LOGIC DEVICES INC
Form 10-Q
July 28, 2006

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, 2006

Commission File Number

0-17187

LOGIC Devices Incorporated

(Exact name of registrant as specified in its charter)

California	**94-2893789**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

395 West Java 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 X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One):

Large Accelerated Filer ___ Accelerated Filer ___ Non-Accelerated Filer X

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

Yes ____ No X

Indicate the number of shares outstanding of the issuer's classes of common stock, as of the latest practicable date. On July 28, 2006, 6,753,188 shares of Common Stock, without par value, were issued and outstanding.

LOGIC Devices Incorporated

INDEX

Part I - Financial Information

Item 1. Financial Statements

Condensed Balance Sheets

	June 30, 2006 (unaudited)	September 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,949,300	$ 1,292,900
Accounts receivable, net of no allowance for doubtful accounts	623,800	734,900
Inventories	5,199,300	5,626,400
Prepaid expenses and other current assets	211,600	165,700
Property tax refund receivable	-	45,000
Total current assets	7,984,000	7,864,900
Property and equipment, net	1,108,200	1,163,400
Other assets, net	416,200	519,100
	$ 9,508,400	$ 9,547,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 61,500	$ 207,000
Accrued payroll and vacation	106,500	61,500
Accrued commissions	3,400	7,100
Other accrued expenses	4,200	-
Total current liabilities	175,600	275,600
Deferred rent	23,200	33,800
Total liabilities	198,800	309,400

Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized;		
5,000 designated as Series A; 0 shares issued and outstanding	-	-
Common stock, no par value; 10,000,000 shares authorized,		
6,753,188 shares issued and outstanding	18,447,500	18,447,500
Additional paid-in capital	114,000	100,000
Accumulated deficit	(9,251,900)	(9,309,500)
Total shareholders' equity	9,309,600	9,238,000
	$ 9,508,400	$ 9,547,400

See accompanying Notes to Condensed Financial Statements.

Condensed Statements of Operations

(unaudited)

	For the fiscal quarter ended: June 30, 2006	June 30, 2005
Net revenues	$ 1,216,400	$ 662,100
Cost of revenues	594,300	343,300
Gross margin	622,100	318,800
Operating expenses:		
Research and development	267,200	213,700
Selling, general, and administrative	314,500	344,100
Total operating expenses	581,700	557,800
Income (loss) from operations	40,400	(239,000)
Other income, net	19,700	4,500
Income (loss) before provision for income taxes	60,100	(234,500)
Provision for income taxes	-	-
Net income (loss)	$ 60,100	$ (234,500)
Basic income (loss) per common share	$ 0.01	$ (0.03)
Diluted income (loss) per common share	$ 0.01	$ (0.03)
	6,753,188	6,753,188

Basic weighted average common shares outstanding		
Diluted weighted average common shares outstanding	6,781,282	6,753,188

See accompanying Notes to Condensed Financial Statements.

Condensed Statements of Operations

(unaudited)

	For the nine months ended: June 30, 2006	June 30, 2005
Net revenues	$ 3,365,300	$ 2,494,000
Cost of revenues	1,723,800	1,424,400
Gross margin	1,641,500	1,069,600
Operating expenses:		
Research and development	620,100	610,500
Selling, general, and administrative	995,600	1,027,100
Total operating expenses	1,615,700	1,637,600
Income (loss) from operations	25,800	(568,000)
Other income, net	32,600	14,200
Income (loss) before provision for income taxes	58,400	(553,800)
Provision for income taxes	800	800
Net income (loss)	$ 57,600	$ (554,600)
Basic income (loss) per common share	$ 0.01	$ (0.08)
Diluted income (loss) per common share	$ 0.01	$ (0.08)
	6,753,188	6,748,744

Basic weighted average common shares outstanding		
Diluted weighted average common shares outstanding	6,767,226	6,748,744

See accompanying Notes to Condensed Financial Statements.

