



Proxy Statement and 2006 Annual Report to Shareholders

February 12, 2007

Letter to Shareholders

Notice of 2007 Annual
Meeting and Proxy
Statement

2006 Annual Report to
Shareholders

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Fellow Shareholders:

You are cordially invited to attend the LOGIC Devices Incorporated Annual Meeting of Shareholders to be held at our principal executive offices located at 395 West Java Drive, Sunnyvale, California 94089, on March 8, 2007, at 9:00 a.m., local time. Information regarding the meeting and the business to be conducted are more fully detailed in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.

We hope you will be able to attend the Annual Meeting to listen to our presentation on the status of our business and performance during fiscal 2006 and near-term plans, and to ask any questions you may have.

Your vote is very important. Whether or not you are able to attend the Annual Meeting, please place your vote as soon as possible. There are multiple options to facilitate your voting: in person at the meeting, by sending in your written proxy, by telephone, or by using the Internet. Your vote by written proxy, telephone, the Internet will ensure your representation at the Annual Meeting if you cannot attend in person. Please review the instructions on the proxy card regarding each of these voting options.

Thank you for your support and interest in LOGIC Devices Incorporated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William J. Volz".

William J. Volz
President and Chief Executive Officer



LOGIC DEVICES INCORPORATED
395 West Java Drive
Sunnyvale, California 94089

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
March 8, 2007

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Annual Meeting) of LOGIC Devices Incorporated, a California corporation, will be held at our principal executive offices located at 395 West Java Drive, Sunnyvale, California 94089, on March 8, 2007, at 9:00 a.m., local time, for the following purposes:

1. To approve an amendment to the 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;
2. To elect directors to serve for the next year and until their successors are elected; and
3. To approve an amendment to the 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;
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. All shareholders are cordially invited to attend the meeting in person. Only shareholders of record at the close of business on January 26, 2007, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. Any shareholder attending the meeting and entitled to vote may do so in person, even if such shareholder returned a proxy.

By Order of the Board of Directors,

/s/ Kimiko Milheim

Kimiko Milheim
Secretary

Sunnyvale, California
February 12, 2007

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE, OR YOU MAY INSTEAD PROVIDE YOUR PROXY BY TELEPHONE OR OVER THE INTERNET FOLLOWING THE DIRECTIONS ON THE PROXY CARD; EITHER METHOD WILL ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

LOGIC DEVICES INCORPORATED
395 West Java Drive
Sunnyvale, California 94089

PROXY STATEMENT

March 8, 2007

The Board of Directors (the Board) of LOGIC Devices Incorporated (the Company) is furnishing this proxy statement to you in connection with our solicitation of proxies to be used at our Annual Meeting of Shareholders (the Annual Meeting) to be held Thursday, March 8, 2007, at 9:00 a.m., local time, or at any adjournment(s) or postponement(s) thereof, for the purposes set forth in this proxy statement and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at our principal executive offices, located at 395 West Java Drive, Sunnyvale, California 94089. The telephone number is (408) 542-5400.

The date of this proxy statement is February 12, 2007, and it was first mailed on or about February 12, 2007, to shareholders entitled to vote at the Annual Meeting.

Questions and Answers about the Proxy Materials and the Annual Meeting:

Q. Who can attend the meeting?

A. All shareholders may attend.

Q. Who is entitled to vote?

A. Only shareholders as of the close of business on January 26, 2007 (the Record Date) may vote at the Annual Meeting. If you wish to vote your shares at the Annual Meeting and your shares are held of record by a broker or other representative, you must contact your broker or other representative to obtain a proxy issued in your name and bring it with you to the Annual Meeting. As of the Record Date, there were 6,795,438 shares outstanding of our common stock, no par value (Common Stock). Every shareholder voting for the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected (four) multiplied by the number of votes to which the shareholder's shares are entitled, or distribute such shareholder's votes on the same principle to among as many candidates as the shareholder may select, provided that votes cannot be cast for more than four candidates. However, no shareholder will be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the shareholder has given notice to Kimiko Milheim, our Secretary, prior to the commencement of voting of the intention to cumulate the shareholder's vote.

Certain shareholders have given notice of their intention to cumulate their votes; therefore, all shareholders entitled to vote may cumulate their votes for candidates in nomination. On all other matters that properly come before the meeting, each share has one vote.

Q. What may I vote on?

- A.
- (1) A proposal to amend the Bylaws to decrease the minimum number of directors required on the Board of Directors to four from five;
 - (2) The election of four nominees to serve on our Board of Directors for the next year and until their successors are elected;
 - (3) A proposal to amend the 1996 Stock Incentive Plan to extend the expiration date of such plan by one year; and
 - (4) Any other business properly presented at the Annual Meeting.

Q. How does the Board recommend I vote on all proposals?

A. The Board recommends a vote FOR Items One and Three and a vote FOR each nominee.

Q. How do I vote?

- A. (1) Sign and date each proxy card you receive and return it in the prepaid envelope;
- (2) Provide your proxy through the Internet or telephone voting system as more fully described on your proxy card;
or
- (3) Vote in person at the Annual Meeting.

Q. How can I change my vote or revoke my proxy?

A. You have the right to revoke your proxy and change your vote at any time before the meeting by notifying Kimiko Milheim, our Secretary, or returning a later-dated proxy card, or by Internet or telephone as more fully described on your proxy card. You may also revoke your proxy and change your vote by voting in person at the Annual Meeting.

Q. What does it mean if I get more than one proxy card?

A. It means you hold shares registered in more than one account. Please vote or provide a proxy for all accounts in one of the manners described above to ensure that all your shares are voted.

Q. Who will count the votes?

A. Representatives of Computershare Limited, will count the votes and Kimiko Milheim, our Secretary, will act as the Inspector of Election. We believe the procedures to be used by the Inspector to count the votes are consistent with California law concerning voting of shares and determination of a quorum.

Q. What is a "quorum?"

A. A "quorum" is a majority of the issued and outstanding shares entitled to vote at the Annual Meeting. They may be present at the meeting or represented by proxy. There must be a quorum for the meeting to be held and action to be validly taken. If you submit a properly executed proxy card, even if you withhold your vote with respect to all nominees and abstain from voting on the other items of business, you will be considered present for purposes of a quorum. If you hold your shares in "street name" through a broker or other representative and the broker or representative indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter (broker non-votes), the shares represented by such broker non-votes will be counted in determining the presence of a quorum.

Q. What vote by shareholders is required to approve each of the proposals?

A. The proposed amendment to the Bylaws requires a "FOR" vote by a majority of the outstanding shares entitled to vote, and must not receive "AGAINST" votes equal to more than 16-2/3 percent of the outstanding shares entitled to vote. As to the election of directors, the four candidates receiving the highest number of "FOR" votes will be elected. The proposal to amend the 1996 Stock Incentive Plan requires a "FOR" vote by a majority of the shares of Common Stock present in person or by proxy. The required vote for any other matter that may be properly presented at the Annual Meeting will depend on the nature of the matter. We are currently unaware of any other business to be presented at the Annual Meeting.

Q. What are the word choices for indicating my vote?

- A. You may vote "FOR" or "WITHHOLD," or cumulate your votes for one or more nominees. For the other items of business, you may vote "FOR" or "AGAINST" the proposal, or you may "ABSTAIN" from voting. Shares that vote "FOR," "WITHHOLD," "AGAINST," or "ABSTAIN" or are cumulated are treated as being present at the meeting for purposes of establishing a quorum. These shares are also treated as votes cast by the Common Stock present in person or represented by proxy at the Annual Meeting, with respect to such matter.

If you return your signed proxy card but do not specify how you want to vote your shares, the proxy holders will vote the proxies received by them "FOR" Item 1, "FOR" the four director nominees identified in this proxy statement, and "FOR" Item 3.

Q. How will voting on any other business be conducted?

- A. We do not know of any business to be considered at the 2007 Annual Meeting other than the items of business described in this proxy statement. However, because we did not receive notice of any other proposals to be brought before the meeting within 45 days prior to the date of mailing of this proxy statement, if any other business is properly presented at the Annual Meeting, your signed proxy card gives authority to William J. Volz, our President and principal executive officer, and Kimiko Milheim, our Chief Financial Officer and Secretary, to vote on such matters at their discretion.

Q. How can a shareholder request a copy of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) for fiscal 2006?

- A. A copy of the financial statements and Management's Discussion and Analysis from our Annual Report on Form 10-K will be mailed with this proxy statement to each shareholder. A shareholder may also request a copy of our complete Annual Report on Form 10-K in a writing addressed to our Secretary, Kimiko Milheim, at 395 West Java Drive, Sunnyvale, California 94089. In addition, a shareholder may download a copy of our complete Annual Report on Form 10-K from our website, www.logicdevices.com.

