

LOGIC DEVICES Inc  
Form 10-Q  
August 14, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

## **FORM 10-Q**

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

**For the quarterly period ended June 30, 2012**

**or**

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

**For the transition period from            to**

Commission File Number

**0-17187**

FORM 10-Q

## LOGIC Devices Incorporated

(Exact name of registrant as specified in its charter)

### California

(State or other jurisdiction of  
incorporation or organization)

94-2893789

(I.R.S. Employer

Identification Number)

### 1375 Geneva Drive, Sunnyvale, California 94089

(Address of principal executive offices) (Zip Code)

(408) 542-5400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Yes  No

As of August 14, 2012, there were 10,486,348 shares of the registrant's common stock, without par value, issued and outstanding.

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**LOGIC Devices Incorporated**

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**Part I Financial Information****Item 1. Financial Statements****LOGIC Devices Incorporated****Condensed Balance Sheets**

|   | <b>June 30,<br/>2012</b> | <b>September 30,<br/>2011</b> |
|---|--------------------------|-------------------------------|
|   | <i>Unaudited</i>         | *                             |
| <b>ASSETS</b>                               |                          |                               |
| Current assets:                             |                          |                               |
| Cash and cash equivalents                   | \$ 100                   | \$ 64,100                     |
| Accounts receivable                         | 308,600                  | 134,200                       |
| Inventories                                 | 1,111,400                | 1,073,200                     |
| Prepaid expenses and other current assets   | 52,200                   | 97,000                        |
| Total current assets                        | 1,472,300                | 1,368,500                     |
| Property and equipment, net                 | 656,500                  | 785,100                       |
| Capitalized software, net                   | 513,800                  | 451,400                       |
| Other assets                                | 22,100                   | 22,100                        |
|   | \$ 2,664,700             | \$ 2,627,100                  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                          |                               |
| Current liabilities:                        |                          |                               |
| Bank borrowings                             | \$ 160,200               | \$ 51,400                     |
| Accounts payable                            | 196,300                  | 189,200                       |
| Accrued payroll and vacation                | 106,200                  | 115,700                       |
| Other accrued expenses                      | 38,300                   | 37,500                        |
| Related party notes payable                 | 639,000                  | 174,000                       |
| Total current liabilities                   | 1,140,000                | 567,800                       |
| Deferred rent                               | 44,200                   | 50,200                        |
| Total liabilities                           | 1,184,200                | 618,000                       |

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Commitments and contingencies (Note 5)

Shareholders' equity:

|  |              |              |
|--|--------------|--------------|
| Preferred stock; no par value; 1,000,000 shares authorized<br>5,000 designated as Series A; no shares issued and outstanding     | -            | -            |
| 70,000 designated as Series B; no shares issued and outstanding  | -            | -            |
| Common stock; no par value; 10,000,000 shares authorized<br>10,486,348 and 8,068,700 shares issued and outstanding, respectively | 19,821,200   | 19,371,200   |
| Additional paid-in capital   | 246,000      | 237,000      |
| Accumulated deficit  | (18,586,700) | (17,599,100) |
| Total shareholders' equity   | 1,480,500    | 2,009,100    |
|  | \$ 2,664,700 | \$ 2,627,100 |

\* Amounts derived from the audited financial statements for the fiscal year ended September 30, 2011.

*See accompanying Notes to Condensed Interim Financial Statements.*

**LOGIC Devices Incorporated****Condensed Statements of Operations****For the Quarters and Nine Months Ended June 30, 2012 and 2011***(Unaudited)*

|                                     | <b>Quarters Ended June 30,</b> |              | <b>Nine-months Ended June 30,</b> |              |
|-------------------------------------|--------------------------------|--------------|-----------------------------------|--------------|
|                                     | <b>2012</b>                    | <b>2011</b>  | <b>2012</b>                       | <b>2011</b>  |
| Net revenues                        | \$ 393,300                     | \$ 406,400   | 675,200                           | 1,184,600    |
| Cost of revenues                    | 241,900                        | 114,600      | 617,700                           | 425,800      |
| Gross (loss) margin                 | 151,400                        | 291,800      | 57,500                            | 758,800      |
| Operating expenses:                 |                                |              |                                   |              |
| Research and development            | 124,300                        | 176,600      | 344,200                           | 537,300      |
| Selling, general and administrative | 167,900                        | 232,100      | 689,200                           | 846,500      |
| Total operating expenses            | 292,200                        | 408,700      | 1,033,400                         | 1,383,800    |
| Loss from operations                | (140,800)                      | (116,900)    | (975,900)                         | (625,000)    |
| Interest expense                    | (3,100)                        | (2,100)      | (10,800)                          | (5,000)      |
| Loss before income tax provision    | (143,900)                      | (119,000)    | (986,700)                         | (630,000)    |
| Provision for income taxes          | -                              | 800          | 900                               | 800          |
| Net loss                            | \$ (143,900)                   | \$ (119,800) | \$ (987,600)                      | \$ (630,800) |
| Basic and diluted loss per share    | \$ (0.01)                      | \$ (0.02)    | \$ (0.10)                         | \$ (0.08)    |

