to take into account the individual's performance and to maintain a competitive salary structure. During their review of base salaries for executive officers, the Compensation Committee primarily considers market data, the individual performance of each executive officer, and an internal review of the executive officer's compensation, both individually and relative to other executive officers.

The Compensation Committee has the latitude to provide cash bonus awards and long-term stock option awards based on the achievement of Company objectives and performance goals.

Options have and will in the future be awarded at the closing price of our common stock on the date of the grant, as determined by the OTCQB market. The Compensation Committee has never granted options with an exercise price that is less than the closing price of our common stock on the date of grant, nor has it granted options that are priced on a date other than the grant date.

Options granted vest at a rate of 25% on the date of grant, and 25% per year over the next three years of the ten-year option term. Vesting and exercise rights cease three months after termination of employment, except in the case of death (subject to a one-year limitation) or disability (Compensation Committee has the right to extend the three-month period by an additional nine months). Prior to the exercise of an option, the holder has no rights as a shareholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents.

Our practice has been to extend fringe benefits to all of our employees, with no special treatment for our executive officers. Our goal is to provide a benefit package of equal or higher aggregate value than offered by comparable companies with which we compete. Such benefits include paid vacations and holidays, 401(k) retirement plans, health savings accounts, tuition reimbursement, and health, life, and dental insurance. We believe these benefits help us attract and retain employees.

#### *Employment and Other Agreements*

We do not have employment, severance, or change of control agreements with our executive officers.

#### *Summary Compensation Table*

The following table shows information concerning compensation paid during the last two fiscal years ended September 30, to our Chief Executive Officer and Chief Financial Officer. We do not have any other executive officers.

| Name and Principal Position                                 | Fiscal Year | Salary  | Bonus | Option Awards | Non-equity Incentive Plan Compensation | Other Compensation | Total   |
|---|-------------|---------|-------|---------------|--|--------------------|---------|
|   | (\$)        | (\$)    | (\$)  | (\$)          | (\$)                                   | (\$)               | (\$)    |
| William J. Volz<br>President and<br>Chief Executive Officer | 2010        | 144,500 |       |               |  |                    | 144,500 |
|   | 2009        | 160,800 |       |               |  |                    | 160,800 |
| Kimiko Milheim<br>Chief Financial Officer                   | 2010        | 130,400 |       |               |  |                    | 130,400 |
|   | 2009        | 135,200 |       |               |  |                    | 135,200 |

There is no information shown for Stock Awards and Change in Pension Value and Nonqualified Deferred Compensation Earnings as the executive officers did not receive these forms of compensation during the last two fiscal years.

#### *Equity Awards*

Our named executive officers do not hold any equity awards and were not granted any equity awards during the fiscal year ended September 30, 2010.

#### *Director Compensation*

None of our directors were compensated in cash fees by us during the fiscal year ended September 30, 2010. Historically, each of our non-employee directors receives an automatic grant of an option to purchase 15,000 shares of our common stock upon election or re-election to our Board of Directors as stipulated in the terms of the LOGIC Devices Incorporated Amended and Restated 1998 Director Stock Incentive Plan (the *Directors Plan*). These options vest immediately and have a five-year term. Directors are reimbursed for expenses incurred in connection with attending meetings of our Board and Board Committees.

For the fiscal year ended September 30, 2010, Mr. Farkas received the automatic option grant of 15,000 shares under the *Directors Plan*, which was valued at the time at \$12,700. Mr. Hooper, Mr. Shoemaker, and Mr. Stanley were appointed to the Board of Directors in September 2010, rather than elected by shareholders, and therefore were not eligible to receive any options due to their appointments. They will be eligible to receive the automatic option grant of 15,000 shares upon successful re-election to the Board.

*Compensation Committee Interlocks and Insider Participation*

Mr. Steven Settles served as Chairman of our Compensation Committee until his resignation from the Board on August 4, 2010. Robert C. Stanley was appointed to the Board on September 15, 2010 and was appointed as succeeding Chairman on November 17, 2010. The current members of the Compensation Committee are Mr. Stanley, Mr. Farkas, Mr. Hooper, and Mr. Shoemaker.

Other than Mr. Hooper, no member of our Compensation Committee at any time during the last fiscal year, or prior to the last fiscal year, was an officer or employee of our Company. Mr. Hooper consulted as our Director of Quality from January 2008 through February 2010 and oversaw our ISO 9001 and Mil-PRF-38535 certifications.

