

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  
**March 31, 2007**

Commission File Number  
**0-17187**

**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)

**395 West Java Drive, Sunnyvale, California 94089**  
(Address of principal executive offices)  
(Zip Code)

**(408) 542-5400**  
(Registrant's telephone number, including area code)

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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 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

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

Yes  No

Indicate the number of shares outstanding of the issuer's classes of common stock, as of the latest practicable date.  
On May 15, 2007, 6,799,188 shares of Common Stock, without par value, were issued and outstanding.

# LOGIC Devices Incorporated

## INDEX

	<u>Page Number</u>
Part I. Financial Information	
Item 1. Financial Statements	
<a href="#">Condensed Balance Sheets as of March 31, 2007 and September 30, 2006</a>	3
<a href="#">Condensed Statements of Operations for the quarters ended March 31, 2007 and 2006</a>	4
<a href="#">Condensed Statements of Operations for the six months ended March 31, 2007 and 2006</a>	5
<a href="#">Condensed Statements of Cash Flows for the six months ended March 31, 2007 and 2006</a>	6
<a href="#">Notes to Condensed Financial Statements</a>	7
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	9
Item 3. <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	11
Item 4. <a href="#">Controls and Procedures</a>	11
Part II. Other Information	11
Item 1. <a href="#">Legal Proceedings</a>	11
Item 1A. <a href="#">Risk Factors</a>	
Item 4. <a href="#">Submission of Matters to a Vote of Security Holders</a>	11
Item 6. <a href="#">Exhibits</a>	12
<a href="#">Signatures</a>	13

**Part I – Financial Information**

Item 1. Financial Statements

**Condensed Balance Sheets**

	March 31, 2007 <u>(unaudited)</u>	September 30, 2006 <u></u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 568,600	\$ 1,478,100
Investments in available-for-sale securities	1,032,900	507,000
Accounts receivable	1,026,400	830,900
Inventories	5,318,400	5,239,700
Prepaid expenses and other current assets	241,100	141,600
Total current assets	<u>8,187,400</u>	<u>8,197,300</u>
Property and equipment, net	1,114,500	1,100,700
Other assets, net	<u>497,400</u>	<u>418,800</u>
	<u>\$ 9,799,300</u>	<u>\$ 9,716,800</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 106,300	\$ 146,900
Accrued payroll and vacation	101,000	142,700
Accrued commissions and other accrued expenses	20,700	10,400
Total current liabilities	<u>228,000</u>	<u>300,000</u>
Deferred rent	<u>9,800</u>	<u>19,700</u>
Total liabilities	<u>237,800</u>	<u>319,700</u>
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 6,795,438 and 6,763,188 shares issued and outstanding	18,508,800	18,458,500
Additional paid-in capital	137,500	118,700
Accumulated deficit	<u>(9,084,800)</u>	<u>(9,180,100)</u>
Total shareholders' equity	<u>9,561,500</u>	<u>9,397,100</u>
	<u>\$ 9,799,300</u>	<u>\$ 9,716,800</u>

*See accompanying Notes to Condensed Financial Statements.*

## Condensed Statements of Operations

(unaudited)

	For the quarter ended:	
	March 31, 2007	March 31, 2006
Net revenues	\$ 1,258,500	\$ 1,048,100
Cost of revenues	480,700	475,000
Gross margin	777,800	573,100
Operating expenses:		
Research and development	338,700	213,400
Selling, general, and administrative	415,000	377,400
Total operating expenses	753,700	590,800
Income (loss) from operations	24,100	(17,700)
Interest and other income, net	17,500	6,300
Income (loss) before provision for income taxes	41,600	(11,400)
Provision for income taxes	800	—
Net income (loss)	\$ 40,800	\$ (11,400)
Basic earnings (loss) per common share	\$ 0.01	\$ (0.00)
Diluted earnings (loss) per common share	\$ 0.01	\$ (0.00)
Basic weighted average common shares outstanding	6,795,438	6,753,188
Diluted weighted average common shares outstanding	6,929,311	6,753,188

*See accompanying Notes to Condensed Financial Statements.*

## Condensed Statements of Operations

(unaudited)

	For the six months ended:	
	March 31, 2007	March 31, 2006
Net revenues	\$ 2,620,900	\$ 2,148,100
Cost of revenues	1,137,700	1,129,500
Gross margin	1,483,200	1,019,400
Operating expenses:		
Research and development	681,700	352,900
Selling, general, and administrative	742,200	681,100
Total operating expenses	1,423,900	1,034,000
Income (loss) from operations	59,300	(14,600)
Interest and other income, net	36,800	12,900
Income (loss) before provision for income taxes	96,100	(1,700)
Provision for income taxes	800	800
Net income (loss)	\$ 95,300	\$ (2,500)
Basic earnings (loss) per common share	\$ 0.01	\$ (0.00)
Diluted earnings (loss) per common share	\$ 0.01	\$ (0.00)
Basic weighted average common shares outstanding	6,791,813	6,753,188
Diluted weighted average common shares outstanding	6,972,890	6,753,188

*See accompanying Notes to Condensed Financial Statements.*

## Condensed Statements of Cash Flows

(unaudited)

	For the six months ended:	
	March 31, 2007	March 31, 2006
Cash flows from operating activities:		
Net income (loss)	\$ 95,300	\$ (2,500)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	156,600	126,300
Inventory reserve	310,800	250,000
Loss on disposal of capital equipment	-	3,500
AMT deferred tax asset	(77,200)	-
Deferred rent	(9,900)	(7,100)
Stock-based compensation	18,800	14,000
Change in operating assets and liabilities:		
Accounts receivable	(195,500)	92,000
Inventories	(389,500)	335,500
Prepaid expenses and other current assets	(99,500)	(68,700)
Accounts payable	(40,600)	(175,700)
Accrued payroll and vacation	(41,700)	9,200
Accrued commissions and other accrued expenses	10,300	4,900
Net cash (used in) provided by operating activities	(262,100)	581,400
Cash flows from investing activities:		
Purchases of available-for-sale securities	(525,900)	-
Capital expenditures	(170,400)	(95,100)
Other assets	(1,400)	(91,100)
Net cash used in investing activities	(697,700)	(186,200)
Cash flows from financing activities:		
Exercise of former director stock options	47,400	-
Exercise of employee stock options	2,900	-
Net cash provided by financing activities	50,300	-
Net (decrease) increase in cash and cash equivalents	(909,500)	395,200
Cash and cash equivalents, beginning of period	1,478,100	1,292,900
Cash and cash equivalents, end of period	\$ 568,600	\$ 1,688,100

*See accompanying Notes to Condensed Financial Statements.*

## LOGIC Devices Incorporated

### Notes to Condensed 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 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, 2006 and 2005, 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 March 31, 2007 are not necessarily indicative of the results to be expected for the full fiscal year to end September 30, 2007.