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|   |            |           |           |           |
|---|------------|-----------|-----------|-----------|
| Basic and diluted weighted average shares outstanding | 10,161,323 | 7,748,267 | 9,435,946 | 7,574,429 |
|---|------------|-----------|-----------|-----------|

*See accompanying Notes to Condensed Interim Financial Statements.*

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**LOGIC Devices Incorporated****Condensed Statements of Cash Flows****For the Nine Months Ended June 30, 2012 and 2011***(Unaudited)*

|   | <b>Nine Months Ended June 30,</b> |              |
|---|-----------------------------------|--------------|
|   | <b>2012</b>                       | <b>2011</b>  |
| Cash flows from operating activities:                                       |                                   |              |
| Net loss  | \$ (987,600)                      | \$ (630,800) |
| Adjustments to reconcile net loss to net cash used by operating activities: |                                   |              |
| Depreciation and amortization   | 192,500                           | 211,400      |
| Deferred rent   | (6,000)                           | 200          |
| Stock-based compensation  | 9,000                             | 22,200       |
| Changes in current assets and liabilities:                                  |                                   |              |
| Accounts receivable   | (174,400)                         | (163,600)    |
| Inventory   | (38,200)                          | (97,000)     |
| Prepaid expenses and other current assets                                   | 44,800                            | (81,300)     |
| Accounts payable  | 7,100                             | 41,300       |
| Accrued payroll and vacation  | (9,500)                           | (33,200)     |
| Other accrued expenses  | 800                               | 29,700       |
| Net cash used by operating activities                                       | (961,500)                         | (701,100)    |
| Cash flows from investing activities:                                       |                                   |              |
| Capital expenditures  | (42,100)                          | (70,200)     |
| Capitalized software  | (84,200)                          | (108,700)    |
| Net cash used by investing activities                                       | (126,300)                         | (178,900)    |
| Cash flows from financing activities:                                       |                                   |              |
| Proceeds from bank borrowings   | 433,700                           | 717,600      |
| Repayments of bank borrowings   | (324,900)                         | (543,700)    |
| Proceeds of common stock private placements                                 | 450,000                           | 425,000      |
| Proceeds of related party notes payable                                     | 465,000                           | 55,000       |
| Net cash provided by financing activities                                   | 1,023,800                         | 653,900      |

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|  |           |    |           |
|--|-----------|----|-----------|
| Net decrease in cash and cash equivalents    | (64,000)  |    | (226,100) |
| Cash and cash equivalents, beginning balance | 64,100    |    | 241,600   |
| Cash and cash equivalents, ending balance    | \$ 100    | \$ | 15,500    |
| Interest expense paid                        | \$ 10,800 | \$ | 6,100     |

*See accompanying Notes to Condensed Interim Financial Statements.*

## **LOGIC Devices Incorporated**

### **Notes to Condensed Interim Financial Statements**

*(Unaudited)*

#### **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 accompanying unaudited interim financial statements should be read in conjunction with the audited financial statements that include all information and footnotes necessary for such a presentation of the Company's financial position, results of operations, and cash flows for the fiscal year ended September 30, 2011 included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on December 29, 2011 and amended on January 30, 2012. 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 quarter and nine months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full fiscal year ending September 30, 2012.