Q. Who will bear the cost of soliciting votes for the Annual Meeting?

- A. Our Board of Directors is making this solicitation and the Company will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials and soliciting votes. If you choose to submit your proxy over the Internet, you are responsible for Internet access charges you may incur. If you choose to submit your proxy by telephone, you are responsible for telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone, or by electronic communication by our directors, officers, and employees, who will not receive any additional compensation for such solicitation activities. We are also required by law to reimburse certain costs of brokerage houses and other representatives for forwarding proxy and solicitation materials to shareholders.

Q. How and when may I submit proposals or director nominations for inclusion in the proxy statement for the 2008 Annual Meeting?

- A. If you would like to submit a proposal for the 2008 Annual Meeting of Shareholders, it must be received by our Secretary, Kimiko Milheim, at 395 West Java Drive, Sunnyvale, CA 94089, at any time prior to October 16, 2007, and must otherwise comply with Rule 14a-8 under the Exchange Act, in order to be eligible for inclusion in the proxy statement for that meeting, unless the date of the next annual meeting changes by more than 30 days from the date of this Annual Meeting, in which case notice must be received a reasonable time before mailing.

In general, advance notice of nominations of persons for election to the Board or the proposal of business to be considered by the shareholders must be given to our Secretary not less than 45 days prior to the first anniversary of the date of the mailing of materials regarding the prior year's annual meeting, which mailing date is identified above in this proxy statement, unless the date of the next annual meeting changes by more than 30 days from the date of this Annual Meeting, in which case notice must be received a reasonable time before.

A shareholder's notice of nomination should set forth (i) as to each person whom the shareholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected); (ii) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (A) the name and address of such shareholder, as they appear on our books, and of such beneficial owner, (B) the number of shares of Common Stock that are owned (beneficially or of record) by such shareholder and such beneficial owner, (C) a description of all arrangements or understandings between such shareholder and such beneficial owner and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder and of such beneficial owner in such business, and (D) a representation that such shareholder or its agent or designee intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

BOARD STRUCTURE AND COMPENSATION

Structure and Committees

Howard L. Farkas serves as Chairman of the Board of Directors. The Board of Directors held a total of three meetings during its 2006 fiscal year, which ended on September 30, 2006. Every director attended at least 75% of the meetings of the Board of Directors and the meetings of the committees of the Board of Directors on which the director served. The Board of Directors has determined that all of the directors, except William J. Volz, are independent as defined by Nasdaq. The Board of Directors has a standing Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee.

The Audit Committee of the Board of Directors, which currently consists of Brian P. Cardozo, Howard L. Farkas, Albert Morrison Jr., and Steven R. Settles, reviews the auditing, accounting, financial reporting, and internal control functions and selects our independent auditors. This committee operates under a written charter adopted by the Board of Directors, a copy of which can be found on our website, www.logicdevices.com, which the committee annually reviews and assesses for adequacy. All of the committee members are independent as determined under applicable Nasdaq and SEC rules and are able to read and understand fundamental financial statements, and Messrs. Cardozo, Farkas, and Morrison qualify as "Audit Committee Financial Experts" as defined by SEC rules. The committee met five times during fiscal 2006.

The Nominating and Corporate Governance Committee, currently made up of Brian P. Cardozo, Howard L. Farkas, Albert Morrison Jr., and Steven R. Settles, is responsible for nominating individuals to serve as members of our Board of Directors and for establishing policies affecting corporate governance. All of the committee members are independent as determined under applicable Nasdaq and SEC rules. The committee will consider shareholder nominations for directors. This committee operates under a written charter adopted by the Board of Directors, a copy of which can be found on our website, www.logicdevices.com. The committee's policy is to identify and consider candidates for election as directors, including candidates recommended by our shareholders. For a description of the process for nominating directors, see "Questions and Answers about the Proxy Materials and the Annual Meeting – How and when may I submit proposals or director nominations for inclusion in the proxy statement for the 2008 Annual Meeting?" The committee met two times during fiscal 2006.

The Compensation Committee of the Board of Directors, which currently consists of Howard L. Farkas, Albert Morrison Jr., and Steven R. Settles, is responsible for establishing our compensation policies. The committee determines the compensation of our Board of Directors and executive officers, and is responsible for establishing employee benefit plans. A majority of the committee members are independent as determined under applicable Nasdaq and SEC rules. This committee operates under a written charter adopted by the Board of Directors, a copy of which can be found on our website, www.logicdevices.com. The committee met one time during fiscal 2006.

Consideration of Director Nominees

The Nominating and Corporate Governance Committee will utilize a variety of methods for identifying and evaluating nominees for director. The committee will regularly assess the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee will consider various potential candidates for director. Candidates may come to the attention of the committee through current directors, shareholders, or other persons. The committee has not paid fees to any third party to identify, evaluate, or to assist in identifying or evaluating, potential nominees, but may determine it necessary in the future. Candidates will be evaluated at meetings of the Nominating and Corporate Governance Committee. Nominees recommended by persons other than current board members or executive officers would be subject to the process described in "Questions and Answers about the Proxy Materials and the Annual Meeting – How and when may I submit proposals or director nominations for inclusion in the proxy statement for the 2008 Annual Meeting?"

In evaluating nominations for candidates for membership on our Board of Directors, the Nominating and Corporate Governance Committee will seek to achieve a balance of knowledge, experience, and capability on the Board and to address the following membership criteria. Members of the Board should have the highest professional and personal ethics and values. They should have broad experience at the policy-making level in business, government, education, technology, or public interest. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all directors' duties.

Compensation of Directors

Non-employee directors did not receive any cash compensation during fiscal 2006 for either their services as directors or for their services on the various Board committees.

Under our Amended and Restated 1998 Director Stock Incentive Plan, each non-employee director who is elected or re-elected to serve on the Board receives an automatic annual grant of an option to purchase 15,000 shares of Common Stock, coinciding with the date of the Annual Meeting of Shareholders at which they are elected or re-elected. Each of these options has an exercise price per share equal to the closing fair market value of our Common Stock on the automatic grant date, and has a maximum term of five years. Each option is immediately exercisable for all 15,000 shares.

Other Information about the Board of Directors

We provide an informal process for shareholders to send communications to the Board. Shareholders who wish to contact the Board or any of its members may do so in writing to LOGIC Devices Incorporated, 395 West Java Drive, Sunnyvale, CA 94089. Any communication will promptly be forwarded to the Board of Directors as a group or to the attention of a specified director.

Although we do not have a policy with regard to Board members' attendance at the annual meetings of shareholders, all of the directors are encouraged to attend such meetings. All of our directors were in attendance at our 2006 Annual Meeting.

ITEM ONE: PROPOSAL TO AMEND THE BYLAWS

The Bylaws currently provide that the Board of Directors shall consist of not less than five or more than nine directors. The Board of Directors currently consists of five directors. Each director serves until the next annual meeting of shareholders and until a successor is elected and qualified. The Board of Directors has approved an amendment to the Bylaws to decrease the minimum number of required directors to four from five and to decrease the maximum number of allowed directors to seven from nine.

One of our current directors has informed the Board of Directors that he did not intend to stand for re-election upon the expiration of his term and is not a nominee for reelection as a director at the upcoming Annual Meeting. The director has not expressed any disagreement with our operations, policies or practices. The departure of this director would bring the size of the Board of Directors below the required minimum stated in the Bylaws. The Nominating and Corporate Governance Committee has not identified a suitable replacement candidate as of the date of this proxy statement. The Board of Directors believes it to be prudent to decrease the minimum number of required directors and to decrease the maximum number of allowed directors to avoid organizational difficulties created by this and any future director departures. The Board of Directors has therefore determined to submit a proposal to amend the Bylaws to the shareholder of the Company. If amended, the affected provision of the Bylaws, the first sentence of Article III, Section 3.2, would read:

The Board of Directors shall consist of not less than four (4) or more than seven (7) directors.

Provisions establishing a maximum number of directors have sometimes been characterized as deterring takeovers. However, any such effect is minimized in our case because the Bylaws currently have a numeric maximum. In addition, our board of directors is not classified so that the entire board, regardless of its size, can be replaced at any meeting of shareholders of the Company. The proposed amendment to the Bylaws requires a "FOR" vote by a majority of the outstanding shares entitled to vote and must not receive "AGAINST" votes equal to more than 16-2/3 percent of the outstanding shares entitled to vote.

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE AMENDMENT AND RECOMMENDS VOTING "FOR" THE PROPOSED AMENDMENT TO THE BYLAWS.