Other than Mr. Farkas and Mr. Stanley, no member of our Compensation Committee had any relationship with us that would be required to be disclosed as a related person transaction. We raised \$150,000 through private placements to Mr. Farkas in exchange for 203,193 shares of our common stock, and raised \$25,000 through a private placement with Mr. Stanley in exchange for 27,778 shares of our common stock. Before we would consider entering into any other transactions in which any executive officer, director, nominee or any family member of the foregoing would have any direct or indirect interest, regardless of the amount involved, the terms of such transaction would have to be presented to our Board of Directors (other than any interested director) for approval.

During the fiscal year ended September 30, 2010, none of our executive officers:

served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a member of our Compensation Committee;

served as a director of another entity, one of whose executive officers served as a member of our Compensation Committee; or

served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a member of our board of directors.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows the amount and percentage of our outstanding common stock beneficially owned by each director, each nominee for director, each executive officer named in the Summary Compensation Table, persons or groups who beneficially own more than 5% of our outstanding common stock, and all of our executive officers and directors, as a group, as of March 10, 2011.

**Officers and Directors**

| Name and address of beneficial owner (1)                    | Nature of beneficial ownership                   | Amount of Beneficial Ownership (2) | Percent of Shares Beneficially Owned (2) |
|---|--|------------------------------------|--|
| Howard L. Farkas (3)  | Chairman of the Board                            | 468,193                            | 6.1%                                     |
| James T. Hooper (4)   | Director   | 2,500                              | *  |
| Hal Shoemaker   | Director   | 0                                  | *  |
| Robert C. Stanley (5)                                       | Director   | 25,000                             | *  |
| William C. Volz (6)   | President, Chief Executive Officer, and Director | 1,331,571                          | 17.4%                                    |
| Kimiko Milheim  | Chief Financial Officer and Corporate Secretary  | 0                                  | *  |
| All directors and executive officers as a group (6 persons) |  | 1,827,264                          | 23.6%                                    |

\* Percentage of shares beneficially owned does not exceed one percent of issued and outstanding shares of stock.

(1) Unless otherwise stated, the address of each beneficial owner listed on the table is c/o LOGIC Devices Incorporated, 1375 Geneva Drive, Sunnyvale, CA 94089.

(2) On March 10, 2011, we had 7,655,123 shares of common stock issued and outstanding. In computing percentage ownership of a person, shares of common stock subject to stock options and warrants held by that person that are currently exercisable or vested or which will become exercisable or vest within 60 days of March 10, 2011 are also deemed outstanding and included in the amount of beneficial ownership. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person.



(3) Mr. Farkas is Chairman of the Board. Mr. Farkas beneficially owns 468,193 shares of common stock. The amount includes 75,000 shares of common stock that are issuable upon the exercise of options, which are exercisable within 60 days of March 10, 2011.

(4) Mr. Hooper is a member of our Board of Directors. Mr. Hooper beneficially owns 2,500 shares of common stock issuable upon exercise of options, which are exercisable within 60 days of March 10, 2011.

(5) Mr. Stanley is a member of our Board of Directors. Mr. Stanley beneficially owns 25,000 shares of common stock.

(6) Mr. Volz is our President, Chief Executive Officer, and a member of our Board of Directors. Mr. Volz beneficially owns 1,331,571 shares of common stock.

**Stockholder Known by Us to Own Over 5% of Our Common Stock**

| Name and address of beneficial owner   | Amount and nature of beneficial ownership | Percent of Shares Beneficially Owned (1) |
|--|---|--|
| Steven J. Revenig as Trustee of the Farkas Trusts<br>(2)<br><br>1873 South Bellaire Street, Suite 1000<br><br>Denver, Colorado 80222 | 624,305                                   | 8.1%                                     |

(1) On March 10, 2011, we had 7,655,123 shares of common stock outstanding.

(2) Consists of 14 irrevocable trusts administered by Mr. Revenig, an independent trustee, the beneficiaries of which consist of Mr. Farkas and members of his family. Mr. Farkas disclaims any beneficial ownership of the shares held by Mr. Revenig, as trustee of the Farkas Trusts.

*Outstanding Options*

The only outstanding options to purchase shares of our common stock are the options granted to our employees and directors. We had 363,500 outstanding options as of December 31, 2010.

*Securities Authorized for Issuance under Equity Compensation Plans*

The following table sets forth the position of our equity compensation plans as of December 31, 2010:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants, | Weighted-average exercise price of outstanding options, warrants, and rights (\$/sh) | Number of securities remaining available for future issuance under equity compensation plans |
|---------------|---|--|--|
|---------------|---|--|--|

|  | <b>and rights (#)</b> |         | <b>(excluding securities reflected in first column) (#)</b> |
|--|-----------------------|---------|---|
| Equity compensation plans approved by security holders     | 363,500               | \$1.250 | 1,070,000   |
| Equity compensation plans not approved by security holders |                       |         |   |
| Total  | 363,500               | \$1.250 | 1,070,000   |

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

During fiscal year ended September 30, 2009, we did not enter into any transaction in which we were a participant and the amount involved exceeded the lesser of \$120,000 or one percent of the average of our total assets at year-end for the three fiscal years prior to 2009, and in which any executive officer, any director, any nominee for director or any family member of the foregoing had or will have a direct or indirect material interest.