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. The Company has incurred operating losses in the past four years and will require additional funds to maintain its operations. The Company's continuance of operations is contingent on raising additional working capital, and on the increase of revenues received from new product introductions. Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern. While the Company has established a limited line of credit with a commercial finance company and an equity line with an investment fund, its limited financing, cash on-hand and cash from operations may not be sufficient to meet the increased demands of its market. The Company

has not utilized the equity line to date. 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:

|                 | <b>June 30,<br/>2012</b> |    | <b>September 30,<br/>2011</b> |
|-----------------|--------------------------|----|-------------------------------|
|                 | <i>Unaudited</i>         |    |                               |
| Raw materials   | \$ 99,400                | \$ | 99,100                        |
| Work in process | 291,500                  |    | 255,400                       |
| Finished goods  | 720,500                  |    | 718,700                       |
|                 | \$ 1,111,400             | \$ | 1,073,200                     |

### 3. Capitalized Software

During fiscal 2010, the Company began capitalizing costs for internal test software development. The test programs are used to test the Company's products before the products are sold by the Company to end-users, and the test programs are never used by individuals outside of the Company. As of June 30, 2012, these capitalized software development costs aggregated to \$513,800. Amortization expenses for the quarters ended June 30, 2012 and 2011 were \$7,200 and \$7,300, respectively. Amortization expenses for the nine months ended June 30, 2012 and 2011 were \$21,700 and \$14,500, respectively.

### 4. 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. As of June 30, 2012, there were 1,035,000 authorized shares remaining for granting of future options.

A summary of stock option activity for the nine months ended June 30, 2012 is as follows:

|                                   | Shares   | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Contractual<br>Term<br>(Years) | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------|----------|--|---|---------------------------------|
| Outstanding at September 30, 2011 | 286,000  | \$                                       | 1.13  |                                 |
| Granted                           | 85,000   | \$                                       | 0.19  |                                 |
| Exercised                         | -        | \$                                       | -   |                                 |
| Forfeited                         | -        | \$                                       | -   |                                 |
| Expired                           | (45,000) | \$                                       | 2.24  |                                 |
| Outstanding at June 30, 2012      | 326,000  | \$                                       | 0.58  | 4.03 \$ 250.00                  |

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|                                      |         |    |      |      |    |       |
|--------------------------------------|---------|----|------|------|----|-------|
| Options exercisable at June 30, 2012 | 282,250 | \$ | 0.77 | 3.23 | \$ | 62.50 |
|--------------------------------------|---------|----|------|------|----|-------|

The aggregate intrinsic value is calculated as the difference between the closing price of the Company's common stock quoted on the OTCQX market and the exercise price of the underlying stock options for the shares subject to options that were in-the-money as of June 30, 2012.

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 for the nine months ended June 30, 2012 and 2011:

|                                 | <b>Fiscal 2012</b> | <b>Fiscal 2011</b> |
|---------------------------------|--------------------|--------------------|
| Dividend yield                  | None               | None               |
| Expected volatility             | 178.62%            | 128.60%            |
| Expected annual forfeiture rate | 10%                | 10%                |
| Risk-free interest rate         | 0.50%              | 1.10%              |
| Expected term (years)           | 4                  | 4                  |

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

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The estimated fair value of equity-based awards, less expected forfeitures, is amortized over the award's vesting period on a straight-line, generally over three years. Share-based compensation expense recognized in the statements of operations for the nine months ended June 30, 2012 and 2011 related to common stock option grants was \$9,000 (fair value of \$0.18 per share) and \$22,200 (fair value of \$0.52 per share), respectively. There was no share-based compensation expense recognized in the quarter ended June 30, 2012 and 2011.

During the nine months ended June 30, 2012, the Company raised \$450,000 through 12 private placements to the chairman of the Company's board of directors, and another board member, as detailed below:

|   | # of Shares |    | Amount  |
|---|-------------|----|---------|
| To the chairman of the board, October 18, 2011  | 87,500      | \$ | 35,000  |
| To a board member, December 1, 2011             | 192,308     |    | 25,000  |
| To the chairman of the board, December 2, 2011  | 230,769     |    | 30,000  |
| To a board member, December 7 2011              | 138,889     |    | 25,000  |
| To the chairman of the board, December 23, 2011 | 200,000     |    | 30,000  |
| To a board member, January 10, 2012             | 500,000     |    | 75,000  |
| To a board member, February 7, 2012             | 272,727     |    | 60,000  |
| To the chairman of the board, February 9, 2012  | 272,727     |    | 60,000  |
| To a board member, April 30, 2012               | 125,000     |    | 25,000  |
| To the chairman of the board, April 30, 2012    | 125,000     |    | 25,000  |
| To the chairman of the board, May 11, 2012      | 136,364     |    | 30,000  |
| To a board member, May 14, 2012                 | 136,364     |    | 30,000  |
|   | 2,417,648   | \$ | 450,000 |

These shares have not been registered with the SEC. However, the Company's chairman of the board and the board member 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.