#### 2. Inventories

A summary of inventories follows:

	<i>March 31,</i> <i>2007</i>	<i>September 30,</i> <i>2006</i>
Raw materials	\$ 938,500	\$ 577,000
Work-in-process	1,276,100	1,597,600
Finished goods	3,103,800	3,065,100
	<u>\$ 5,318,400</u>	<u>\$ 5,239,700</u>

#### 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.

#### **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.

For the quarter and six months ended March 31, 2007, the Company had 133,873 and 181,077 dilutive common shares as the weighted average price of the Company's common stock during the quarter and six months was \$2.25 and \$2.74. No stock options were included in the computation of diluted loss per share for the quarter and six months ended March 31, 2006 because the Company incurred a net loss in those periods.



## 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, 2006 and in any Quarterly Report on Form 10-Q for a prior quarter in the Company's fiscal year ending September 30, 2007 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 forward-looking statements that may reflect events or circumstances after the date of this report.

### Results of Operations

#### *Revenues*

The Company's net revenues for the quarter and six-month period ended March 31, 2007 increased by \$210,400 or 20% and \$472,800 or 22%, respectively, compared to the same periods of fiscal 2006. The increase in both the quarter and six-month period is due to a strong contribution from a digital cinema customer, which is expected to continue. The Company's interest and other income, net, for the quarter and six-month period of fiscal 2007 increased by \$11,100 or 176% and \$23,800 or 185%, respectively, compared to the same periods of fiscal 2006. This increase was mainly a result of earnings from investments in available-for-sale securities, which increased from zero at March 31, 2006 to \$1,032,900 at March 31, 2007.

#### *Expenses*

The cost of revenues for the quarter and six-month period ended March 31, 2007 were similar compared with the same periods of fiscal 2006, with slight increases of \$5,700 or 1% for the quarterly period and \$8,200 or 1.0% for the six-month period. With the net revenues increasing and the cost of revenues remaining relatively constant in absolute dollars, the gross margin increased for the 2007 quarter and six-month period by \$204,700 or 36% and \$463,800 or 46%, respectively, compared to the same periods of fiscal 2006. These results were obtained while still increasing inventory reserves by \$310,800 during fiscal 2007.

Research and development expenditures for the quarter and six-month period ended March 31, 2007 increased by \$125,300 or 59% and \$328,800 or 93%, respectively, compared to the same periods of fiscal 2006. These increases were the result of staffing additions as the Company continues its primary focus on new product development and the retooling of product lines to new wafer foundry sources.

Selling, general, and administrative (SG&A) expenditures for the quarter and six-month period ended March 31, 2007 increased by \$37,600 or 10% and \$61,100 or 9%, respectively, compared to the same periods of fiscal 2006. This is mainly the result of expensing certain prepaid expenses whose useful life had expired in the normal course of business.

As a result of the increase in net revenues partially offset by increases in operating expenses, the Company had net income of \$40,800 and \$95,300 in the quarter and six-month period ended March 31, 2007, respectively, which represents an improvement of \$52,200 and \$97,800, respectively, from the same periods of fiscal 2006.

### Liquidity and Capital Resources

#### *Cash Flows*

While the Company had a net income of \$95,300 for the six months ended March 31, 2007, it used net cash of \$262,100 for operations during the period, mainly the result of net purchases of \$389,500 of inventory. The Company used \$525,900 and \$170,400 for the purchase of available-for-sale securities and capital expenditures, respectively. The Company used \$77,200 to pay alternative minimum tax and received \$50,300 from the exercise of previously issued common stock options during the six-month period.

Although the Company had a net loss of \$2,500 for the six months ended March 31, 2006, it produced net cash of \$581,400 from operations during the period. The Company used \$175,700 to reduce accounts payable, while it generated \$335,500 from the reduction of its inventories. The Company used \$91,100 for capitalized software development costs. The Company also received a property tax refund of \$45,000 during the six months ended March 31, 2006.

#### *Working Capital*

Historically, due to order scheduling by our customers, up to 80% of the Company's quarterly revenues are often shipped in the last month of the fiscal quarter, so a large portion of the shipments included in quarter-end accounts receivable are not yet due per the Company's net 30-day terms. As a result, quarter-end accounts receivable balances are often at their highest point for the respective period, but are normally collected within the 30-day terms. The Company collected \$524,000 of its March 31, 2007 balance within the first 20 days of April.

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. Although high levels of inventory impact liquidity, the Company believes these costs are a less costly alternative to owning a wafer fabrication facility.

During fiscal 2006, the Company reduced its inventory by 7%, or \$386,700. While the Company increased its inventory levels slightly during the first six months of fiscal 2007, it expects to continue its efforts to reduce inventory during the remainder of fiscal 2007 and in future periods. The Company establishes reserves through periodic reviews of inventory on-hand, including lower-of-cost-or-market and excess analyses. For example, if a product type has unit costs higher than the average selling price or has more on-hand than it has sold or expects to sell, the Company provides a reserve. The Company believes its current reserve (approximately 36% of total gross inventories) provides a reasonable estimate of the recoverability of inventories. The Company also takes physical inventory write-downs for obsolete and slow-moving items when deemed necessary.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Based upon an evaluation as of March 31, 2007, the Company's President and Acting Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the Company's quarter ended March 31, 2007 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Part II – OTHER INFORMATION**

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The Company's lease expires September 30, 2007, which will require the Company to move its headquarters to a new facility. This move may cause a disruption of the Company's operations, which could have an adverse impact on the financial condition of the Company. The Company is in active negotiations for another facility.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

At 9:00 a.m. on March 8, 2007, the Company held its Annual Meeting of Shareholders at its headquarters, located at 395 West Java Drive, Sunnyvale, California 94089. There were 5,608,447 shares present or represented by proxy at the meeting, representing a quorum. There were three items of business to be voted on during the meeting.