ITEM TWO: ELECTION OF DIRECTORS

Nominees

A Board of four directors is to be elected at the Annual Meeting. Each of the nominees for director identified below, each of whom is currently serving on the Board of Directors, has been nominated for re-election by the Nominating and Corporate Governance Committee of the Board of Directors. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by the present Board of Directors to fill the vacancy. If additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them that provide authority to vote "FOR" in accordance with cumulative voting to elect as many of the nominees listed below as possible and no other person. In such event, the proxy holders will determine the specific nominees for whom such votes will be cumulated. The proxy holders will not have the discretion to cumulate votes represented by any proxy for any nominee for which authority to vote has been withheld in the proxy by "WITHHOLD." The term of office of each person elected as a director will continue until the next annual meeting of shareholders or until a successor has been elected and qualified. It is not expected that any nominee will be unable or will decline to serve as a director. The following table provides information concerning the director nominees:

<u>Nominee</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation</u>
Howard L. Farkas	82	1983	Chairman of the Board; President of Farkas Group, Inc.
Brian P. Cardozo	48	2003	Owner/operator of a Harley-Davidson dealership; Former Audit and Financial Services Partner of BDO Seidman LLP and Audit Partner-in-Charge of the San Jose, California office of BDO Seidman LLP
William J. Volz	59	1983	President, Principal Executive Officer, and Director
Steven R. Settles	48	2005	Managing Partner, Dawg Investment Fund, LLP

Each of the nominees has been engaged in his principal occupation described above during the past five years. There are no family relationships among the directors or executive officers.

HOWARD L. FARKAS has been a director since our inception. Mr. Farkas is President of Farkas Group, Inc., a company that provides management services to various business interests. He is the sole owner and managing broker of Windsor Gardens Realty, Inc., a residential real estate brokerage company, which he co-founded in 1964. He serves as director for Synthetech, Inc., a public chemical research and manufacturing company whose products are used extensively in new drug research; for Northwestern Engineering Company; and for a number of oil and gas exploration and development companies.

BRIAN P. CARDOZO joined our Board of Directors in 2003. Mr. Cardozo holds a B.S.C. from Santa Clara University, an M.B.A. in accounting from Saint Louis University, and an M.B.A. in finance from Saint Louis University. Since May 2000, Mr. Cardozo has been owner and operator of a Harley-Davidson dealership. He was an Audit and Financial Services Partner of BDO Seidman LLP and Audit Partner-in-Charge of the San Jose, California office of BDO Seidman LLP until October 2000. Mr. Cardozo was a founding partner in Meredith Cardozo Lanz & Chiu LLP, a regional public accounting firm that merged into BDO Seidman LLP in October 1999. In addition to his years of public accounting experience, he has industry experience with a local Fortune 500 company, Amdahl, working in the areas of corporate budgeting, corporate reporting, financial policies and procedures, and SEC reporting. Mr. Cardozo has specialized in servicing high technology, software, manufacturing, distribution, and other industries, ranging from start-ups to large multi-national enterprises. He has provided emerging growth companies with advice ranging from introductions to traditional financial sources, accounting system consulting, potential financial employee referrals, and merger and acquisition assistance. He is a member of the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants, and the Association for Corporate Growth.

WILLIAM J. VOLZ is one of our founders and has been a director since our inception. Mr. Volz has been President and principal executive officer since December 1987. He served as our Vice President of Engineering from August 1983 to December 1987.

STEVEN R. SETTLES joined our Board of Directors in 2005 and is a private investor and managing partner of Dawg Investment Fund LLP, which was formed in 2000 to invest in both public and private companies. Along with partners, he owns Intuition Development Holdings (IDH), a private firm which provides information systems and services to corporate and government clients. He is a Board Member of IDH and its subsidiaries. Prior to 1993, he was Director of Strategic Planning at Barnett Banks, Inc. He holds an M.B.A. degree from The Wharton School, University of Pennsylvania and a B.B.A. from the University of Georgia.

Required Vote

The four nominees receiving the highest number of affirmative votes of the shares present or represented and entitled to vote shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no further legal effect under California law.

The Board of Directors recommends voting "FOR" election to the Board of Directors of each of the nominees proposed above.

REPORT OF THE AUDIT COMMITTEE

The incorporation by reference of this proxy statement into any document or registration statement filed with the SEC by us shall not be deemed to include the following report and related information, unless such report is specifically stated to be incorporated by reference into such document.

The Audit Committee of the Board of Directors serves as the representative of the Board of Directors for general oversight of the financial accounting and reporting processes, system of internal control, audit process, and process for monitoring compliance with laws and regulations. The Audit Committee is responsible for, among other things, the appointment of the independent auditors and the preparation of the report to be included in our annual proxy statement pursuant to rules of the SEC. The charter of the Audit Committee, as approved by the Board of Directors, is available on the Company's website, www.logicdevices.com.

Our management has primary responsibility for preparing our financial statements and for its financial reporting process. Our independent auditors, Perry-Smith, are responsible for expressing an opinion on the conformity of our financial statements to accounting principles generally accepted in the United States of America.

The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with our management and with the independent auditors, with and without our management present.
2. The Audit Committee has discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU §380), as amended, and those requirements under the Sarbanes-Oxley Act.
3. The Audit Committee has received the written disclosures and the letter from our independent auditors required by Independence Standards Board Standard No. 1, "Independence Discussions for Audit Committees," and has discussed with the independent auditors the independent auditors' independence, including whether the independent auditors' provision of non-audit services to us is compatible with the independent auditors' independence.

Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to our Board of Directors and the Board approved, that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2006, for filing with the SEC.

Albert Morrison Jr.
Brian P. Cardozo
Howard L. Farkas
Steven R. Settles

Independent Auditors

The Audit Committee has reappointed Perry-Smith LLP as our independent auditors for the fiscal year ending September 30, 2007. Perry-Smith LLP has served as our independent auditors since April 9, 2003. A representative of Perry-Smith LLP is expected to attend the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

Fees billed by Perry-Smith for the fiscal years ended September 30, 2006 and 2005, are as follows:

Audit Fees

Fees paid to Perry-Smith LLP for the audit of the Company's annual financial statements included in the registrant's reports on Form 10-K and review of the financial statements included in the registrant's reports on Form 10-Q were \$75,500 and \$71,900 for fiscal 2006 and 2005, respectively.

Tax Fees

Fees paid to Perry-Smith LLP for services rendered for preparation of the Company's federal and state income tax returns, tax compliance, and tax advice were \$10,700 and \$10,500 for fiscal 2006 and 2005, respectively.

All Other Fees

There were no additional fees paid or payable to Perry-Smith LLP for any other services provided during fiscal 2006 or 2005.

Audit Committee's Pre-approval Policies and Procedures

The Audit Committee pre-approves all auditing services and permitted non-audit services (including fees and terms thereof) to be performed for the Company by its principal accountant on a case-by-case basis, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which are approved by the Audit Committee before the completion of the audit. The Audit Committee approved 100% of audit, tax, and all other services provided by any accounting firms.

No audit work was performed by persons other than the principal accountant's full-time, permanent employees.

MANAGEMENT

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of January 31, 2007 (except as described below) by:

- each of our directors;
- Named Executive Officers, if any (a Named Executive Officer is defined as an officer whose total annual salary and bonus aggregated \$100,000 or more during the recent fiscal year);
- all individuals who served as directors or executive officers at fiscal year-end as a group;
- each director nominee; and
- each person (including any "group" as that term is used in Section 13(d)(3) of the Exchange Act of 1934, as amended) who is known by us to beneficially own more than 5% of our Common Stock.

Directors, Officers and 5% Shareholders	Shares Beneficially Owned ⁽¹⁾	
	Shares	Percent ⁽²⁾
<i>Directors:</i>		
Howard L. Farkas ⁽³⁾⁽⁴⁾	235,000	3.4%
William J. Volz	726,857	10.7%
Albert Morrison Jr. ⁽⁵⁾	100,877	1.5%
Brian P. Cardozo ⁽⁶⁾	45,000	0.7%
Steven R. Settles ⁽⁷⁾	470,847	6.9%
<i>Named Executive Officer:</i>		
Kimiko Milheim ⁽⁸⁾	3,750	0.0%
<i>All directors and executive officers as a group (seven persons) ⁽⁹⁾</i>	<i>1,589,331</i>	<i>23.4%</i>
<i>5% Shareholders:</i>		
Steven J. Revenig, Trustee of the Farkas Trusts ⁽¹⁰⁾ 1873 S. Bellaire St., Ste. 1000 Denver, CO 80222	624,305	9.2%

- (1) Assumes the exercise of any warrants or options held by such person that are exercisable as of January 31, 2007 or within 60 days thereafter, but not the exercise of any other person's warrants or options.
- (2) Assumes 6,795,438 shares of Common Stock outstanding as of January 31, 2007.
- (3) Mr. Farkas disclaims any beneficial share ownership of the shares held by Mr. Revenig, as trustee of the Farkas Trusts.
- (4) Includes 190,000 shares held directly and options to purchase 45,000 shares of Common Stock.
- (5) Includes 877 shares held directly and options to purchase 100,000 shares of Common Stock.
- (6) Includes options to purchase 45,000 shares of Common Stock.
- (7) Includes 440,847 shares held directly and options to purchase 30,000 shares of Common Stock.
- (8) Includes options to purchase 3,750 shares of Common Stock.
- (9) Includes options to purchase 226,250 shares of Common Stock.
- (10) Consists of 14 irrevocable trusts administered by Mr. Revenig, an independent trustee, the beneficiaries of which consist of Mr. Farkas and members of his family.