During the fiscal year ended September 30, 2010 and through March 10, 2011, we have raised \$600,000 through related party private placements of 835,685 shares of our common stock. The transactions are as follows:

| <b>Name</b>  | <b>Number of Shares</b> | <b>Average Selling Price</b> | <b>Amount Invested</b> |
|--|-------------------------|------------------------------|------------------------|
| Howard L. Farkas, Chairman of the Board                          | 203,193                 | \$0.74                       | \$150,000              |
| William J. Volz, President, Chief Executive Officer and Director | 604,714                 | \$0.70                       | \$425,000              |
| Robert C. Stanley, Director                                      | 27,778                  | \$0.90                       | \$25,000               |
| Total  | 835,685                 |                              | \$600,000              |

These shares have not been registered with the SEC. However, the Company's Chairman of the Board, President, and director received demand registration rights, subject to certain limitations, and unlimited piggyback registration rights, with respect to the shares. The Company is only obligated to use its best efforts to obtain an effective registration statement.

Before we would consider entering into any other transactions in which any executive officer, director, nominee or any family member of the foregoing would have any direct or indirect interest, regardless of the amount involved, the terms of such transaction would have to be presented to our Board of Directors (other than any interested director) for approval.

**LEGAL MATTERS**

Certain legal matters in connection with the securities will be passed upon for us by the law firm of Trombly Business Law, P.C., Newton, Massachusetts. Ms. Trombly, Principal of Trombly Business Law, will not receive a direct or indirect interest in the small business issuer and has never been a promoter, underwriter, voting trustee, director, officer, or employee of our company. Nor does Ms. Trombly have any contingent based agreement with us or any

other interest in or connection to us.

## **EXPERTS**

The September 30, 2010 and 2009 financial statements included in this prospectus have been audited by Hein & Associates LLP, an independent registered public accounting firm, and have been included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. Hein & Associates LLP has no direct or indirect interest in us, nor were they a promoter or underwriter.

**FINANCIAL STATEMENTS**

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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;<br>5,000 designated as Series A, 0 shares issued and outstanding<br>70,000 designated as Series B, 0 shares issued and outstanding |              |              |
| Common stock, no par value; 10,000,000 shares authorized;<br>7,176,581 and 6,814,438 shares issued and outstanding,<br>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,*

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

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

## LOGIC Devices Incorporated

## Statement of Shareholders' Equity

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

*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*

|   |               |              |
|---|---------------|--------------|
| 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                                       | (476,700)     | 261,300      |
| 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                                       | (773,100)     | 664,700      |
| 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   | 253,000       |              |
| Net (decrease) increase in cash and cash equivalents                                      | (96,800)      | 926,000      |
| Cash and cash equivalents, beginning  | 1,238,400     | 312,400      |
| Cash and cash equivalents, ending   | \$ 241,600    | \$1,238,400  |

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

*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, works-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.

*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.

*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:

|                          | <i>2010</i> | <i>2009</i> |
|--------------------------|-------------|-------------|
| 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.

**1. Inventories**

A summary of inventories follows:

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

**2. Property and Equipment**

A summary of property and equipment follows:

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

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.

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

|  | <i>Shares</i> | <i>Weighted<br/>Average<br/>Grant Date<br/>Fair Value</i> |
|--|---------------|---|
| 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 | 56,250        | \$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:

|                                   | <i>Common<br/>Stock<br/>Options</i> | <i>Weighted<br/>Average<br/>Exercise<br/>Price</i> | <i>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term (Years)</i> | <i>Aggregate<br/>Intrinsic<br/>Value</i> |
|-----------------------------------|-------------------------------------|--|--|--|
| Outstanding at September 30, 2008 | 337,500                             | \$1.595  | 2.57   | \$                                       |
| Granted                           | 90,000                              | \$0.53   |  |  |
| Exercised                         |                                     |  |  |  |
| Forfeited/Expired                 | (73,000)                            | \$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                 | (76,000)                            | \$1.458  |  |  |
| Outstanding at September 30, 2010 | 363,500                             | \$1.246  | 3.97   | \$13,900                                 |
| Exercisable at September 30, 2010 | 307,250                             | \$1.293  | 3.06   | \$11,900                                 |
| Exercisable at September 30, 2009 | 320,750                             | \$1.318  | 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.