The first item of business was a vote to amend the Company's Bylaws to decrease the minimum number of directors required on the Board of Directors to four from five and to decrease the maximum number of directors allowed on the Board of Directors to seven from nine. This item obtained 5,585,566 votes FOR, 12,796 votes AGAINST, and 10,085 votes to ABSTAIN. As the number of votes FOR represented a majority of the outstanding shares entitled to vote and the number of votes AGAINST did not equal more than 16-2/3 percent of the outstanding shares entitled to vote, this proposal passed and the Bylaws were amended as such.

The second item of business was the election of directors. Shareholders are permitted to vote cumulatively in the election of directors, which allows each shareholder to cast a number of votes equal to the number of directors to be elected multiplied by the number of shares owned, and to distribute such votes among the candidates in such proportion as such shareholder may determine. In order to vote cumulatively, a shareholder must give notice of this intention by proxy or at the meeting. The votes for each nominee, listed alphabetically, are as set forth in the following table:

	<u>FOR</u>	<u>WITHHELD</u>
Brian P. Cardozo	5,600,247	6,800
Howard L. Farkas	5,600,247	7,200
Steven R. Settles	5,600,247	7,200
William J. Volz	5,600,247	6,800

As a result of the vote, all nominees were elected as directors at the meeting.

The final item of business was a vote to amend the 1996 Stock Incentive Plan to extend the expiration date of such plan by one year. As this item did not obtain enough FOR votes, it did not pass.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The Index to Exhibits appears as Page 14 of this report.

## 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  
(Registrant)

Date: May 15, 2007

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

Date: May 15, 2007

By: /s/ John Merlesena  
John Merlesena  
Acting Chief Financial Officer  
(Principal Financial and Accounting Officer)

## INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Articles of Incorporation, as amended in 1988. [3.1] (1)
3.2	Bylaws, as amended and restated effective March 8, 2007.
10.1	Real Estate lease regarding Registrant's Sunnyvale, California facilities. [10.2] (2)
10.2	Amended and Restated LOGIC Devices Incorporated 1998 Director Stock Incentive Plan, as amended. [10.3] (4)
10.3	Rights Agreement, dated April 30, 1997. [1] (5)
10.4	Registration Rights Agreement dated October 3, 1998 between William J. Volz, BRT Partnership, and Registrant. [10.19] (6)
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14.
31.2	Certification of Acting Chief Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14.
32.1	Certifications of Principal Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
<hr/>	
[ ]	Exhibits so marked have been previously filed with the Securities and Exchange Commission (SEC) as exhibits to the filings shown below under the exhibit numbers indicated following the respective document description and are incorporated herein by reference.
(1)	Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004, as filed with the SEC on January 26, 2005.
(2)	Annual Report on Form 10-K for the fiscal year ended September 29, 2002, as filed with the SEC on December 10, 2002.
(3)	Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004, as filed with the SEC on May 12, 2004.
(4)	Registration Statement on Form 8-A, as filed with the SEC on May 5, 1997 [Registration No. 000-17187].
(5)	Annual Report on Form 10-K for the transition period from January 1, 1998 to September 30, 1998, as filed with the SEC on January 13, 1999.

**BYLAWS**

as amended and restated  
effective March 8, 2007

for the regulation, except as  
otherwise provided by statute or  
the Articles of Incorporation, of

**LOGIC DEVICES INCORPORATED**

a California Corporation

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
<u>ARTICLE I. CORPORATE OFFICES</u>		
1.1	Principal Office	1
1.2	Other Offices	1
<u>ARTICLE II. SHARES AND SHAREHOLDERS</u>		
2.1	Meetings of Shareholders	1
	(a) Place of Meetings	1
	(b) Annual Meetings	1
	(c) Special Meetings	1
	(d) Notice of Meetings	1
	(e) Adjourned Meeting and Notice Thereof	2
	(f) Waiver of Notice	3
	(g) Quorum	3
2.2	Action Without a Meeting	3
2.3	Voting of Shares	4
	(a) In General	4
	(b) Cumulative Voting	4
	(c) Election by Ballot	4
2.4	Proxies	4
2.5	Inspectors of Election	5
	(a) Appointment	5
	(b) Duties	5
2.6	Record Date	5
2.7	Share Certificates	6
	(a) In General	6
	(b) Two or More Classes or Series	6
	(c) Special Restrictions	7
2.8	Lost, Stolen or Destroyed Certificates	7
<u>ARTICLE III. DIRECTORS</u>		
3.1	Powers	7
3.2	Number of Directors	7
3.3	Election and Term of Office	8
3.4	Removal	8
	(a) Removal for Cause	8
	(b) Removal without Cause	8
3.5	Vacancies	8
3.6	Resignation	8
3.7	Meetings of the Board of Directors	9
	(a) Regular Meetings	9
	(b) Annual Meeting	9
	(c) Special Meetings; Notices; Waiver of Notice	9
	(d) Notice of Adjournment	9
	(e) Place of Meeting	9
	(f) Presence by Conference Telephone Call	9
	(g) Quorum	9
3.8	Action Without Meeting	10



3.9	Committees of the Board	10
	(a) Membership and Authority	10
	(b) Meetings and Action	10
3.10	Fees and Compensation to Directors	11
3.11	Loans and Guaranties to Directors, Officers and Others	11

#### ARTICLE IV. OFFICERS

4.1	Officers	12
4.2	Elections	12
4.3	Other Officers	12
4.4	Removal	12
4.5	Resignation	12
4.6	Vacancies	13
4.7	Chairman of the Board	13
4.8	President	13
4.9	Vice Presidents	13
4.10	Secretary	13
4.11	Chief Financial Officer	14

#### ARTICLE V. RECORDS AND REPORTS

5.1	Books, Records and Reports	14
	(a) Books of Account and Reports	14
	(b) Annual Report	14
	(c) Shareholders' Requests for Financial Reports	15
5.2	Rights of Inspection	15
	(a) By Shareholders	15
	(b) By Directors	16

#### ARTICLE VI. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1	Indemnification of Directors and Officers	16
6.2	Indemnification of Others	16
6.3	Payment of Expenses in Advance	17
6.4	Indemnity Not Exclusive	17
6.5	Indemnification Agreements	17
6.6	Amendment	17
6.7	Savings Clause	17

#### ARTICLE VII. MISCELLANEOUS

7.1	Checks, Drafts, Etc.	18
7.2	Authority to Execute Contracts	18
7.3	Representation of Shares of Other Corporation	18
7.4	Employee Stock Purchase Plans	18
7.5	Construction and Definitions	18

#### ARTICLE VIII. AMENDMENTS

8.1	Power of Shareholders	19
8.2	Power of Directors	19

## BYLAWS

for the regulation, except as otherwise provided  
by statute or the Articles of Incorporation  
of

### LOGIC DEVICES INCORPORATED

#### Article I. General Provisions

Section 1.1. Principal Office. The Board of Directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside of such state and the corporation has one or more business offices in such state, then the Board of Directors shall fix and designate a principal business office in the State of California.