The following table provides information regarding our executive officers as of the date of this proxy statement:

Name	Age	Position
William J. Volz	59	President and principal executive officer
Kimiko Milheim	36	Chief Financial Officer and Secretary
Adesh Sidhu	42	Vice President of Worldwide Sales

WILLIAM J. VOLZ is one of our founders and has been a director since our inception. Mr. Volz has been our President and principal executive officer since December 1987. He served as our Vice President of Engineering from August 1983 to December 1987.

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

ADESH SIDHU joined us in July 2006 as the Vice President of Worldwide Sales. Mr. Sidhu brings over 12 years of semiconductor industry experience. Most recently, he held positions with Altera Corporation, as a Senior Marketing Manager, and Texas Instruments, as a Distribution Sales Manager. Mr. Sidhu holds a B.S.E.E. from the California State University, Fresno and an M.B.A. from Santa Clara University.

Executive Compensation

The following table sets forth the compensation paid during fiscal 2006, 2005, and 2004 to our Named Executive Officers, which are the officers whose salary and bonus aggregated at least \$100,000 during the fiscal year:

Summary Compensation Table

Name and Position	Year	Annual Compensation		Long-term Compensation Awards (No. of Shares Underlying Options)
		Salary (\$) ¹	Bonus (\$)	
William J. Volz, President	2006	171,300	—	—
	2005	171,300	—	—
	2004	171,300	—	—
Kimiko Milheim, Chief Financial Officer and Secretary ²	2006	125,000	—	15,000
	2005	125,000	—	—
	2004	102,950	—	—

(1) In fiscal 2004, we changed our fiscal year to a calendar year ended September 30, 2004.

(2) Ms. Milheim acted as a consultant during part of fiscal 2004 before rejoining as an employee. The "Salary" figure for fiscal 2004 includes consulting fees of \$34,950.

Employment Agreements

We do not have an employment or severance agreement with our executive officers.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table represents the position of our equity compensation plans, the 1996 Stock Incentive Plan and the Amended and Restated 1998 Director Stock Incentive Plan, as of September 30, 2006:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders	465,500	\$1.509	431,500
Equity compensation plans not approved by security holders	—	—	—
Total	465,500	\$1.509	431,500

Option Grants and Exercises

Option Grants. The following table sets forth the options granted in the fiscal year ended September 30, 2006 to the Named Executive Officers:

Option Grants in Fiscal 2006

Name	Number of Options Granted ¹	% of Total Options Granted to Employees in Fiscal 2006 ²	Exercise Price (\$/sh)	Expiration Date (s)	Total Present Value as of Grant Date (\$)	
					5% (\$)	10% (\$)
William J. Volz	—	—	—	—	—	—
Kimiko Milheim	15,000	23%	1.27	07/27/2016	11,980	30,361

(1) The options vest in four equal installments on the grant date and on the first, second, and third anniversaries of the grant date.

(2) Percentages do not take into account options granted to non-employee directors of the Company.

Option Exercises and Year-End Holdings. No executive officers exercised options during fiscal 2006. The following table sets forth information with respect to options held at September 30, 2006 by the Named Executive Officers:

Aggregated Option Exercises in Fiscal 2006 and Fiscal Year-End 2006 Option Values

Name	Shares Acquired on Exercise	Value Realized (\$)	Number of Securities Underlying Unexercised Options at 09/30/2006 (#)		Value of Unexercised In-the-Money Options at 09/30/2006 (\$) ⁽³⁾	
			(1)	(2)	(1)	(2)
William J. Volz	—	—	—	—	—	—
Kimiko Milheim	—	—	3,750	11,250	5,212	15,637

(1) Exercisable at September 30, 2006.

(2) Not exercisable at September 30, 2006.

(3) Based on the closing price per share of Common Stock as reported on the Nasdaq Capital Market on September 30, 2006 (\$2.66).

REPORT ON EXECUTIVE COMPENSATION

The incorporation by reference of this proxy statement into any document or registration statement filed with the SEC by us shall not be deemed to include the following report and related information, unless such report is specifically stated to be incorporated by reference into such document.

In general, the Compensation Committee is principally responsible for executive compensation matters, including but not limited to: review and approval of base salaries, approval of individual bonuses and bonus programs for executive officers, administration of certain employee benefit programs, and review and approval of stock option grants to all employees, including our executive officers.

Overview

The overall policy of the Compensation Committee is to offer our executive officers competitive compensation opportunities, based upon their personal performance, the financial performance of the Company, and their contribution to that performance. In general, each executive officer's compensation package is comprised of three elements: (i) base salary, which is determined on the basis of the individual's position and responsibilities with the Company, the level of the individual's performance, and the financial performance of the Company; (ii) incentive performance awards payable in cash and tied to the achievement of performance goals; and (iii) long-term stock-based incentive awards designed to strengthen the mutuality of interest between the executive officers and our shareholders.

The compensation paid to each executive officer during the past fiscal year was comprised solely of base salary due to the financial performance of the Company.

Compensation of the Principal Executive Officer

Due to the performance of the Company during the past few years, the President's base annual compensation for fiscal 2006 was not increased from his base annual compensation in fiscal 2004.

Howard L. Farkas
Brian P. Cardozo
Albert Morrison Jr.
Steven R. Settles

Certain Relationships and Related Transactions

Since the beginning of our last fiscal year, we have engaged in no transactions or series of similar transactions with any of our officers, directors, or principal shareholders, or, to our knowledge, with any of their affiliates in which the amount involved exceeded \$60,000. Also, no such transactions are currently contemplated.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon review of Forms 3 and 4 and amendments thereto furnished to us pursuant to Rule 16a-3(e) during fiscal 2006 and Form 5 and amendments thereto furnished to us with respect to fiscal 2006, we are not aware of any directors, officers, or beneficial owners of more than 10% of the shares of the Common Stock who failed to file on a timely basis, as disclosed in the above Forms, reports required by Section 16(a) of the Exchange Act during the most recent fiscal year or prior fiscal year, except as previously reported by us and except that Messrs. Morrison, Cardozo, Farkas, and Volz each filed a Form 4 late (one transaction each), Ms. Milheim file a Form 4 late (one transaction reported), Mr. Sidhu filed a Form 3 and Form 4 late (two transactions reported), and Mr. Settles filed four Form 4s late (11 transactions reported).

Code of Business Ethics

The Company had adopted a Code of Business Ethics that applies to its directors and officers. The full text of the Code of Business Ethics is published on the Company's website at www.logicdevices.com under the captions, "Company Information – About LOGIC – Code of Ethics." The Company intends to disclose future amendments to, or waivers from, certain provisions of the Code of Business Ethics on this website within five business days following the date of such amendment or waiver.

ITEM THREE: PROPOSAL TO AMEND THE 1996 STOCK INCENTIVE PLAN

In 1997, the Board of Directors unanimously adopted, and the Company's shareholders approved, the LOGIC Devices Incorporated 1996 Stock Incentive Plan (the "Stock Incentive Plan"), to promote equity ownership by advisors, directors, selected officers and employees of the Company, to increase their proprietary interest in the success of the Company, and to encourage them to remain in the employ of the Company. The Board of Directors has unanimously adopted an amendment to the Stock Incentive Plan and directed that the Stock Incentive Plan, as so amended, be submitted to the Company's shareholders for approval.

The sole change to be effected by amending the Stock Incentive Plan is to extend the expiration date of the Stock Incentive Plan by one year. The Stock Incentive Plan currently expires ten years after its adoption, which would be April 12, 2007. The Company's shareholders are being asked to approve an amendment to the Stock Incentive Plan to extend the term of the Stock Incentive Plan for one additional year, or until April 12, 2008. There are currently 335,500 shares available for issuance under the Stock Incentive Plan so the proposed amendment would authorize the Company to continue to issue those shares only for an additional year under the plan.

The material features of the Stock Incentive Plan, as proposed to be amended, are summarized below.

Administration

The Stock Incentive Plan is to be administered by a stock incentive plan administrative committee comprised of at least two non-employee directors appointed by the Board of Directors. The Compensation Committee of the Board of Directors, which is currently comprised of three independent directors, has served as the stock incentive plan administrative company since the adopting of the plan and is expected to continue to serve in such capacity if the Stock Incentive Plan is extended as proposed. The Compensation Committee will have the authority, subject to review by the Board of Directors, to select the individuals to whom awards may be granted, to determine the terms of each award, to interpret the provisions of the Stock Incentive Plan and to make all other determinations that it may deem necessary or advisable for the administration of the Stock Incentive Plan.