**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. These shares have not been registered with the SEC. However, the Company's president received demand registration rights, subject to certain limitations, and unlimited piggyback registration rights, with respect to the shares. The Company is only obligated to use its best efforts to obtain an effective registration statement.

**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:

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

*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:

|   | <i>2010</i> | <i>2009</i> |
|---|-------------|-------------|
| 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<br>carryforwards before valuation allowance | 2,600       | 10,700      |
| Valuation allowance   | 474,800     | 341,200     |
| Other, net  | \$2,900     | \$900       |

Deferred tax assets and liabilities comprise the following:

|                                  | <i>September 30,</i><br><i>2010</i> | <i>September 30,</i><br><i>2009</i> |
|----------------------------------|-------------------------------------|-------------------------------------|
| Deferred tax assets:             |                                     |                                     |
| Net operating loss carryforwards | \$8,783,000                         | \$8,416,200                         |
| Tax credit carryforwards         | 735,300                             | 634,900                             |
| 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)                            |
| Net deferred tax assets          | 8,879,000                           | 8,428,500                           |
| Valuation allowance              | (8,879,000)                         | (8,428,500)                         |
| Net deferred taxes               | \$                                  | \$                                  |

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.

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:

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

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.

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. These shares have not been registered with the SEC. However, the Company's President and Chairman of the Board received demand registration rights, subject to certain limitations, and unlimited piggyback registration rights, with respect to the shares. The Company is only obligated to use its best efforts to obtain an effective registration statement.

## INTERIM FINANCIAL STATEMENTS

*Unaudited Balance Sheet*

|  | <i>December 31,<br/>2010</i> |
|--|------------------------------|
| <b>ASSETS</b>  |                              |
| Current assets:  |                              |
| Cash and cash equivalents  | \$ 60,300                    |
| Accounts receivable  | 110,200                      |
| Inventories  | 1,009,500                    |
| Prepaid expenses   | 55,800                       |
| Total current assets   | 1,235,800                    |
| Property and equipment, net  | 910,700                      |
| Capitalized software, net  | 410,200                      |
| Other assets, net  | 22,100                       |
|  | <b>\$ 2,578,800</b>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                              |
| Current liabilities:   |                              |
| Accounts payable   | \$ 142,100                   |
| Accrued payroll and vacation   | 105,600                      |
| Accrued commissions  | 17,500                       |
| Other accrued expenses   | 15,200                       |
| Total current liabilities  | 280,400                      |
| Deferred rent  | 50,600                       |
| Total liabilities  | 331,000                      |
| Commitments and contingencies  |                              |
| Shareholders' equity:  |                              |
| Preferred stock, no par value; 1,000,000 shares authorized;<br>5,000 designated as Series A, 0 shares issued and outstanding<br>70,000 designated as Series B, 0 shares issued and outstanding |                              |
| Common stock, no par value; 10,000,000 shares authorized;<br>7,437,234 and 7,176,581 shares issued and outstanding,<br>respectively  | 18,971,200                   |
| Additional paid-in capital   | 211,700                      |
| Accumulated deficit  | (16,935,100)                 |
| Total shareholders' equity   | 2,247,800                    |
|  | <b>\$ 2,578,800</b>          |

*See accompanying Notes to Interim Financial Statements.*

*Unaudited Statements of Operations*

|  | <i>For the quarters ended December 31,<br/>2010</i> | <i>2009</i>  |
|--|---|--------------|
| Net revenues                               | \$ 204,800  | \$ 1,102,200 |
| Cost of revenues                           | 118,200   | 434,100      |
| Gross margin                               | 86,600  | 668,100      |
| Operating expenses:                        |   |              |
| Research and development                   | 195,800   | 271,600      |
| Selling, general and administrative        | 297,300   | 318,600      |
| Total operating expenses                   | 493,100   | 590,200      |
| Operating (loss) income                    | (406,500)   | 77,900       |
| Other income and expense, net              |   |              |
| Interest income                            |   | 100          |
| Other income                               |   | 5,600        |
| Other income and expense, net              |   | 5,700        |
| (Loss) income                              |   |              |
| before provision for income taxes          | (406,500)   | 83,600       |
| Provision for income taxes                 |   |              |
| Net (loss) income                          | \$ (406,500)  | \$ 83,600    |
| Basic (loss) earnings per common share     | \$ (0.06)   | \$ 0.01      |
| Basic                                      |   |              |
| weighted average common shares outstanding | 7,284,299   | 6,814,438    |
| Diluted (loss) earnings per common share   | \$ (0.06)   | \$ 0.01      |
| Diluted                                    |   |              |
| weighted average common shares outstanding | 7,284,299   | 6,869,737    |