Section 1.2. Other Offices. The Board of Directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

#### Article II. Shares and Shareholders

##### Section 2.1. Meetings and Shareholders.

(a) Place of Meetings. Meetings of shareholders shall be held at any place within or without the State of California designated by the Board of Directors. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

(b) Annual Meetings. An annual meeting of the shareholders of the corporation shall be held on such date and at such time as may be designated by the Board of Directors; provided, however, that should said day fall upon a legal holiday, the annual meeting of shareholders shall be held at the same time on the next day thereafter ensuing which is a full business day. At each annual meeting directors shall be elected, and any other proper business may be transacted.

(c) Special Meetings. Special meetings of the shareholders may be called by the Board of Directors, the chairman of the board or the president, or by the holders of shares entitled to cast not less than 10% of the votes at the meeting. Upon request in writing to the chairman of the board, the president, any vice president or the secretary by any person (other than the Board) entitled to call a special meeting of shareholders, such officer forthwith shall cause notice to be given to the shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, which time shall be not less than 35 nor more than 60 days after the receipt of the request. If the notice is not given within 20 days after receipt of the request, the persons entitled to call the meeting may give the notice.

(d) Notice of Meetings. Notice of any shareholders' meeting shall be given not less than 10 (or, if sent by third-class mail, 30) nor more than 60 days before the date of the meeting to each shareholder entitled to vote at such meeting. Such notice shall state the place, date and hour of the meeting and (i), in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (ii), in the case of an annual meeting, those matters which the Board, at the time of the giving of the notice, intends to present for action by the shareholders. The notice of any meeting at which directors are to be elected shall include the names of the nominees intended at the time of the notice to be presented by the Board for election.

If any action within the scope of Section 310 (entitled "Transactions Between Corporations and Directors or Corporations Having Interrelated Directors"), 902 (entitled "Amendments After Issuance of Shares"), 1201 (entitled "Shareholder Approval – Abandonment – Attack on Validity of Reorganization"), 1900 (entitled "Authorization for Voluntary Dissolution") or 2007 (entitled "Plan of Distribution – Demand for Cash Payment") of the California General Corporation Law is proposed to be taken at any meeting, the notice shall also state the general nature of such action.

Notice of a shareholder' meeting or any report shall be given to each shareholder either personally or by first-class mail, or, in the case of a corporation with outstanding shares held of record by 500 or more persons on the record date for the shareholders' meeting, notice may be sent by third-class mail, or other means of written communication, addressed to such shareholder at the address of such shareholder appearing on the books of the corporation or given by such shareholder to the corporation for the purpose of notice. If no such address appears or is given, notice shall and will be deemed to be given at the place where the principal executive office of the corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal executive office is located. The notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication. An affidavit of mailing of any notice executed by the secretary, assistant secretary or any transfer agent shall be prima facie evidence of the giving of such notice or report.

If any notice or report addressed to the shareholder at the address of such shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice or report to all other shareholders.

(e) Adjourned Meeting and Notice Thereof. Any annual or special meeting of shareholders may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy whether or not a quorum is present. When a shareholders' meeting is adjourned to another time or place, except as provided below, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. No other business may be transacted at the adjourned meeting other than as set forth in this paragraph. If the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

(f) Waiver of Notice. The transactions of any annual or special meeting of shareholders, however called and noticed and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. Such waiver of notice, consent or approval need not specify the nature of any action proposed to be taken or taken at the meeting other than action within the scope of Section 310 (entitled "Transactions Between Corporations and Directors or Corporations Having Interrelated Directors"), 902 (entitled "Amendments After Issuance of Shares"), 1201 (entitled "Shareholder Approval – Abandonment – Attack on Validity of Reorganization"), 1900 (entitled "Authorization for Voluntary Dissolution") or 2007 (entitled "Plan of Distribution – Demand for Cash Payment") of the California General Corporation Law, unless such action was unanimously approved by the shareholders entitled to vote. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting also shall constitute a waiver of notice of, and presence, at such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the General Corporation Law to be included in the notice but not so included, if such objection is expressly made at the meeting.

(g) Quorum. The presence in person or by proxy of the persons entitled to vote a majority of the shares entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business at such meeting. Except as provided herein, the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the Articles of Incorporation of the corporation.

The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum, provided that any action taken (other than adjournment) must be approved by at least a majority of the shares required to constitute a quorum. In the absence of a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but no other business may be transacted other than as set forth in this paragraph.

Section 2.2. Action Without a Meeting. Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Notwithstanding the foregoing and subject to Section 3.5 hereof, directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of directors.

Unless the consents of all shareholders entitled to vote have been solicited in writing, (a) notice of any shareholder approval pursuant to Section 310 (entitled "Transactions Between Corporations and Directors or Corporations Having Interrelated Directors"), 317 (entitled "Indemnification of Corporate 'Agent'"), 1201 (entitled "Shareholder Approval – Abandonment – Attack on Validity of Reorganization"), or 2007 (entitled "Plan of Distribution – Demand for Cash Payment") of the California General Corporation Law without a meeting by less than unanimous written consent shall be given at least 10 days before the consummation of the action authorized by such approval, and (b) prompt notice shall be given of any other corporate action approved by the shareholders without a meeting by less than unanimous written consent to those shareholders entitled to vote who have not consented in writing. Such notice shall be given in the same manner as notice of a shareholders' meeting.

### Section 2.3. Voting of Shares.

(a) In General. Except as otherwise provided in the Articles of Incorporation and subject to Subparagraph (b) hereof, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of shareholders. Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, other than elections to office, but, if the shareholder fails to specify the number of shares such shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares such shareholder is entitled to vote. Except as provided herein, the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the Articles of Incorporation of the corporation.