## 5. Working Capital

On February 25, 2011, the Company entered into an asset-based line of credit with Summit Financial Resources LP related to its accounts receivable. The Company may borrow up to 80% of domestic accounts receivable at a daily interest rate of prime plus 2%, plus a monthly management fee of 1.1% of the borrowed accounts. As of June 30, 2012, the Company owes \$160,200 on the line of credit. Interest expense on these borrowings was \$3,100 and \$10,800 for the quarter and nine months ended June 30, 2012, respectively.

During the quarter and nine months ended June 30, 2012, the Company obtained working capital bridge loans from its president aggregating \$90,000 and \$639,000, respectively. These loans are non-interest bearing and due on demand, and are in addition to other outstanding loans that the Company has obtained from its president.

## **6. 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 266,000 and 258,000 common stock options outstanding at June 30, 2012 and 2011, respectively. No options were considered in calculating the diluted loss per share for the quarters and nine months ended June 30, 2012 and 2011, as their effect would have been antidilutive. As a result, for the quarters and nine months ended June 30, 2012 and 2011, the Company's basic loss per share and diluted loss per share are the same.



## **7. Subsequent Events**

The Company raised \$30,000 through two private placements for an aggregate of 207,143 shares sold. The shares were sold to the Company's chairman of the board on July 2, 2012 and July 17, 2012. These shares have not been registered with the SEC. However, the Company's 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.

The Company obtained a working capital bridge loan of \$100,000 from its president on August 7, 2012. This loan is non-interest bearing and due on demand, and is in addition to other outstanding loans that the Company has obtained from its president.



Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion of our financial condition and results of operations should be read in conjunction with the accompanying unaudited interim financial statements and notes to those statements included elsewhere in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and our audited consolidated financial statements for the year ended September 30, 2011 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 29, 2011 and amended on January 30, 2012.*

*This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this report, the words expects, anticipates, suggests, believes, intends, estimates, plans, ongoing, potential, expect, predict, believe, intend, may, will, should, could, would and similar intended to identify forward-looking statements.*

*Forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to the risks described in our Annual Report on Form 10-K including risks related to: our operating results, new product introductions and sales, competitive conditions, customer demand, capital expenditures and resources, manufacturing capacity utilization, and intellectual property claims and defense. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required by law.*

**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.

### ***Results of Operations***

For the quarter ended June 30, 2012, our net revenues of \$393,300 were a 3% decrease from \$406,400 in the same quarter of fiscal 2011. For the nine months ended June 30, 2012, our net revenues of \$675,200 decreased 43% from \$1,184,600 in the same period of fiscal 2011. These decreases are the result of older products continuing to decline while our newly introduced products have not begun to contribute any material revenues. More than half of the sales for the quarter and nine months ended June 30, 2012 were of older product previously considered obsolete.

Cost of revenues for the quarter ended June 30, 2012 were \$241,900, a 111% increase from \$114,600 in the same quarter of fiscal 2011. For the nine months ended June 30, 2012, our cost of revenues was \$617,700 compared to \$425,800 for the same period of fiscal 2011, a 45% increase. These increases are primarily the result of increased staffing in our manufacturing department to compensate for past staff reductions and the need to spend funds to produce older replacement parts for military programs. In 2011, our military sales were often shipped from existing zero-value finished goods inventories, while in 2012 we had to build new parts from zero-value raw materials in inventory. These increases coupled with the decrease in revenues resulted in a gross margin of \$151,400 for the quarter ended June 30, 2012, a 48% decrease from a gross margin of \$291,800 for the comparable period of fiscal 2011. The gross margin for the nine months ended June 30, 2012 was \$57,500, a 92% decrease from a gross margin of \$758,800 for the comparable period of fiscal 2011.

Research and development (R&D) expenses to enhance and develop products for the quarter ended June 30, 2012 decreased 30% to \$124,300 from \$176,600 for the same quarter of fiscal 2011. For the nine months ended June 30, 2012, R&D expenses decreased 36% to \$344,200 from \$537,300 for the same period of fiscal 2011. These decreases are the result of staffing reductions and less use of outside services.