*See accompanying Notes to Interim Financial Statements.*



*Unaudited Statements of Cash Flows*

|  | <i>For the quarters ended December</i> |              |
|--|--|--------------|
|  | <i>31,</i>                             |              |
|  | <i>2010</i>                            | <i>2009</i>  |
| Cash flows from operating activities:  |  |              |
| Net (loss) income  | \$ (406,500)                           | \$ 83,600    |
| Adjustments to reconcile net (loss) income to net cash used in operating activities: |  |              |
| Depreciation   | 68,300                                 | 80,600       |
| Deferred rent  |  | 2,100        |
| Stock-based compensation   |  | 6,800        |
| Changes in current assets and liabilities:   |  |              |
| Accounts receivable  | 66,400                                 | (130,600)    |
| Inventories  | (45,900)                               | 222,900      |
| Prepaid expenses   | 7,900                                  | (9,300)      |
| Accounts payable   | 56,700                                 | 117,500      |
| Accrued payroll and vacation   | (26,500)                               | (7,800)      |
| Accrued commissions  | 4,200                                  | (20,100)     |
| Other accrued expenses   | 15,200                                 | (35,000)     |
| Net cash used in operating activities  | (260,200)                              | 310,700      |
| Cash flows from investing activities:  |  |              |
| Capital expenditures   | (37,400)                               | (146,300)    |
| Capitalized test software  | (58,700)                               |              |
| Net cash used in investing activities  | (96,100)                               | (146,300)    |
| Cash flows from financing activities:  |  |              |
| Proceeds of common stock private placements  | 175,000                                |              |
| Net cash provided by financing activities  | 175,000                                |              |
| Net (decrease) increase in cash and cash equivalents                                 | (181,300)                              | 164,400      |
| Cash and cash equivalents, beginning   | 241,600                                | 1,238,400    |
| Cash and cash equivalents, ending  | \$ 60,300                              | \$ 1,402,800 |

*See accompanying Notes to Interim Financial Statements.*

## 1. Basis of Presentation

The accompanying unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations, and cash flows of LOGIC Devices Incorporated (the Company) for the periods indicated.

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions for Form 10-Q, and, therefore, do not include all information and footnotes necessary for a complete presentation of the financial position, results of operations, and cash flows for the Company, in conformity with accounting principles generally accepted in the United States of America. The Company has filed audited financial statements that include all information and footnotes necessary for such a presentation of the financial position, results of operations, and cash flows for the fiscal years ended September 30, 2010 and 2009 with the Securities and Exchange Commission (SEC). It is suggested that the accompanying unaudited interim financial statements be read in conjunction with the aforementioned audited financial statements. In the opinion of management, the unaudited interim financial statements reflect all adjustments (consisting of normal and recurring accruals) necessary to make the results of operations for the interim periods a fair statement of such operations. The results of operations for the interim period ended December 31, 2010 are not necessarily indicative of the results to be expected for the full fiscal year to end September 30, 2011.

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.

## 2. Inventories

A summary of inventories follows:

|               | <i>December 31,<br/>2010</i> | <i>September 30,<br/>2010</i> |
|---------------|------------------------------|-------------------------------|
| Raw materials | \$ 103,100                   | \$ 92,100                     |

|                 |              |            |
|-----------------|--------------|------------|
| Work-in-process | 172,500      | 181,300    |
| Finished goods  | 733,900      | 690,200    |
|                 | \$ 1,009,500 | \$ 963,600 |

### **3. Shareholders Equity and Related Party Transactions**

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 quarter ended December 31, 2009 related to common stock option grants was \$6,800 (fair value of \$1.00 per share). There was no compensation expense related to common stock options in the quarter ended December 31, 2010 as no options were granted.

During the quarter ended December 31, 2010, the Company raised \$175,000 through four private placements to the Company's president and chairman of the board, as detailed below:

|  | <i># of Shares</i> | <i>Amount</i> |
|--|--------------------|---------------|
| To chairman of the board, November 9, 2010 | 62,500             | \$ 50,000     |
| To president, December 6, 2010             | 83,333             | 50,000        |
| To chairman of the board, December 9, 2010 | 75,758             | 50,000        |
| To president, December 27, 2010            | 39,062             | 25,000        |
|  |                    | \$            |
|  | 260,653            | 175,000       |

These shares have not been registered with the SEC. However, the Company's president and chairman of the board received demand registration rights, subject to certain limitations, and unlimited piggyback registration rights, with respect to the shares. The Company is only obligated to use its best efforts to obtain an effective registration statement.