(b) Cumulative Voting. At any shareholders' meeting at which directors are to be elected, no shareholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such the shareholder normally is entitled to cast) unless such candidate or candidates' names have been placed in nomination prior to the voting and a shareholder has given notice at the meeting prior to the voting of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders entitled to vote may cumulate their votes for candidates in nomination and give any candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are normally entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit. In any election of directors, the candidates receiving the highest number of affirmative votes up to the number of directors to be elected are elected.

(c) Election by Ballot. The shareholders' vote may be by voice or ballot; provided, however, that any election for directors must be by ballot if a shareholder demands election by ballot at the meeting and before the voting begins.

Section 2.4. Proxies. Every person entitled to vote shares may authorize another person or persons to act by proxy with respect to such shares by a written proxy signed by such person and filed with the secretary of the corporation. A proxy shall be deemed signed by such person if such person's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by such person or such person's attorney in fact. No proxy shall be valid after the expiration of 11 months from the date of the proxy unless otherwise provided in the proxy. A valid proxy which does not state that it is irrevocable shall continue in full force and effect until revoked by the person executing it before the vote pursuant to that proxy or unless written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted. Such revocation of a revocable proxy may be effected by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or as to any meeting by attendance at such meeting and voting in person by the person executing the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the California General Corporation Law.

Section 2.5. Inspectors of Election.

(a) Appointment. In advance of any meeting of shareholders the Board of Directors may appoint inspector(s) of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of shareholders may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one or three. If inspectors are to be appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares represented in person or by proxy shall determine whether one or three inspectors are to be appointed.

(b) Duties. The inspectors of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies; receive votes, ballots or consents; hear and determine all challenges and questions in any way arising in connection with the right to vote; count and tabulate all votes or consents; determine when the polls shall close; determine the result; and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

Section 2.6. Record Date. In order that the corporation may determine the shareholders entitled to notice of any meeting or to vote thereat or entitled to give consent to corporate action or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days prior to the date of such meeting nor more than 60 days prior to any other action. If no record date is fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(2) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board of Directors has been taken, shall be the day on which the first written consent is given.

(3) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto, or the 60<sup>th</sup> day prior to the date of such other action, whichever is later.

A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors shall fix a new record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

Shareholders at the close of business on the record date are entitled to notice of and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Articles of Incorporation or by agreement or in the California General Corporation Law.

#### Section 2.7. Share Certificates.

(a) In General. The corporation shall issue a certificate or certificates representing shares of its capital stock. A certificate or certificates for shares of the corporation shall be issued to each shareholder when any of such shares are fully paid. The Board of Directors may authorize the issuance of certificates for shares partly paid provided that these certificates shall state the total amount of the consideration to be paid for them and the amount actually paid. Each certificate so issued shall be signed in the name of the corporation by the chairman or vice chairman of the Board of Directors or the president or a vice president and by the chief financial officer or the treasurer or an assistant treasurer or the secretary or an assistant secretary, shall state the name of the record owner thereof and shall certify the number of shares and the class or series of shares represented thereby. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

(b) Two or More Classes or Series. If the shares of the corporation are classified or if any class of shares has two or more series, there shall appear on the certificate one of the following:

(1) A statement of the rights, preferences, privileges and restrictions granted to or imposed upon each class or series of shares authorized to be issued and upon the holders thereof;

(2) A summary of such rights, preferences, privileges and restrictions with reference to the provisions of the Articles of Incorporation and any certificates of determination establishing same; or

(3) A statement setting forth the office or agency of the corporation from which shareholders may obtain, upon request and without charge, a copy of the statement mentioned in Subparagraph (1) above.

(c) Special Restrictions. There shall also appear on the certificate (unless stated or summarized under Subparagraph (1) or (2) of Subparagraph (b) above) the statements required by all of the following clauses to the extent applicable:

(1) The fact that the shares are subject to restrictions upon transfer;

(2) If the shares are assessable, a statement that they are assessable;

(3) If the shares are not fully paid, a statement of the total consideration to be paid therefor and the amount paid thereon;

(4) The fact that the shares are subject to a voting agreement or an irrevocable proxy or restrictions upon voting rights contractually imposed by the corporation;

(5) The fact that the shares are redeemable; and

(6) The fact that the shares are convertible and the period for conversion.

Section 2.8. Lost, Stolen or Destroyed Certificates. Where a certificate has been lost, destroyed or wrongfully taken, the corporation may issue a new certificate in place of the original if the owner: (i) so requests before the corporation has notice that the certificate has been acquired by a bona fide purchaser; and (ii) files with the corporation, if so requested by the Board of Directors, a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of loss, theft or destruction of any such certificate or the issuance of such new certificate. Except as above provided, no new certificate for shares shall be issued in lieu of an old certificate unless the corporation is ordered to do so by the superior court in an action brought under Section 419(b) of the California General Corporation Law.

### Article III. Directors

Section 3.1. Powers. Subject to the provisions of the California General Corporation Law and any limitations in the Articles of Incorporation, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board may delegate the management of the day-to-day operation of the business of the corporation to a management company or other person, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 3.2. Number of Directors. The Board of Directors shall consist of not less than four (4) or more than seven (7) directors. The exact number of directors within the limits specified shall be five (5) or such other number as may be fixed from time to time by the approval of the Board of Directors or the shareholders. Such indefinite number may be changed, or a definite number fixed without provision for an indefinite number, by an amendment to these bylaws duly adopted by the vote or written consent of a majority of the outstanding shares entitled to vote; provided, however, that a bylaw amendment reducing the fixed number or the minimum number of directors to a number less than five cannot be adopted if the votes cast against its adoption at a meeting or the shares not consenting in the case of action by written consent are equal to more than 16-2/3 percent of the outstanding shares entitled to vote. The stated maximum number of authorized directors shall in no case be greater than two times the stated minimum number of directors minus one.

Section 3.3. Election and Term of Office. The directors shall be elected at each annual meeting of shareholders. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

#### Section 3.4. Removal.

(a) Removal for Cause. The Board of Directors shall have the power to declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony.