The Stock Incentive Plan provides for the grant of "incentive stock options," as defined under Section 422(b) of the Internal Revenue Code of 1986, as amended, options that do not so qualify (referred to herein as "nonstatutory options"), restricted stock and stock appreciation rights ("SARs"), as determined in each individual case by the Compensation Committee. Of the 600,000 shares of Common Stock reserved for issuance under the Stock Incentive Plan, 335,500 shares of Common Stock are available for issuance as of the date of this Proxy Statement. In general, if any award granted under the Stock Incentive Plan expires, terminates, is forfeited or is canceled for any reason, the shares of Common Stock allocable to such award may again be made subject to an award granted under the Stock Incentive Plan.

Awards

Directors, advisors and employees of the Company are eligible to receive grants under the Stock Incentive Plan. There are currently five directors and approximately twenty employees, including executive officers, of the Company. Awards may be granted subject to a vesting requirement. The exercise price of incentive stock options granted under the Stock Incentive Plan must at least equal the fair market value of the Common Stock subject to the option (determined as provided in the plan) on the date the option is granted. The Compensation Committee will determine the exercise price of nonstatutory options and SARs. Directors may not receive incentive stock options.

An incentive stock option granted under the Stock Incentive Plan to an employee owning more than 10% of the total combined voting power of all classes of capital stock of the Company is subject to the further restriction that such option must have an exercise price of at least 110% of the fair market value of the shares of Common Stock issuable upon exercise of the option (determined as of the date of grant) and may not have an exercise term of more than five years. Incentive stock options are also subject to the further restriction that the aggregate fair market value (determined as of the date of grant) of Common Stock as to which any such incentive stock option first becomes exercisable in any calendar year, is limited to \$100,000. To the extent options covering more than \$100,000 worth of Common Stock first become exercisable in any one calendar year, the excess will be nonstatutory options. For purposes of determining which, if any, options have been granted in excess of the \$100,000 limit, options will be considered to become exercisable in the order granted.

Each director and key employee eligible to participate in the Stock Incentive Plan will be notified by the Compensation Committee. To receive an award under the Stock Incentive Plan, an award agreement must be executed which specifies the type of award to be granted, the number of shares of Common Stock (if any) to which the award relates, the terms and conditions of the award and the date granted. In the case of an award of options, the award agreement will also specify the price at which the shares of Common Stock subject to the option may be purchased, the date(s) on which the option becomes exercisable and whether the option is an incentive stock option or a nonstatutory option.

The full exercise price for all shares of Common Stock purchased upon the exercise of options granted under the Stock Incentive Plan must be paid by cash, personal check, personal note, award surrender or Common Stock owned at the time of exercise. Payment of the exercise price by personal note by the directors and executive officers of the Company is not prohibited under the terms of the plan even though such a personal note would constitute a loan prohibited by Section 13(k) of the Securities Exchange Act. The Company expects its grant agreements for any options issued to its directors and executive officers to prohibit exercise by personal note in order to protect against such prohibited activity.

Incentive stock options granted to employees under the Stock Incentive Plan may remain outstanding and exercisable for ten years from the date of grant or until the expiration of ninety days (or such lesser period as the Compensation Committee may determine) from the date on which the person to whom they were granted ceases to be employed by the Company. Nonstatutory options and SARs granted under the Stock Incentive Plan remain outstanding and exercisable for such period as the Compensation Committee may determine.

Changes in Capital and Corporate Structure

The aggregate number of shares and other equity grants awarded and that may be awarded under the Stock Incentive Plan will be adjusted to reflect a change in the outstanding shares of the Company by reason of a recapitalization, reclassification, reorganization, stock split, reverse stock split, combination of shares, stock dividend or similar transaction. The adjustment is required to be made in an equitable manner which will cause the awards to remain unchanged as a result of the applicable transaction.

United States Income Tax Considerations

The following is a summary of the U.S. federal income tax consequences that may arise in conjunction with participation in the Stock Incentive Plan. Since the approval of the plan ten years ago, there have been numerous changes in the Internal Revenue Code, most significantly for purposes of the plan, the adoption of Internal Revenue Code Section 409A. Section 409A creates restrictions and substantial taxes on deferred compensation, including stock options and other equity-based awards that are not granted at fair value, if the deferred compensation does not meet the requirements of the Section. While the Company believes that awards under the plan can be made in compliance with Section 409A, the Stock Incentive Plan has not been evaluated or revised to ensure compliance with this section. In the event that any award made under the plan does not comply with Section 409A, the Company could become subject to burdensome tax reporting and withholding obligations and recipients could become subject to excise taxes and penalties.

Non-Qualified Stock Options. The grant of a non-qualified option will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares acquired over the exercise price for those shares and the Company will be entitled to a corresponding deduction. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

Incentive Stock Options. The grant of an incentive stock option will not result in taxable income to the participant. The exercise of an incentive stock option will not result in taxable income to the participant provided that the participant was, without a break in service, an employee of the Company or a subsidiary during the period beginning on the date of the grant of the option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Internal Revenue Code).

The excess of the fair market value of the shares at the time of the exercise of an incentive stock option over the exercise price is an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the incentive stock option is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares acquired pursuant to the incentive stock option exercise, the participant will have a basis in those shares equal to the fair market value of the shares at the time of exercise.

If the participant does not sell or otherwise dispose of the shares within two years from the date of the grant of the incentive stock option or within one year after the transfer of such stock to the participant, then, upon disposition of such shares, any amount realized in excess of the exercise price will be taxed to the participant as a capital gain. A capital loss will be recognized to the extent that the amount realized is less than the exercise price.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income at the time of the disposition of the shares, in an amount equal to the lesser of (i) the excess of the fair market value of the shares on the date of exercise over the exercise price, or (ii) the excess, if any, of the amount realized upon disposition of the shares over the exercise price and the Company will be entitled to a corresponding deduction. If the amount realized exceeds the value of the shares on the date of exercise, any additional amount will be a capital gain. If the amount realized is less than the exercise price, the participant will recognize no income, and a capital loss will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

Stock Appreciation Rights. The grant of a SAR will not result in taxable income to the participant. Upon exercise of a SAR, the fair market value of shares received will be taxable to the participant as ordinary income and the Company will be entitled to a corresponding deduction. Gains and losses realized by the participant upon disposition of any such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

Restricted Stock Awards. A participant who has been granted restricted stock will not realize taxable income at the time of grant, provided that that the stock subject to the award is not delivered at the time of grant, or if the stock is delivered, it is subject to restrictions that constitute a “substantial risk of forfeiture” for U.S. income tax purposes. Upon the later of delivery or vesting of shares subject to an award, the holder will realize ordinary income in an amount equal to the then fair market value of those shares and the Company will be entitled to a corresponding deduction. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of delivery or vesting. Dividends paid to the holder during the restriction period, if so provided, will also be compensation income to the participant and the Company will be entitled to a corresponding deduction.

Withholding of Taxes

The Company may withhold amounts from participants to satisfy withholding tax requirements. Except as otherwise provided by the Compensation Committee, participants may have shares withheld from awards or may tender previously owned shares to the Company to satisfy tax withholding requirements. The shares withheld from awards may only be used to satisfy the Company’s minimum statutory withholding obligation.

Change in Control

Any acceleration of the vesting or payment of awards under the Stock Incentive Plan in the event of a change in control in the Company may cause part or all of the consideration involved to be treated as an “excess parachute payment” under the Internal Revenue Code, which may subject the participant to a 20% excise tax and preclude deduction by the Company.

Amendment and Termination

The Stock Incentive Plan will expire eleven years after its adoption, unless sooner terminated by the Board of Directors. The Board of Directors has authority to amend the Stock Incentive Plan in such manner as it deems advisable, except that the Board of Directors is not permitted without shareholder approval to amend the plan in a manner which would prevent the grant of incentive stock options or increase the number of shares of Common Stock available. In addition, the rules of the Nasdaq Capital Market currently require approval by the Company’s shareholders of any material amendment to the plan. The Stock Incentive Plan provides for appropriate adjustment, as determined by the Compensation Committee, in the number and kind of shares subject to unexercised options, in the event of any change in the outstanding shares of Common Stock by reason of a stock split, stock dividend, combination or reclassification of shares, recapitalization, merger or similar event.

Required Vote

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy at the annual meeting is required to approve the amendment to the Stock Incentive Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY APPROVED THE AMENDMENT AND RECOMMENDS VOTING “FOR” THE PROPOSED AMENDMENT TO THE STOCK INCENTIVE PLAN.