#### 4. Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average common shares outstanding during the period. Diluted earnings 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 280,000 and 394,500 common stock options outstanding at December 31, 2010 and 2009, respectively. For the quarter ended December 31, 2009, the Company had 55,299 dilutive common shares as the weighted average price of the Company's common stock during the quarter was \$1.39. No options were considered in calculating the diluted loss per share for the quarter ended December 31, 2010, as their effect would have been antidilutive. As a result, for the quarter ended December 31, 2010, the Company's basic and diluted loss per share are the same.

## 5. Subsequent Events

The Company raised \$175,000 through private placements: to the Company's President on January 13, 2011 (64,935 shares for \$50,000) and January 25, 2011 (60,241 shares for \$50,000); to a board member on January 31, 2011 (27,778 shares for \$25,000); and to the Company's Chairman of the Board on February 7, 2011 (64,935 shares for \$50,000). These shares have not been registered with the SEC. However, the Company's President, board member, and Chairman of the Board received demand registration rights, subject to certain limitations, and unlimited piggyback registration rights, with respect to the shares. The Company is only obligated to use its best efforts to obtain an effective registration statement.

On February 25, 2011, the Company entered into an agreement with Summit Financial Resources in order to receive a line of credit borrowed against the Company's accounts receivable.

On March 10, 2011, the Company entered into an Investment Agreement with Dutchess Opportunity Fund, II, LP (Dutchess) for the sale of up to \$5.0 million of shares of the Company's common stock over a three-year commitment period. Under the terms of the Investment Agreement, Dutchess is committed to purchase from the Company, from time to time, up to \$5,000,000 of the Company's common stock over the course of thirty-six months. The Company may draw upon the facility from time to time, as and when it determines appropriate in accordance with the terms and conditions of the Investment Agreement. The amount that the Company is entitled to put in any one notice shall not exceed up to the greater of either 1) 200% of the average daily volume of the common stock for the 3 trading days prior to the applicable put notice date, multiplied by the average of the 3 daily closing prices immediately preceding the put date or 2) \$100,000. When the Company puts, or sells, an amount of shares to Dutchess, the per share purchase price that Dutchess will pay to the Company in respect of such put will be determined in accordance with a formula set forth in the Investment Agreement. Generally, in respect of each put, Dutchess will pay the Company a per share purchase price equal to 95% of the lowest daily volume weighted average price, or VWAP, of our common stock during the five consecutive trading day period beginning on the trading day immediately following the Company's put notice. The initial number of shares issuable by the Company and purchasable by Dutchess under the Investment Agreement is 1,740,000 shares.

**DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION**

**FOR SECURITIES ACT LIABILITIES**

We have been advised that, in the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

The following table sets forth the various costs and expenses in connection with the sale and distribution of the common stock being registered. All amounts shown are estimates except the Securities and Exchange Commission registration fee.

|   | Amount to be paid |
|---|-------------------|
| SEC Registration Fee                        | \$ 107.07         |
| Transfer agent fees                         | \$ 200.00         |
| Accounting fees and expenses                | \$ 5,000.00       |
| Legal fees and expenses                     | \$ 15,000.00      |
| Miscellaneous (including EDGAR filing fees) | \$ 9,692.93       |
| Total                                       | \$ 30,000.00      |

**INDEMNIFICATION OF DIRECTORS AND OFFICERS**

We incorporated under the laws of the State of California. Section 317 of the California Corporations Code authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers who are parties or are threatened to be made parties to any proceeding (with certain exceptions) by reason of the fact that the person is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding if that person acted in good faith and in a manner the person reasonably believed to be in the best interests of the corporation. Section 204 of the California Corporations Code provides that this limitation on liability has no effect on a director's liability (a) for acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (b) for acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (c) for any transaction from which a director derived an improper personal benefit, (d) for acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of a serious injury to the corporation or its shareholders, (e) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, (f) under Section 310 of the law (concerning contracts or transactions between the corporation and a director), or (g) under Section 316 of the law (directors' liability for improper dividends, loans and guarantees). Section 317 does not extend to acts or omissions of a director in his capacity as an officer. Further, Section 317 has no effect on claims

arising under federal or state securities laws and does not affect the availability of injunctions and other equitable remedies available to our shareholders for any violation of a director's fiduciary duty to us or our shareholders. Although the validity and scope of the legislation underlying Section 317 have not yet been interpreted to any significant extent by the California courts, Section 317 may relieve directors of monetary liability to us for grossly negligent conduct, including conduct in situations involving attempted takeovers of LOGIC.

Our Restated Articles of Incorporation and Bylaws, as amended, provide for indemnification of agents (as defined in Section 317 of the Corporations Code) for breach of duty to the corporation and its stockholders through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Corporations Code. We shall, to the maximum extent and in the manner permitted by the Code, indemnify each of our directors and officers against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. Our Restated Articles of Incorporation further authorize us to provide indemnification to our agents (including our officers and directors), subject to the limitations set forth above.