(b) Removal without Cause. Any or all of the directors may be removed without cause if such removal is approved by the vote of a majority of the outstanding shares entitled to vote, except that no director may be removed (unless the entire board is removed) when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of the directors' most recent election were then being elected. Any reduction of the authorized number of directors does not remove any director prior to the expiration of such director's term of office.

Section 3.5. Vacancies. A vacancy or vacancies in the Board of Directors shall be deemed to exist (i) in the event of the death, resignation or removal of any director, (ii) if the Board of Directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, (iii) if the authorized number of directors is increased, or (iv) if the shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be elected at that meeting. Except for a vacancy created by the removal of a director, which vacancy may be filled only by approval of the shareholders, vacancies on the Board of Directors may be filled by approval or ratification by the vote of the Board or, if the number of directors then in office is less than a quorum, by (a) the unanimous written consent of the directors then in office, (b) the affirmative vote of a majority of the directors then in office or (c) by a sole remaining director, and each director so elected shall hold office until the expiration of the term for which elected and until his successor elected and qualified. The shareholders may elect a director at any time to fill any vacancy not filled by the directors. If any such election is by written consent, other than to fill a vacancy created by removal, the consent of a majority of the outstanding shares entitled to vote is required. If any such election is by written consent to fill a vacancy created by removal, the unanimous consent of all shares entitled to vote for the election of directors is required.

Section 3.6. Resignation. Any director may resign effective upon giving written notice to the chairman of the board, the president, the secretary or the Board of Directors of the corporation, unless the notice specifies a later date for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

### Section 3.7. Meetings of the Board of Directors.

- (a) Regular Meetings. Regular meetings of the Board of Directors may be held without notice if the time and place of such meetings are fixed by these bylaws or the Board of Directors.
- (b) Annual Meeting. Immediately following each annual meeting of shareholders the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meetings is hereby dispensed with.
- (c) Special Meetings; Notices; Waiver of Notice. Special meetings of the Board of Directors may be called at any time by the chairman of the board or the president or by any vice president, the secretary or any two directors. Special meetings shall be held upon four days' notice by first class mail or 48 hours' notice delivered personally or by telephone or telegraph. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. A notice, or waiver of notice, need not specify the purpose of any regular or special meeting of the Board of Directors.
- (d) Notice of Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than 24 hours, in which case notice of such adjournment to another time and place shall be given as provided herein prior to the time of the adjourned meeting to the directors who were not present at the time of adjournment.
- (e) Place of Meeting. Meetings of the Board may be held at any place within or without the State of California which has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, then such meeting shall be held at the principal executive office of the corporation or such other place designated by resolution of the Board of Directors.
- (f) Presence by Conference Telephone Call. Any meeting, regular or special, of the Board of Directors may be held through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Such participation constitutes presence in person at such meeting.
- (g) Quorum. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business except to adjourn. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, subject to the provisions of Sections 310 (entitled "Transactions Between Corporations and Directors or Corporations Having Interrelated Directors"), 311 (entitled "Executive Committees") and 317(e) (relating to indemnification of corporate agents) of the California General Corporation Law, other applicable law and the Articles of Incorporation. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 3.8. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.



### Section 3.9. Committees of the Board.

(a) Membership and Authority. The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of any committee requires the vote of a majority of the authorized number of directors. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have all the authority of the Board of Directors, except with respect to:

- (1) The approval of any action which also requires, under the California General Corporation Law, shareholders' approval or approval of the outstanding shares;
- (2) The filling of vacancies on the Board of Directors or in any committee;
- (3) The fixing of compensation of the directors for serving on the Board of Directors or on any committee;
- (4) The amendment or repeal of bylaws or the adoption of new bylaws;
- (5) The amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
- (6) A distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range set forth in the corporation's Articles of Incorporation or determined by the Board of Directors; and
- (7) The appointment of other committees of the Board of Directors or the members thereof.

(b) Meetings and Action. The provisions of Section 3.9 shall apply also to committees of the Board of Directors and action by such committees, with such changes as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time of meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee; and notice of special committee meetings shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the governing of any committee not inconsistent with these bylaws.

Section 3.10. Fees and Compensation of Directors. Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the Board of Directors. This section 3.10 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

### Section 3.11. Corporate Loans and Guaranties to Directors, Officers and Others.

(a) The corporation may make a loan of money or property to, or guarantee the obligation of, any director or officer of the corporation or of its parent if the transaction, or an employee benefit plan authorizing the loans or guaranties after disclosure of the right under such a plan to include officers or directors, is approved by a majority of the shareholders entitled to act thereon.

(b) The corporation may make loans of money or property to, or guarantee the obligations of, any officer of the corporation, whether or not a director, or an employee benefit plan authorizing the loan or guaranty provided that (1) the Board of Directors determines that such loan or guaranty or plan may reasonably be expected to benefit the corporation, (2) the corporation has outstanding shares held of record by 100 or more persons (determined as provided in Section 605 of the Code) on the date of approval by the Board of Directors, and (3) the approval of the Board of Directors is by a vote sufficient without counting the vote of any interested director or directors.

(c) The corporation shall not make any loan of money or property to, or guarantee the obligation of, any person upon the security of shares of the corporation or of its parent if the corporation's recourse in the event of default is limited to the security for the loan or guaranty, unless the loan or guaranty is adequately secured without considering these shares, or the loan or guaranty is approved by a majority of the shareholders entitled to act thereon.

(d) Notwithstanding Subparagraph (a) above, a corporation may advance money to a director or officer of the corporation or of its parent for any expenses reasonably anticipated to be incurred in the performance of the duties of the director or officer, provided that in the absence of the advance the director or officer would be entitled to be reimbursed for the expenses by the corporation, its parent, or any subsidiary.

(e) The provisions of Subparagraph (a) above do not apply to the payment of premiums in whole or in part by a corporation on a life insurance policy on the life of a director or officer so long as repayment to the corporation of the amount paid by it is secured by the proceeds of the policy and is cash surrender value.

(f) This Section 3.11 does not apply to any of the following: (a) any transaction, plan or agreement permitted under Section 408 of the California General Corporation Law; or (2) any loan or guaranty made by a corporation that makes loans or guaranties in the ordinary course of its business if statutes or regulations pertaining to the corporation expressly regulate the making by the corporation of loans to its officer or directors or the undertaking of guaranties of the obligations of its officers or directors.