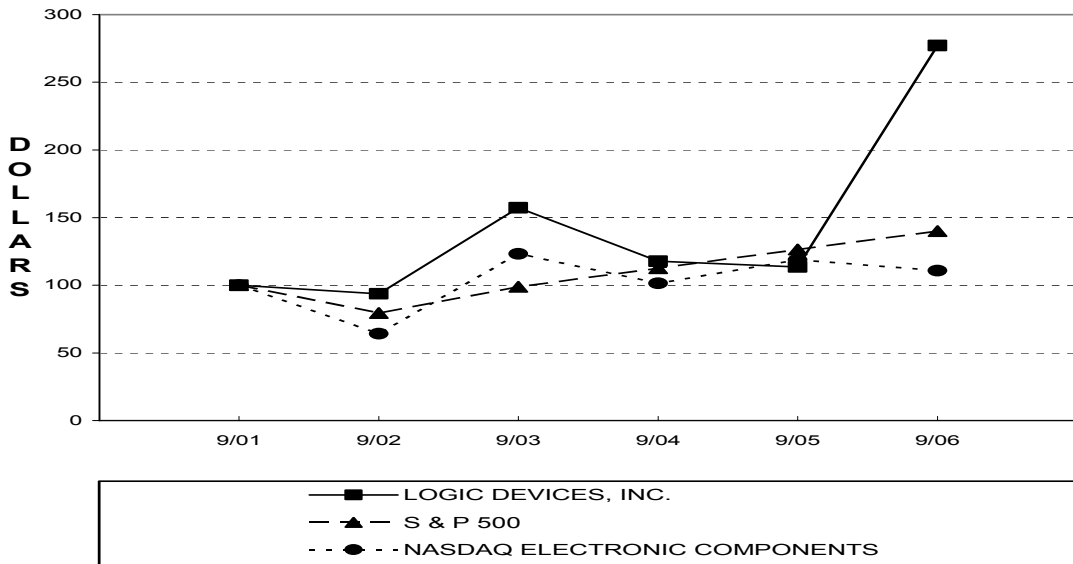
Company Stock Price Performance

The incorporation by reference of this proxy statement into any document or registration statement filed with the SEC by us shall not be deemed to include the following report and related information, unless such report is specifically stated to be incorporated by reference into such document.

Set forth below is a line graph comparing the cumulative total shareholder return on our Common Stock against the cumulative total return of the NASDAQ Electronic Components Stock Index and S&P 500 Index for the period of five fiscal years commencing September 30, 2001 and ending September 30, 2006. The graph and table assume that \$100 was invested on September 30, 2001 in each of the Common Stock, the NASDAQ Electronics Components Index, and the S&P 500 Index, and that all dividends were reinvested.

	<u>10/01</u>	<u>09/02</u>	<u>09/03</u>	<u>09/04</u>	<u>09/05</u>	<u>09/06</u>
LOGIC Devices Incorporated	\$ 100.00	\$ 93.75	\$ 157.29	\$ 117.71	\$ 113.54	\$ 277.08
S & P 500	\$ 100.00	\$ 79.51	\$ 98.91	\$ 112.63	\$ 126.43	\$ 140.08
NASDAQ Electronic Components	\$ 100.00	\$ 64.12	\$ 123.24	\$ 101.45	\$ 118.85	\$ 110.77

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
 AMONG LOGIC DEVICES, INC., THE S & P 500 INDEX
 AND THE NASDAQ ELECTRONIC COMPONENTS INDEX



* \$100 invested on 9/30/01 in stock or index-including reinvestment of dividends. Fiscal year ending September 30.

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OTHER MATTERS

We know of no other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as the Board of Directors may recommend.

It is important that your stock be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to execute and return the accompanying proxy in the envelope, which has been enclosed, or to provide your proxy by telephone or over the Internet at your earliest convenience.

By Order of the Board of Directors,

/s/ Kimiko Milheim

Kimiko Milheim
Secretary

Sunnyvale, California
February 12, 2007

2006 ANNUAL REPORT TO SHAREHOLDERS

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LOGIC Devices Incorporated

Balance Sheets

	September 30, 2006	September 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,478,100	\$ 1,292,900
Investment in available-for-sale securities	507,000	-
Accounts receivable	830,900	734,900
Inventories	5,239,700	5,626,400
Prepaid expenses	141,600	165,700
Property tax refund receivable	-	45,000
Total current assets	8,197,300	7,864,900
Property and equipment, net	1,100,700	1,163,400
Other assets, net	418,800	519,100
	\$ 9,716,800	\$ 9,547,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 146,900	\$ 207,000
Accrued payroll, vacation, and bonuses	142,700	61,500
Accrued commissions	10,400	7,100
Total current liabilities	300,000	275,600
Deferred rent	19,700	33,800
Total liabilities	319,700	309,400
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; 5,000 designated as Series A; 0 shares issued and outstanding	-	-
Common stock, no par value; 10,000,000 shares authorized; 6,763,188 and 6,753,188 shares issued and outstanding	18,458,500	18,447,500
Additional paid-in capital	118,700	100,000
Accumulated deficit	(9,180,100)	(9,309,500)
Total shareholders' equity	9,397,100	9,238,000
	\$ 9,716,800	\$ 9,547,400

See accompanying summary of accounting policies and notes to financial statements.

LOGIC Devices Incorporated

Statements of Operations

	For the fiscal year ended:		
	September 30, 2006	September 30, 2005	September 30, 2004
Net revenues	\$ 4,640,600	\$ 3,508,800	\$ 4,414,600
Cost of revenues	2,153,700	2,861,600	2,773,600
Gross margin	2,486,900	647,200	1,641,000
Operating expenses:			
Research and development	981,700	729,800	1,363,900
Selling, general, and administrative	1,421,900	1,298,700	1,772,100
Total operating expenses	2,403,600	2,028,500	3,136,000
Operating income (loss)	83,300	(1,381,300)	(1,495,000)
Other income, net:			
Interest income	(37,800)	(18,600)	(19,700)
Other income, net	(9,100)	(600)	(3,800)
Total other income	(46,900)	(19,200)	(23,500)
Income (loss) before provision for income taxes	130,200	(1,362,100)	(1,471,500)
Provision for income taxes	800	800	800
Net income (loss)	\$ 129,400	\$ (1,362,900)	\$ (1,472,300)
Basic earnings (loss) per common share	\$ 0.02	\$ (0.20)	\$ (0.22)
Basic weighted average common shares outstanding	6,754,021	6,749,855	6,715,480
Diluted earnings (loss) per common share	\$ 0.02	\$ (0.20)	\$ (0.22)
Diluted weighted average common shares outstanding	6,794,789	6,749,855	6,715,480

See accompanying summary of accounting policies and notes to financial statements.

LOGIC Devices Incorporated

Statement of Shareholders' Equity

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balances, September 28, 2003	6,640,688	\$ 18,317,200	\$ 100,000	\$ (6,474,300)	\$ 11,942,900
Issuance of common stock on exercise of stock options	102,500	119,300	–	–	119,300
Net loss	–	–	–	(1,472,300)	(1,472,300)
Balances, September 30, 2004	6,743,188	18,436,500	100,000	(7,946,600)	10,589,900
Issuance of common stock on exercise of stock options	10,000	11,000	–	–	11,000
Net loss	–	–	–	(1,362,900)	(1,362,900)
Balances, September 30, 2005	6,753,188	18,447,500	100,000	(9,309,500)	9,238,000
Grants of stock options	–	–	18,700	–	18,700
Issuance of common stock on exercise of stock options	10,000	11,000	–	–	11,000
Net income	–	–	–	129,400	129,400
Balances, September 30, 2006	<u>6,763,188</u>	<u>\$ 18,458,500</u>	<u>\$ 118,700</u>	<u>\$ (9,180,100)</u>	<u>\$ 9,397,100</u>

See accompanying summary of accounting policies and notes to financial statements.

LOGIC Devices Incorporated

Statements of Cash Flows

	For the fiscal year ended:		
	September 30, 2006	September 30, 2005	September 30, 2004
Cash flows from operating activities:			
Net income (loss)	\$ 129,400	\$ (1,362,900)	\$ (1,472,300)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	256,000	239,300	277,900
Issuance of common stock options	18,700	—	—
Allowance for doubtful accounts	—	—	(3,500)
Inventory reserve	1,036,900	642,200	(300)
Loss on disposal of capital equipment	3,500	—	600
Write-off of capitalized software development costs	200,000	—	—
Deferred rent	(14,100)	(6,700)	2,500
Change in operating assets and liabilities:			
Accounts receivable	(96,000)	(5,900)	114,600
Inventories	(650,200)	810,700	1,431,900
Prepaid expenses	24,100	(22,600)	49,200
Property tax refund receivable	45,000	(45,000)	—
Sales tax refund receivable	—	47,600	(47,600)
Accounts payable	(60,100)	69,800	90,200
Accrued payroll, vacation and bonuses	81,200	9,000	(108,000)
Accrued commissions	3,300	(8,400)	(4,700)
Other accrued expenses	—	—	(38,000)
Net cash provided by operating activities	977,700	367,100	292,500
Cash flows from investing activities:			
Purchases of available-for-sale securities	(507,000)	—	—
Capital expenditures	(196,700)	(540,700)	(285,700)
Other assets	(99,800)	(333,400)	(143,300)
Net cash used in investing activities	(803,500)	(874,100)	(429,000)
Cash flows from financing activities:			
Proceeds from issuance of common stock	11,000	11,000	119,300
Net increase (decrease) in cash and cash equivalents	185,200	(496,000)	(17,200)
Cash and cash equivalents, beginning of period	1,292,900	1,788,900	1,806,100
Cash and cash equivalents, end of period	\$ 1,478,100	\$ 1,292,900	\$ 1,788,900

See accompanying summary of accounting policies and notes to financial statements.