Selling, general and administrative (SG&A) expenses for the quarter ended June 30, 2012 were \$167,900, a 28% decrease from \$232,100 for the same quarter of fiscal 2011. For the nine months ended June 30, 2012, SG&A expenses decreased 19% to \$689,200 from \$846,500 for the same period of fiscal 2011. These decreases were the result of reductions in staffing and other cost cutting measures where possible.

As a result of our decreased revenues not being fully offset by decreases in expenditures, our net loss for the quarter ended June 30, 2012 increased to \$143,900 from \$119,800 for the same quarter of fiscal 2011. Our net loss for the nine months ended June 30, 2012 increased to \$987,600 from \$630,800 for the same period of fiscal 2011.

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

#### *Cash Flows*

Our net loss of \$987,600 for the nine months ended June 30, 2012 contributed to our net cash used by operating activities of \$961,500 because most of the net loss was from cash transactions. Our working capital has become very limited and dependent on private placements, our line of credit, and working capital loans to sustain operations. During the nine months ended June 30, 2012, we received \$450,000 from private placements and \$465,000 from working capital bridge loans, offset by repayments on bank borrowings of \$324,900. We intend to continue to minimize our expenditures to the extent possible without disrupting our operations.

On February 25, 2011, we established an asset-based line of credit with Summit Financial Resources LP, pursuant to which we have borrowed a net amount of \$160,200 through June 30, 2012. On March 11, 2011, we established an equity line of credit with Dutchess Opportunity Fund, II, LP, but have not yet drawn upon the equity line.

A net loss of \$630,800 for the nine months ended June 30, 2011 resulted in our net cash used by operations being \$701,100. We used \$97,000 of cash to increase inventory for new products, \$81,300 on prepaid expenses and deposits to vendors, and \$33,200 to reduce accrued payroll and vacation. During the nine months ended June 30, 2011, we received a total of \$653,900 from financing activities, including: \$425,000 from private placements of our common stock, \$717,600 from bank borrowings, and \$55,000 from a related party note payable, offset by repayments of bank

borrowings of \$543,700. During the nine months ended June 30, 2011, we invested \$70,200 and \$108,700 for capital expenditures and capitalized test software development, respectively.

### *Working Capital*

Historically, due to order scheduling by our customers, up to 60% of our quarterly revenues are often shipped in the last month of the quarter, so a large portion of shipments included in our quarter-end accounts receivable are not yet due per our net 30 day terms. As a result, quarter-end accounts receivable balances are typically at their highest level for the respective period.

As a fabless semiconductor company with products having longer than normal product life cycles, our investment in inventories has been, and will continue to be, significant. Although high levels of inventory impact liquidity, we believe these costs are a less expensive alternative to owning a wafer fabrication facility. Over the past few years, we have attempted to streamline our product offerings, in turn reducing our inventory levels. Going forward, we believe we will need to produce more inventory for new product offerings, while selling off our existing inventory. Therefore, our goal is to keep our inventory levels relatively consistent with their current state.

### *Financing*

Prior to fiscal 2011, our cost reductions had allowed us to generate enough cash from operations to fund current operations and future capital expenditures. To date, however, such reductions have not returned us to a state of liquidity. As our older products continue to produce less revenue and we have multiple new products being introduced, our capital requirements have increased, and we believe cash on-hand and cash from operations is not sufficient to meet these increased demands. We are currently working month-to-month to maintain adequate cash to continue operations.

As such, our continuance of operations depends on raising additional working capital, and on the increase of revenues received from new product introductions. However, our revenues may not increase. Accordingly, these factors raise substantial doubt about our ability to continue as a going concern. In order to finance our operations, we have established and drawn upon a limited line of credit with a commercial finance company. We have also entered into an investment agreement with an investment fund for the establishment of an equity line, but have not yet drawn upon the facility. We have also received working capital bridge loans from our president. We believe our limited financing, cash on-hand and cash from operations may not be sufficient to meet the increased demands of our market.

#### *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.

#### Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company as defined by Rule 12-2 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.

#### Item 4. Controls and Procedures

##### *Evaluation of Effectiveness of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within

the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective at the reasonable assurance level.

#### *Changes in Internal Control over Financial Reporting*

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II OTHER INFORMATION**

### **Item 1. 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. 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.

From time to time, we also may 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 the cost of a defense against such a claim, could have a material adverse impact on our business.