(g) For the purposes of Subparagraph (a) and (c) of this Section 3.11, "approval by a majority of the shareholders entitled to act" means either (1) written consent of a majority of the outstanding shares without counting as outstanding or consenting any shares owned by any officer or director eligible to participate in the plan or transaction that is subject to this approval, (2) the affirmative vote of a majority of the shares present and voting at a duly held meeting at which a quorum is otherwise present, without counting for purposes of the vote as either present or voting any shares owned by any officer or director eligible to participate in the plan or transaction that is subject to the approval, or (3) the unanimous vote or written consent of the shareholders. In the case of a corporation which has more than one class or series of shares outstanding, the "shareholders entitled to act" within the meaning of this section includes only holders of those classes or series entitled under the Articles of Incorporation to vote on all matters before the shareholders or to vote on the subject matter of this section, and includes a requirement for separate class or series voting, or for more or less than one vote per share, only to the extent required by the Articles of Incorporation.

#### Article IV. Officers.

Section 4.1. Officers. The officers of the corporation shall consist of a chairman of the board or a president, or both, a secretary, a chief financial officer and such additional officers as stated in these bylaws or determined by the Board of Directors in accordance with Section 4.3 of these bylaws and as may be necessary to enable the corporation to sign instruments and share certificates. Any number of offices may be held by the same person.

Section 4.2. Elections. All officers of the corporation, except such officers as may be otherwise appointed in accordance with Section 4.3, shall be chosen by the Board of Directors, and serve at the pleasure of the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

Section 4.3. Other Officers. The Board of Directors, at its discretion, may appoint, or empower the president to appoint, one or more vice presidents, one or more assistant secretaries, a treasurer, one or more assistant treasurers or such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as provided in these bylaws or as the Board of Directors may from time to time determine.

Section 4.4. Removal. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board of Directors or, except in the case of an officer chosen by the Board of Directors, by an officer upon whom such power of removal may be conferred by the Board of Directors.

Section 4.5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors or to the president or secretary of the corporation without prejudice to the rights, if any, of the corporation under any contract to which such officer is a party. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.6. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to such office.

Section 4.7. Chairman of the Board. The chairman of the board, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors. If there is no president, the chairman of the board shall in addition be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 4.8 below.

Section 4.8. President. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board, if there be such an officer, the president shall be chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the corporation. He shall preside at all meetings of the shareholders and, in the absence of the chairman of the board, or if there be none, at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these bylaws.

Section 4.9. Vice Presidents. In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform other such duties as from time to time may be prescribed for them respectively by the Board of Directors, these bylaws, the president or chairman of the board.

Section 4.10. Secretary. The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of the directors, committees of directors and shareholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, and the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board of Directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody. The secretary shall not be deemed an executive officer of the corporation and shall be limited in his responsibilities and authority to the types of ministerial acts described in this Section 4.10 and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or by these bylaws.

Section 4.11. Chief Financial Officer. The chief financial officer shall have general supervision, direction and control of the financial affairs of the corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these bylaws. In the absence of a named treasurer, the chief financial officer shall be authorized and empowered to sign as treasurer in any case where such officer's signature is required. The chief financial officer shall keep or cause to be kept and maintained adequate and correct books and records of accounts of the properties and business transactions of the corporation, including its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

## Article V. Records and Reports

### Section 5.1. Books, Records, and Reports.

(a) Books of Account and Records. The corporation shall keep adequate and correct books and records of account and shall keep minutes of the proceedings of its shareholders, the Board and committees of the Board and shall keep at its principal executive office, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each. Such minutes shall be kept in written form. Such other books and records shall be kept either in written form or in any other form capable of being converted into written form.

(b) Annual Report. The annual report to shareholders referred to in Section 1501(a) of the California General Corporation Law is expressly dispensed with, but nothing herein shall be interpreted as prohibiting the Board of Directors from issuing annual or other periodic reports to the shareholders of the corporation as the Board considers appropriate. In conformity with Section 1501 of the California General Corporation Law, if this corporation has 100 or more shareholders of record, an annual report shall be sent to the shareholders of this corporation not later than 120 days after the close of the fiscal year and at least 15 (or, if sent by third-class mail, 35) days prior to the annual meeting of shareholders to be held during the next fiscal year. This report shall contain a balance sheet as of the end of that fiscal year and an income statement and statement of changes in financial position for that fiscal year, accompanied by a report of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. Such report shall also include such further statements required by law applicable to the corporation from time to time.

(c) Shareholders' Requests for Financial Reports. If no annual report for the last fiscal year has been sent to the shareholders, the corporation shall, upon the written request of any shareholder made more than 120 days after the close of such fiscal year, deliver or mail to the shareholder making the request within 30 days thereafter the same financial statements required by Section 1501(a) of the California General Corporation Law for that year. Any shareholder or shareholders holding at least five percent of the outstanding shares of any class of the corporation may make a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the current fiscal year ended more than 30 days prior to the date of the request and a balance sheet of the corporation as of the end of the period and, in addition, if no annual report for the last fiscal year has been sent to shareholders, the statements referred to in Section 1501(a) of the California General Corporation Law for the last fiscal year. The statements shall be delivered or mailed to the person making the request within 30 days after receipt thereof. A copy of the statements shall be kept on file in the principal office of the corporation for 12 months and it shall be exhibited at all reasonable times to any shareholder demanding an examination of the statements or a copy shall be mailed to such shareholder upon demand.

The quarterly income statements and balance sheets referred to in this Section 5.1(c) shall be accompanied by the report thereon, if any, of any independent accountants engaged by the corporation or the certificate of an authorized officer of the corporation that the financial statements were prepared without audit from the books and records of the corporation.

The corporation also shall, upon the written request of any shareholder, mail to the shareholder a copy of the last annual, semiannual or quarterly income statement which it has prepared and a balance sheet as of the end of the period.

### Section 5.2. Rights of Inspection.

(a) By Shareholders.

(1) Record of Shareholders. Any shareholder or shareholders holding at least five percent in the aggregate of the outstanding voting shares of the corporation or who hold at least one percent of such voting shares and have filed a Schedule 14B with the United States Securities and Exchange Commission relating to the election of directors of the corporation shall have an absolute right to do either or both of the following: (i) inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours upon five business days' prior written demand upon the corporation or (ii) obtain from the transfer agent for the corporation, upon written demand and upon the tender of its usual charges for such a list (the amount of which charges shall be stated to the shareholder by the transfer agent upon request), a list of the names and addresses of the shareholders, who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which it has been compiled or as of a date specified by the shareholder subsequent to the date of demand. The list shall be made available on or before the later of five business days after demand is received or the date specified therein as the date as of which the list is to be compiled.