The Company and Nature of Business

LOGIC Devices Incorporated (the Company) develops and markets high-performance integrated circuits. The Company's products include high-speed digital signal processing chips that are used in digital communications, broadcast and medical imaging processing applications, instrumentation, and smart weapons systems. The Company markets its products worldwide, such that 62 percent of the Company's net revenues in fiscal 2006 were derived from original equipment manufacturers, while sales through foreign distributors accounted for approximately 38 percent of net revenues. Approximately 61 percent of the Company's net revenues in fiscal 2006 were derived from North America and approximately 39 percent from foreign sales.

Fiscal Year

As a result of a change in our fiscal year, our 2004 fiscal year included four additional days.

Use of Estimates

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

Fair Value of Financial Instruments

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

Cash, Cash Equivalents, and Investments in Available-for-Sale Securities

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Investments that do not meet the definition of cash equivalents are classified as available-for-sale in accordance with the provisions of Financial Accounting Standards Board ("FASB") Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The Company's available-for-sale securities consist of auction rate municipal notes with expiration dates through 2028. The interest is settled and the rate is reset every seven to 28 days.

Accounts Receivable

The Company establishes a general allowance for doubtful accounts based on its analysis of historical bad debts, specific customer creditworthiness, and current economic conditions. Historically, the Company has not experienced significant losses related to receivables. At September 30, 2006 and 2005, the Company determined that no allowance for doubtful accounts was necessary.

Inventories

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

Property and Equipment

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

Capitalized Software Costs

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

Revenue Recognition

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

Research and Development Costs

Research and development costs are charged to operations as incurred.

Income Taxes

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

Income (Loss) Per Common Share

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

For the fiscal year ended September 30, 2006, the Company had 40,767 dilutive shares as the weighted average market price for the Company's common stock during the fiscal year was \$1.447. For the fiscal year ended September 30, 2005, there was no difference between basic and diluted loss per share, as there were no dilutive stock options.

Long-lived Assets

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

Stock-based Compensation

The Company issues common stock options to its employees, certain consultants, and certain of its board members. Effective January 1, 2006, the Company adopted the provisions of FAS 123R, which requires the measurement of the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which services are provided in exchange for the award, known as the requisite service period (usually the vesting period). We have made the transition to FAS 123R using the modified prospective method. Under the modified prospective method, FAS 123R is applied to new awards and to awards modified, repurchased, or cancelled after January 1, 2006. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered (such as unvested options) that are outstanding as of January 1, 2006 are being recognized over the period that the remaining requisite services are rendered. There were no unvested options as of January 1, 2006. Under this method of implementation, no restatement of prior periods has been made.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Dividend yield	None	None	None
Expected volatility	61.3%	48.5%	78.0%
Risk-free interest rate	4.9%	4.1%	2.7%
Expected term (years)	4.0	3.0	3.0

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

Prior to the adoption of FAS 123 (R), the Company accounted for stock options under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees and related Interpretations*, and followed the disclosure-only provisions of FAS 123, *Accounting for Stock-Based Compensation*. For the fiscal year ended September 30, 2005, the pro forma disclosure was \$24,100 of compensation expense, resulting in a pro forma net loss of \$1,387,000. For the fiscal year ended September 30, 2004, the pro forma disclosure was \$5,500 of compensation expense, resulting in a pro forma net loss of \$1,477,800.

Segment Reporting

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

Impact of New Financial Accounting Standards

In September 2006, the Securities and Exchange Commission published Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). The interpretations in SAB 108 are being issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice to build up improper amounts on the balance sheet. This guidance will apply to fiscal years ending after November 15, 2006 and early application in interim periods is encouraged. We do not believe the adoption of SAB 108 will have a material impact on our financial position, results of operations, or cash flows.

In June 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. The interpretation contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with FAS 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50 percent likely of being realized upon ultimate settlement. Though we are currently evaluating the impact this statement will have on our financial statements, due to our net operating loss carryforward amounts, we do not believe the provisions will change our financial statements.

In June 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20, *Accounting Changes*, and Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, (FAS 154). FAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles required recognition of a cumulative effect adjustment within net income of the period of the change. FAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. FAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, it does not change the transition provisions of any existing accounting pronouncements. We do not believe adoption of FAS 154 will have a material effect on our financial position, results of operations, or cash flows.

In November 2004, the FASB issued Statement No. 151, *Inventory Costs*, (FAS 151). FAS 151 requires that abnormal amounts of idle facility expense, freight, handling costs and spoilage be recognized as current-period charges. Further, FAS 151 requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. Unallocated overheads must be recognized as an expense in the period in which they are incurred. FAS 151 is effective for inventory costs incurred beginning in the first quarter of fiscal 2007. We are currently evaluating the effect of FAS 151 on our financial statements and related disclosures.

LOGIC Devices Incorporated

Notes to Financial Statements

1. Inventories

A summary of inventories follows:

	<i>September 30,</i> <i>2006</i>	<i>September 30,</i> <i>2005</i>
Raw materials	\$ 577,000	\$ 776,400
Work-in-process	1,597,600	2,192,100
Finished goods	3,065,100	2,657,900
	<u>\$ 5,239,700</u>	<u>\$ 5,626,400</u>

2. Property and Equipment

A summary of property and equipment follows:

	<i>September 30,</i> <i>2006</i>	<i>September 30,</i> <i>2005</i>
Equipment	\$ 3,120,900	\$ 3,034,400
Tooling costs	1,633,700	1,632,900
Leasehold improvements	168,300	168,300
	<u>4,922,900</u>	<u>4,835,600</u>
Less accumulated depreciation and amortization	<u>3,822,200</u>	<u>3,672,200</u>
	<u>\$ 1,100,700</u>	<u>\$ 1,163,400</u>

3. Other Assets

A summary of other assets follows:

	<i>September 30,</i> <i>2006</i>	<i>September 30,</i> <i>2005</i>
Capitalized software, net of accumulated amortization of \$2,342,500	\$ 398,800	\$ 498,400
Security deposits and other assets	20,000	20,700
	<u>\$ 418,800</u>	<u>\$ 519,100</u>

During fiscal 2006 and 2005, the Company capitalized test software development costs totaling \$100,400 and \$333,400, respectively, for products that are in the application development stage. There was no amortization expense related to capitalized software during fiscal 2006, 2005, and 2004; however, the Company wrote-off \$200,000 of capitalized software development costs during fiscal 2006.

LOGIC Devices Incorporated

Notes to Financial Statements

4. Provision for Income Taxes

The provision for income taxes for fiscal 2006, 2005, and 2004 includes a current state expense of \$800 for each year.

The following summarizes the difference between the income tax expense and the amount computed by applying the Federal income tax rate of 34 percent in fiscal 2006, 2005, and 2004, to the loss before taxes:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Federal income tax expense (benefit) at statutory rate	\$ 44,000	\$ (463,000)	\$ (500,300)
Tax credit carryforwards originated in current year	(29,900)	(23,100)	(92,000)
State tax expense (benefit) tax, net of federal tax benefit	7,000	(79,800)	(90,500)
Adjustment of prior year net operating loss carryforwards before valuation allowance	(258,900)	(168,600)	(301,000)
Valuation allowance	(38,400)	573,300	1,078,300
Other, net	<u>277,000</u>	<u>162,100</u>	<u>(93,700)</u>
Provision for income taxes	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 800</u>

Deferred tax assets and liabilities comprise the following:

	<u>September 30, 2006</u>	<u>September 30, 2005</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 4,240,900	\$ 4,700,600
Reserves not currently deductible	1,166,100	807,600
Tax credit carryforwards	401,500	479,200
Other	<u>195,700</u>	<u>127,800</u>
Gross deferred tax assets	6,004,200	6,115,200
Deferred tax liabilities:		
State tax benefit	<u>(315,700)</u>	<u>(380,300)</u>
Net deferred tax assets	5,688,500	5,726,900
Valuation allowance	<u>(5,688,500)</u>	<u>(5,726,900)</u>
Net deferred taxes	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance decreased \$38,400 from fiscal 2005 to fiscal 2006. This was the result of an increase in the net deferred tax assets, primarily reserves not currently deductible, partially offset by the decrease in net operating loss carryforwards (NOLs). Because the Company's management is unable to determine whether it is more likely than not that the net deferred tax assets will be realized, the Company continues to record a 100 percent valuation against the net deferred tax assets.