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Item 1A. Risk Factors

There have been no other material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, as filed with the Securities and Exchange Commission on December 29, 2011 and amended on January 30, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

As of June 30, 2012, we have not utilized our equity line established under our investment agreement with Dutchess Opportunity Fund, II, LP.

Other than previously disclosed in prior filings with the Securities and Exchange Commission, we did not issue any unregistered equity securities during the quarter ended June 30, 2012. From July 1, 2012 through August 14, 2012, we raised \$30,000 from two private placements to our chairman of the board for the sale of an aggregate of 207,143 shares of our common stock.

| <b>Date of Sale</b> | <b>Purchaser</b> | <b>Price Per Share</b> | <b>Shares Sold</b> | <b>Aggregate Offering Price</b> |
|---------------------|------------------|------------------------|--------------------|---------------------------------|
| 07/02/12            | Howard L. Farks  | \$0.14                 | 107,143            | \$15,000                        |
| 07/17/12            | Howard L. Farks  | \$0.15                 | 100,000            | \$15,000                        |

The proceeds from the private placements were used for working capital and to fund operations. The shares have not been registered with the Securities and Exchange Commission. However, the investors received demand registration rights, subject to certain limitations, and unlimited piggyback registration rights, with respect to the shares. We are only obligated to use our best efforts to obtain an effective registration statement.

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.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. 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).   |
| 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  |   |

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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).

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- 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 (included as Exhibit 10.16 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.17 Registration Rights Agreement dated January 13, 2011 between William J. Volz and Registrant (included as Exhibit 10.17 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.18 Stock Purchase Agreement dated January 25, 2011 between William J. Volz and Registrant (included as Exhibit 10.18 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.19 Registration Rights Agreement dated January 25, 2011 between William J. Volz and Registrant (included as Exhibit 10.19 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.20 Stock Purchase Agreement dated January 31, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.20 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.21 Registration Rights Agreement dated January 31, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.21 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.22 Stock Purchase Agreement dated February 7, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.22 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.23 Registration Rights Agreement dated February 7, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.23 to the Registration Statement on Form S-1 filed March 24, 2011, and incorporated herein by reference).
- 10.24 Investment Agreement dated March 10, 2011 between Dutchess Opportunity Fund, II, LP 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, LP and Registrant (included as Exhibit 4.2 to the Current Report on Form 8-K, filed March 15, 2011, and incorporated herein by reference).
- 10.26 Stock Purchase Agreement dated April 11, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.26 to the Registration Statement on Form S-1 filed July 1, 2011, and incorporated herein by reference).
- 10.27 Registration Rights Agreement dated April 11, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.27 to the

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- Registration Statement on Form S-1 filed July 1, 2011, and incorporated herein by reference).
- 10.28 Stock Purchase Agreement dated April 29, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.28 to the Registration Statement on Form S-1 filed July 1, 2011, and incorporated herein by reference).
- 10.29 Registration Rights Agreement dated April 29, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.29 to the Registration Statement on Form S-1 filed July 1, 2011, and incorporated herein by reference).
- 10.30 Stock Purchase Agreement dated July 13, 2011 between Robert Stanley and Registrant (included as Exhibit 10.30 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed July 22, 2011, and incorporated herein by reference).
- 10.31 Registration Rights Agreement dated July 13, 2011 between Robert Stanley and Registrant (included as Exhibit 10.31 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed July 22, 2011, and incorporated herein by reference)..
- 10.32 Stock Purchase Agreement dated July 14, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.32 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed July 22, 2011, and incorporated herein by reference).
- 10.33 Registration Rights Agreement dated July 14, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.33 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed July 22, 2011, and incorporated herein by reference).
- 10.34 Stock Purchase Agreement dated July 29, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.34 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.35 Registration Rights Agreement dated July 29, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.35 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.36 Stock Purchase Agreement dated August 23, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.36 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.37 Registration Rights Agreement dated August 23, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.37 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).