The record of shareholders shall also be open to inspection and copying by a shareholder or holder of a voting trust certificate at any time during usual business hours, upon written demand on the corporation, for a purpose reasonably related to such holder's interests as a shareholder or holder of a voting trust certificate. Any inspection and copying under Section 5.2(a) may be made in person or by agent or attorney.

(2) Accounting Books and Records. The accounting books and records and minutes of proceedings of the shareholders, the Board of Directors and the committees of the Board of Directors shall be open to inspection upon the written demand on the corporation of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a shareholder or holder of such voting trust certificate. This right of inspection shall also extend to the records of each subsidiary of the corporation. Such inspection by a shareholder or holder of a voting trust certificate may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

(3) Bylaws. The corporation shall keep at its principal executive office in this state, or if its principal executive office is not in this state at its principal business office in this state, the original or a copy of its bylaws, as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside this state and the corporation has no principal business office in this state the corporation shall upon the written request of any shareholder furnish to such shareholder a copy of the bylaws as amended to date.

(4) By Directors. Every director of the corporation shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation and also of its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and the right to inspection includes the right to copy and make extracts.

#### Article VI. Indemnification of Directors, Officers, Employees, and Other Agents

Section 6.1. Indemnification of Directors and Officers. The corporation shall, to the maximum extent and in the manner permitted by the Code, indemnify each of its 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. For purposes of this Article VI, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

Section 6.2. Indemnification of Others. The corporation shall have the power, to the extent and in the manner permitted by the Code, to indemnify each of its employees and agents (other than 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. For purposes of Article VI, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

Section 6.3. Payment of Expenses in Advance. Expenses incurred in defending any civil or criminal action or proceeding for which indemnification is required pursuant to Section 6.1, or for which indemnification is provided pursuant to Section 6.2 hereof, shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI. Notwithstanding the foregoing, no advance shall be made by the corporation if a determination is reasonably and promptly made by the Board of Directors by a majority vote of a quorum of disinterested directors or by independent legal counsel in a written opinion that, based upon the facts known to the board or counsel at the time such determination is made, such person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the board or independent legal counsel reasonably determines that such person deliberately breached his duty to the corporation or its shareholders.

Section 6.4. Indemnity Not Exclusive. The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized by the Articles of Incorporation.

Section 6.5. Indemnification Agreements. The corporation is authorized to enter into indemnification agreements consistent with the provisions of this Article VI and to the full extent permitted by the Code with any of its directors, officers, employees or other agents.

Section 6.6. Amendment. The corporation shall not retroactively repeal or amend this Article VI or any provision hereof, or any other provisions of these bylaws relating to indemnification, in a way which adversely affects any right or protection under this Article VI existing at the time of such repeal or amendment.

Section 6.7. Savings Clause. If this Article VI or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and officer against expenses (including attorney's fees), judgments, fines and amounts paid in settlement with respect to any action, proceeding or investigation, whether civil, criminal or administrative, and whether internal or external, including a grand jury proceeding and an action or proceeding brought by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated, or by any other applicable law.

## Article VII. Miscellaneous.

Section 7.1. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the corporation shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 7.2. Authority to Execute Contracts. The Board of Directors may authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name or on behalf of the corporation, and such authority may be general or confined to specific instances; and, unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 7.3. Representation of Shares of Other Corporations. The chairman of the board, if any, the president or any vice president and the secretary or assistant secretary of the corporation are authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the corporation. The authority herein granted to said officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized to do so by proxy or power of attorney duly executed by said officers.

Section 7.4. Employee Stock Purchase Plans. The corporation may adopt and carry out a stock purchase plan or agreement or stock option plan or agreement providing for the issue and sale for such consideration as may be fixed of its unissued share, or of issued shares acquired or to be acquired, to one or more of the employees or directors of the corporation or a subsidiary or parent thereof or to a trustee on their behalf and for the payment for such shares in installments or at one time, and may provide for aiding any such persons in paying for such shares by compensation for services rendered, promissory notes or otherwise.

A stock purchase plan or agreement or stock option plan or agreement may include, among other features, the fixing of eligibility for participation therein, the class and price of shares to be issued or sold under the plan or agreement, the number of shares which may be subscribed for, the method of payment therefor, the reservation of title until full payment therefor, the effect of the termination of employment, an option or obligation on the part of the corporation to repurchase the shares upon termination of employment, subject to the provisions of the California General Corporation Law, restrictions upon transfer of the shares and the time limits of and termination of the plan.

Section 7.5. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the California General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural numbers includes the singular, and the term "person" includes a corporation as well as a natural person.

#### Article VIII. Amendments.

Section 8.1. Power of Shareholders. New bylaws may be adopted or these bylaws may be amended or repealed by the affirmative vote of a majority of the outstanding shares entitled to vote or by the written consent of such shareholders, except as otherwise provided by law or by the Articles of Incorporation.

Section 8.2. Power of Directors. Subject to the right of shareholders as provided in Section 8.1 to adopt, amend or repeal bylaws, any bylaw may be adopted, amended or repealed by the Board of Directors other than a bylaw or amendment thereof changing the authorized number of directors, if such number is fixed, or the maximum-minimum limits thereof, if an indefinite number.

**Certification**

I, William J. Volz, certify that:

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

Date: May 15, 2007

/s/ William J. Volz

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William J. Volz

President and Principal Executive Officer



**Certification**

I, John Merlesena, certify that:

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

Date: May 15, 2007

/s/ John Merlesena

John Merlesena  
Acting Chief Financial Officer and  
Principal Financial and Accounting Officer

**Certifications of  
Principal Executive Officer and Acting Chief Financial Officer  
Pursuant to 18 U.S.C. Section 350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

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

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

Date: May 15, 2007

/s/ William J. Volz

William J. Volz  
President and Principal Executive Officer

Date: May 15, 2007

/s/ John Merlesena

John Merlesena  
Acting Chief Financial Officer and  
Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906 has been provided to LOGIC Devices Incorporated and will be retained by LOGIC Devices Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.