**RECENT SALES OF UNREGISTERED SECURITIES**

On various dates from September 29, 2010 to February 7, 2011, we issued 835,685 shares of common stock. The exercise prices per share ranged from \$0.60 to \$0.90, for an aggregate consideration of \$600,000.00.

| <b>Date of Sale</b> | <b>Title</b>        | <b>Amount of Securities Sold</b> | <b>Price Per Share</b> | <b>Purchaser</b>  | <b>Aggregate Offering Price</b> | <b>Claimed Exemption from Securities Registration</b> |
|---------------------|---------------------|----------------------------------|------------------------|-------------------|---------------------------------|---|
| 9/29/2010           | Common Stock        | 357,143                          | \$0.70                 | William J. Volz   | \$250,000.00                    | Rule 504(b)(1) of Regulation D                        |
| 11/9/2010           | Common Stock        | 62,500                           | \$0.80                 | Howard L. Farkas  | \$50,000.00                     | Rule 504(b)(1) of Regulation D                        |
| 12/6/2010           | Common Stock        | 83,333                           | \$0.60                 | William J. Volz   | \$50,000.00                     | Rule 504(b)(1) of Regulation D                        |
| 12/9/2010           | Common Stock        | 75,758                           | \$0.66                 | Howard L. Farkas  | \$50,000.00                     | Rule 504(b)(1) of Regulation D                        |
| 12/27/2010          | Common Stock        | 39,062                           | \$0.64                 | William J. Volz   | \$25,000.00                     | Rule 504(b)(1) of Regulation D                        |
| 1/13/2011           | Common Stock        | 64,935                           | \$0.77                 | William J. Volz   | \$50,000.00                     | Rule 504(b)(1) of Regulation D                        |
| 1/25/2011           | Common Stock        | 60,241                           | \$0.83                 | William J. Volz   | \$50,000.00                     | Rule 504(b)(1) of Regulation D                        |
| 1/31/2011           | Common Stock        | 27,778                           | \$0.90                 | Robert C. Stanley | \$25,000.00                     | Rule 504(b)(1) of Regulation D                        |
| 2/7/2011            | Common Stock        | 64,935                           | \$0.77                 | Howard L. Farkas  | \$50,000.00                     | Rule 504(b)(1) of Regulation D                        |
| <b>TOTAL</b>        | <b>Common Stock</b> | <b>835,685</b>                   | <b>-</b>               | <b>-</b>          | <b>\$600,000.00</b>             | <b>-</b>  |

With respect to the sale of our common stock described above, we relied on the Section 4(2) exemption from securities registration under the federal securities laws for transactions not involving any public offering. No advertising or general solicitation was employed in offering the shares. The shares were sold to accredited investors. The securities were offered for investment purposes only and not for the purpose of resale or distribution, and the transfer thereof was appropriately restricted by us.

**EXHIBITS**

| Number | Description of Exhibits   |
|--------|---|
| 3.1    | Restated Articles of Incorporation dated August 17, 1988 (included as Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2004, filed January 26, 2005, and incorporated herein by reference).  |
| 3.2    | Bylaws, as amended (included as Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed May 15, 2007, and incorporated herein by reference).   |
| 5.1*   | Legal Opinion of Trombly Business Law, PC.  |
| 10.1   | Lease, dated June 5, 2007, between Gahrahmat Family Limited Partnership I, LP and Registrant included as Exhibit 99.1 to the Current Report on Form 8-K, filed August 7, 2007, and incorporated herein by reference).   |
| 10.2   | LOGIC Devices Incorporated Amended and Restated 1998 Director Stock Incentive Plan (included as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed May 6, 2008, and incorporated herein by reference).   |
| 10.3   | LOGIC Devices Incorporated 2007 Employee Stock Incentive Plan (included as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed May 6, 2008, and incorporated herein by reference).  |
| 10.4   | Stock Purchase Agreement dated September 17, 1998 by and between William J. Volz, BRT Partnership, and Registrant (included as Exhibit 10.18 to the Annual Report on Form 10-K for the transition period January 1, 1998 to September 30, 1998, filed January 13, 1999, and incorporated herein by reference).      |
| 10.5   | Registration Rights Agreement dated September 30, 1998 by and between William J. Volz, BRT Partnership, and Registrant (included as Exhibit 10.19 to the Annual Report on Form 10-K for the transition period January 1, 1998 to September 30, 1998, filed January 13, 1999, and incorporated herein by reference). |
| 10.6   | Stock Purchase Agreement dated September 29, 2010 between William J. Volz and Registrant (included as Exhibit 10.5 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2010, filed December 27, 2010, and incorporated herein by reference).  |
| 10.7   | Registration Rights Agreement dated September 29, 2010 between William J. Volz and Registrant (included as Exhibit 10.6 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2010, filed December 27, 2010, and incorporated herein by reference).   |
| 10.8   | Stock Purchase Agreement dated November 9, 2010 between Howard L. Farkas and Registrant (included as Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).   |
| 10.9   | Registration Rights Agreement dated November 9, 2010 between Howard L. Farkas and Registrant (included as Exhibit 10.6 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).  |
| 10.10  | Stock Purchase Agreement dated December 6, 2010 between William J. Volz and Registrant (included as Exhibit 10.7 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).  |
| 10.11  | Registration Rights Agreement dated December 6, 2010 between William J. Volz and Registrant (included as Exhibit 10.8 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).   |