Condensed Statements of Cash Flows

(unaudited)

	For the nine months ended: June 30, 2006	June 30, 2005
Cash flows from operating activities:		
Net income (loss)	$ 57,600	$ (554,600)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	189,700	201,200
Issuance of common stock options to directors	14,000	-
Inventory reserve	570,000	-
Write-off of capitalized software development costs	200,000	-
Loss on disposal of capital equipment	3,500	-
Deferred rent	(10,600)	(5,000)
Change in operating assets and liabilities:		
Accounts receivable	111,100	197,100
Inventories	(142,900)	330,500
Prepaid expenses and other current assets	(900)	(39,600)
Accounts payable	(145,500)	(113,700)
Accrued payroll and vacation	45,000	31,000
Accrued commissions	(3,700)	(8,900)
Other accrued expenses	4,200	7,700
Net cash provided by operating activities	891,500	45,700
Cash flows from investing activities:		
Capital expenditures	(137,900)	(368,200)
Other assets	(97,200)	(156,500)
Net cash used in investing activities	(235,100)	(524,700)
Cash flows from financing activities		
Proceeds from exercise of common stock options	-	11,000
Net cash provided by financing activities:	-	11,000
Net increase (decrease) in cash and cash equivalents	656,400	(468,000)
Cash and cash equivalents, beginning of period	1,292,900	1,788,900
	$ 1,949,300	$ 1,320,900

Cash and cash equivalents, end of period

See accompanying Notes to Condensed Financial Statements.

LOGIC Devices Incorporated

Notes to Condensed 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 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, 2005 and 2004, with the Securities and Exchange Commission. 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 June 30, 2006 are not necessarily indicative of the results to be expected for the full fiscal year to end September 30, 2006.

2. Inventories

A summary of inventories follows:

	June 30, 2006	*September 30, 2005*
Raw materials	$ 644,500	$ 776,400
Work-in-process	2,193,000	2,192,100
Finished goods	2,361,800	2,657,900
	$5,199,300	$5,626,400

3. Shareholders' Equity

The Company issues common stock options to its employees, certain consultants, and certain of its board members. Effective January 1, 2006, the Company adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised 2004) ("FAS 123 (R)"), *Share-Based Payments*. FAS 123 (R) requires all entities to recognize compensation expense in an amount equal to the fair value of share-based payments, such as stock options granted to employees. The Company elected to apply FAS 123 (R) on a modified prospective method. Under this method, the Company is required to record compensation expense for newly granted options and (as previous awards continue to vest) for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Additionally, the financial statements for the prior interim periods and fiscal year do not reflect any adjusted amounts.

Prior to the adoption of FAS 123 (R), the Company accounted for stock options under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. Per FASB Statement No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123*, the Company must provide disclosure of the effect on net loss and net loss per common share had the Company applied the fair value recognition provisions of Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based compensation as of June 30, 2005. There is no pro forma disclosure for the fiscal quarter ended June 30, 2005 as no stock options were granted and all previously granted stock options vested prior to the beginning of that fiscal quarter. For the nine-month period ended June 30, 2005, the pro forma disclosure would be $24,100 of compensation expense, resulting in a pro forma net loss of $578,700 for the nine months ended June 30, 2005.

4. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income or loss by the weighted average common shares outstanding during the period. Diluted earnings (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.

For the quarter and nine-month period ended June 30, 2006, the Company had 28,094 and 14,038 dilutive common shares, respectively, as the weighted average price of the Company's common stock during the quarter and nine-month period was $1.326 and $1.217, respectively. No stock options were included in the computation of diluted loss per share for the quarter and six months ended June 30, 2005 because the Company incurred a net loss.

5. Income Taxes

Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred income tax assets will more likely than not be realized from the results of operations. 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. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets become deductible, management believes it more likely than not that the Company will not realize benefits of these deductible differences as of June 30, 2006. Management has, therefore, established a valuation allowance against its net deferred tax assets as of June 30, 2006.

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

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as "anticipates, appears, expects, intends, hopes, plans, believes, seeks, estimates, may, will," and variations of these words or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to operating results, new product introductions and sales, competitive conditions, customer demand, capital expenditures and resources, manufacturing capacity utilization, and intellectual property claims and defense. Factors that could cause actual results to differ materially are included in, but not limited to, those identified in "Item 1A - Risk Factors" in the Annual Report on Form 10-K for the Company's fiscal year ended September 30, 2005 and in any Quarterly Report on Form 10-Q for a prior quarter in the Company's fiscal year ending September 30, 2006 and in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in such Annual Report on Form 10-K and in this Quarterly Report on Form 10-Q. The Company undertakes no obligation to publicly release the results of any revisions to these fo