- 10.38 Stock Purchase Agreement dated August 23, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.38 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.39 Registration Rights Agreement dated August 23, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.39 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.40 Stock Purchase Agreement dated September 27, 2011 between Richard C. Saunders and Registrant (included as Exhibit 10.40 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.41 Warrant to Purchase Common Stock Agreement dated September 27, 2011 between Richard C. Saunders and Registrant (included as Exhibit 10.41 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.42 Stock Purchase Agreement dated October 18, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.42 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.43 Registration Rights Agreement dated October 18, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.43 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.44 Stock Purchase Agreement dated December 1, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.44 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.45 Registration Rights Agreement dated December 1, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.45 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.46 Stock Purchase Agreement dated December 2, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.46 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.47 Registration Rights Agreement dated December 2, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.47 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.48 Stock Purchase Agreement dated December 7, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.48 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.49 Registration Rights Agreement dated December 7, 2011 between Robert C. Stanley and Registrant (included as Exhibit 10.49 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.50 Stock Purchase Agreement dated December 23, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.50 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.51 Registration Rights Agreement dated December 23, 2011 between Howard L. Farkas and Registrant (included as Exhibit 10.51 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2011, filed December 29, 2011, and incorporated herein by reference).
- 10.52 Stock Purchase Agreement dated January 10, 2012 between Robert C. Stanley and Registrant (included as Exhibit 10.52 to the Quarterly Report on Form 10-Q for the quarter ended December 31 2011, filed February 16, 2012, and incorporated herein by reference).
- 10.53 Registration Rights Agreement dated January 10, 2012 between Robert C. Stanley and Registrant (included as Exhibit 10.52 to the Quarterly Report on Form 10-Q for the quarter ended December 31 2011, filed February 16, 2012, and incorporated herein by reference).



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10.54 Stock Purchase Agreement dated February 7, 2012 between Robert C. Stanley and Registrant (included as Exhibit 10.52 to the Quarterly Report on Form 10-Q for the quarter ended December 31 2011, filed February 16, 2012, and incorporated herein by reference).

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- 10.55 Registration Rights Agreement dated February 7, 2012 between Robert C. Stanley and Registrant (included as Exhibit 10.52 to the Quarterly Report on Form 10-Q for the quarter ended December 31 2011, filed February 16, 2012, and incorporated herein by reference).
- 10.56 Stock Purchase Agreement dated February 9, 2012 between Howard L. Farkas and Registrant (included as Exhibit 10.52 to the Quarterly Report on Form 10-Q for the quarter ended December 31 2011, filed February 16, 2012, and incorporated herein by reference).
- 10.57 Registration Rights Agreement dated February 9, 2012 between Howard L. Farkas and Registrant (included as Exhibit 10.52 to the Quarterly Report on Form 10-Q for the quarter ended December 31 2011, filed February 16, 2012, and incorporated herein by reference).
- 10.58 Stock Purchase Agreement dated April 30, 2012 between Howard L. Farkas and Registrant (included as Exhibit 10.58 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 21, 2012, and incorporated herein by reference).
- 10.59 Registration Rights Agreement dated April 30, 2012 between Howard L. Farkas and Registrant (included as Exhibit 10.59 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 21, 2012, and incorporated herein by reference).
- 10.60 Stock Purchase Agreement dated May 11, 2012 between Howard L. Farkas and Registrant (included as Exhibit 10.60 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 21, 2012, and incorporated herein by reference).
- 10.61 Registration Rights Agreement dated May 11, 2012 between Howard L. Farkas and Registrant (included as Exhibit 10.61 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 21, 2012, and incorporated herein by reference).
- 10.62 Stock Purchase Agreement dated May 14, 2012 between Robert C. Stanley and Registrant (included as Exhibit 10.62 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 21, 2012, and incorporated herein by reference).
- 10.63 Registration Rights Agreement dated May 14, 2012 between Robert C. Stanley and Registrant (included as Exhibit 10.63 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 21, 2012, and incorporated herein by reference).
- 10.64 Stock Purchase Agreement dated July 2, 2012 between Howard L. Farkas and Registrant (filed herewith).
- 10.65 Registration Rights Agreement dated July 2, 2012 between Howard L. Farkas and Registrant (filed herewith).
- 10.66 Stock Purchase Agreement dated July 17, 2012 between Howard L. Farkas and Registrant (filed herewith).
- 10.67 Registration Rights Agreement dated July 17, 2012 between Howard L. Farkas and Registrant (filed herewith).
- 31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14 (filed herewith).
- 31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14 (filed herewith).
- 32.1 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).

**SIGNATURES**

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

LOGIC Devices Incorporated

Date: August 14, 2012

By: /s/ William J. Volz

William J. Volz

President and Chief Executive Officer

(Principal Executive Officer)

Date: August 14, 2012

By: /s/ Kimiko Milheim

Kimiko Milheim

Chief Financial Officer

(Principal Financial and Accounting Officer)