- 10.12 Stock Purchase Agreement dated December 9, 2010 between Howard L. Farkas and Registrant (included as Exhibit 10.9 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).
- 10.13 Registration Rights Agreement dated December 9, 2010 between Howard L. Farkas and Registrant (included as Exhibit 10.10 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).
- 10.14 Stock Purchase Agreement dated December 27, 2010 between William J. Volz and Registrant (included as Exhibit 10.11 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).
- 10.15 Registration Rights Agreement dated December 27, 2010 between William J. Volz and Registrant (included as Exhibit 10.12 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed March 3, 2011, and incorporated herein by reference).
- 10.16 Stock Purchase Agreement dated January 13, 2011 between William J. Volz and Registrant.
- 10.17 Registration Rights Agreement dated January 13, 2011 between William J. Volz and Registrant.
- 10.18 Stock Purchase Agreement dated January 25, 2011 between William J. Volz and Registrant.
- 10.19 Registration Rights Agreement dated January 25, 2011 between William J. Volz and Registrant.
- 10.20 Stock Purchase Agreement dated January 31, 2011 between Robert C. Stanley and Registrant.
- 10.21 Registration Rights Agreement dated January 31, 2011 between Robert C. Stanley and Registrant.
- 10.22 Stock Purchase Agreement dated February 7, 2011 between Howard L. Farkas and Registrant.
- 10.23 Registration Rights Agreement dated February 7, 2011 between Howard L. Farkas and Registrant.
- 10.24 Investment Agreement dated March 10, 2011 between Dutchess Opportunity Fund, II, L.P. and Registrant (included as Exhibit 4.1 to the Current Report on Form 8-K, filed March 15, 2011, and incorporated herein by reference).
- 10.25 Registration Rights Agreement dated March 10, 2011 between Dutchess Opportunity Fund, II, L.P. and Registrant (included as Exhibit 4.2 to the Current Report on Form 8-K, filed March 15, 2011, and incorporated herein by reference).
- 23.1 Consent of Hein & Associates LLP
- 23.2\* Consent of Trombly Business Law, PC., included in Exhibit 5.1.

\* To be filed by amendment.

## UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (§ 230.424(b) of this chapter) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purposes of determining liability under the Securities Act of 1933 to any purchaser

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) (§230.424(b)(3) of this chapter) shall be deemed to be part of this registration as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), (b)(7) (§230.424(b)(2), (b)(5), or (b)(7) of this chapter) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) (§230.415(a) (1)(i), (vii), or (x) of this chapter) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be a part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in this prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. *Provided, however;* that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Sunnyvale, State of California, on March 24, 2011.

**LOGIC DEVICES INCORPORATED**

Dated: March 24, 2011

By: /s/ William J. Volz  
William J. Volz

President and Chief Executive Officer  
(Principal Executive Officer)

Dated: March 24, 2011

By: /s/ Kimiko Milheim  
Kimiko Milheim

Chief Financial Officer

(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated.

| Signature                   | Capacity   | Date           |
|-----------------------------|--|----------------|
| <u>/s/ William J. Volz</u>  | President, Chief Executive Officer, and Director | March 24, 2011 |
| William J. Volz             | (Principal Executive Officer)                    |                |
| <u>/s/ Kimiko Milheim</u>   | Chief Financial Officer                          | March 24, 2011 |
| Kimiko Milheim              | (Principal Financial and Accounting Officer)     |                |
| <u>/s/ Howard L. Farkas</u> | Chairman of the Board of Directors               | March 24, 2011 |
| Howard L. Farkas            |  |                |

/s/ James T. Hooper

Director

March 24, 2011

James T. Hooper

/s/ Hal Shoemaker

Director

March 24, 2011

Hal Shomaker

/s/ Robert Stanley

Director

March 24, 2011

Robert Stanley