As of September 30, 2006, the Company has Federal and State NOLs totaling approximately \$11,240,900 and \$4,739,400, respectively, available to offset future taxable income. These NOLs expire at various times through 2025 and 2010, respectively. The Company also has Federal and State research and development credit carryforwards totaling approximately \$176,300 and \$43,500, respectively, expiring at various times through 2024. The Company has state manufacturing tax credit carryforwards totaling approximately \$181,600, which expires at various times through 2015.

5. Commitments and Contingencies

Leases

The Company leases its facilities and certain equipment under operating leases. The facility leases require the Company to pay certain maintenance and operating expenses, such as taxes, insurance, and utilities. Rent expense related to these operating leases was \$386,200, \$386,200, and \$464,300 for fiscal 2006, 2005, and 2004, respectively.

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

	<i>Operating Leases</i>
<i>Fiscal years ending:</i>	
September 30, 2007	\$ 253,400
September 30, 2008	19,000
	\$ 272,400

Contingencies

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

6. Share-Based Compensation

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

LOGIC Devices Incorporated

Notes to Financial Statements

Per FAS 123R, the estimated fair value of equity-based awards, less expected forfeitures, is amortized over the awards' vesting period on a straight-line basis. Share-based compensation expense recognized in the statement of operations for the fiscal year ended September 30, 2006 related to stock options was \$18,700 (\$0.00 per share). The Company did not record income tax benefits related to the equity-based compensation expense as deferred tax assets are fully offset by a valuation allowance. The implementation of FAS 123R did not have a significant impact on cash flows from operations during the fiscal year ended September 30, 2006.

A summary of the changes in stock options outstanding under the equity-based compensation plans during the fiscal year ended September 30, 2006 is presented below:

	<i>Shares</i>	<i>Weighted Average Exercise Price</i>	<i>Weighted Average Remaining Contractual Term (Years)</i>	<i>Aggregate Intrinsic Value</i>
Outstanding at October 1, 2005	385,000	\$ 1.593	2.96	\$ –
Granted	125,500	\$ 1.218		
Exercised	(10,000)	\$ 1.100		\$ 11,100
Forfeited/Expired	<u>(35,000)</u>	\$ 1.509		
Outstanding at September 30, 2006	<u>465,500</u>	<u>\$ 1.509</u>	3.56	\$ 551,800
Exercisable at September 30, 2006	<u>416,375</u>	<u>\$ 1.537</u>	2.82	\$ 483,500

The weighted average grant date fair value of options granted during the fiscal year ended September 30, 2006 was \$0.39.

A summary of nonvested shares at September 30, 2006 and changes during the fiscal year ended September 30, 2006 follows:

	<i>Shares</i>	<i>Weighted Average Grant Date Fair Value</i>
Nonvested shares at October 1, 2005	–	–
Granted	125,500	\$ 0.40
Vested	16,375	\$ 0.34
Forfeited/Expired	<u>–</u>	–
Nonvested shares at September 30, 2006	<u>49,125</u>	\$ 0.47

As of September 30, 2006, there was \$14,200 of total unrecognized compensation cost related to nonvested options granted under the plans. That cost is expected to be recognized over a weighted average period of three years. The total fair value of options vested during the fiscal year ended September 30, 2006 was \$18,700. Cash received for stock option exercises during the fiscal year ended September 30, 2006 was \$11,000.

7. Major Customers, Major Suppliers, and Export Sales

Major Customers and Suppliers

For fiscal 2006, two customers accounted for approximately 23 and 12 percent of net revenues, with accounts receivable of \$59,900 and \$359,400, respectively, as of September 30, 2006. For fiscal 2005, three customers accounted for approximately 12, 11, and 11 percent of net revenues, with accounts receivable of \$65,200, \$30,700, and \$76,700, respectively, as of September 30, 2005. For fiscal 2004, two customers accounted for approximately 14 and 12 percent of net revenues, one of which was the Company's domestic distributor.

Five suppliers comprised 10 or more percent of the total inventory purchases in fiscal 2006 (42, 15, 15, 13, and 11 percent). Four suppliers each comprised 10 or more percent of the total inventory purchases in fiscal 2005 (44, 16, 15, and 10 percent). Three suppliers each comprised 10 or more percent of the total inventory purchases in fiscal 2004 (44, 30, and 11 percent).

Export Sales

The following table summarizes export sales information:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Western Europe	\$ 1,170,200	\$ 1,326,300	\$ 1,535,000
Far East	622,700	803,100	706,300
Other	<u>50,900</u>	<u>49,200</u>	<u>46,400</u>
	<u>\$1,843,800</u>	<u>\$ 2,178,600</u>	<u>\$ 2,287,700</u>

In fiscal 2006, no one country accounted for more than 10 percent of net revenues. In fiscal 2005, Japan, Austria (for Germany), and Singapore accounted for 12, 11, and 11 percent of net revenues, respectively. In fiscal 2004, Japan accounted for 12 percent of net revenues.

8. Use of Estimates and Concentration of Credit Risks

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

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

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

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

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

9. Statements of Cash Flows

There was no interest paid during fiscal 2006, 2005 and 2004. The Company paid \$800 each for income taxes during fiscal 2006, 2005, and 2004. There were no non-cash investing and financing activities for fiscal 2006, 2005 and 2004.

10. 401(k) Savings Plan

The Company adopted a 401(k) Savings Plan (the Plan) in September 2005. Employees are able to make voluntary contributions and the Company has the discretion to make matching contributions. The Plan covers all employees meeting certain age and service requirements. The Company funds expenses incurred in connection with the Plan. The Company made no matching contributions in fiscal 2006 and 2005.

11. Results of Operations

While the Company did not experience an increase in revenues from new products, it had increased revenues from older products resulting from increases in certain customers' order quantity rates and from certain customers returning to their past order quantity rates after a slowdown in fiscal 2005. In addition, the Company experienced a renewed interest for military-grade products that have been previously written down to zero-value. In addition, the Company's gross margin as a percentage of revenues increased from 18 percent in fiscal 2005 to 54 percent in fiscal 2006. This is mainly a result of 26 percent of net revenues in fiscal 2006 being from items previously written down to zero-value, compared to 12 percent in fiscal 2005.

At September 30, 2006 and 2005, accounts receivable and inventories account for a large portion of the working capital and net assets of the Company, which are discussed more fully in Note 8.

Inventory levels are generally driven by actual customer orders and forecasted sales. During fiscal 2006, the Company reduced its net inventories by approximately \$386,700, resulting in an ending balance of approximately \$5.2 million at September 30, 2006. During fiscal 2005, the Company reduced its net inventories by approximately \$1.4 million, resulting in an ending balance of approximately \$5.6 million at September 30, 2006.

As discussed in the Summary of Accounting Policies, inventories are carried at the lower of cost or market. The Company believes inventories on hand at September 30, 2006 will be sold in the normal course of business, at amounts in excess of their carrying value. However, depending upon the level of demand, the period over which current inventories will be sold may exceed one year.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheet of LOGIC Devices Incorporated (the "Company") as of September 30, 2006 and 2005 and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the three fiscal years then ended. Our audits also included the financial statement schedule of the Company listed in Item 15. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LOGIC Devices Incorporated as of September 30, 2006 and 2005 and the results of its operations and its cash flows for each of the three years in the three fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Perry-Smith LLP

Sacramento, California
November 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Liquidity and Capital Resources

While producing a net income of \$129,400 during fiscal 2006, our operations produced net cash of \$977,600. During the year, we established additional inventory reserves of \$1,036,900 and wrote-off \$200,000 of capitalized test software, both of which reduced net income but not cash flows. In addition, LOGIC collected \$45,000 from a property tax refund and had increases in its accrued payroll and vacation and other accrued expenses totaling \$81,200 due to the timing of these expenses. Capital expenditures of \$196,700 for fiscal 2006 were substantially less than fiscal 2005, which totaled \$540,700.

Despite a loss of \$1,362,900 for fiscal 2005, our operations produced net cash of \$367,100, which is mainly the result of a reduction of inventories of \$810,700, the collection of a sales tax refund of \$47,600, and an increase in accounts payable of \$69,800 at year-end. The increase in accounts payable was from the timing of purchases and invoices being received but not yet due at year-end. We maintain prompt payment terms with our vendors. The 28 percent decrease in our net cash balance from \$1,788,900 in fiscal 2004 to \$1,292,900 at September 30, 2005 was the result of a substantial increase in capital expenditures totaling \$540,700 (including a one-time purchase of \$437,500 of engineering design software) and capitalized software development costs of \$333,400.

During fiscal 2004, our operations produced \$292,500 of net cash, despite a \$1,472,300 net loss. This was mainly from the net collection of accounts receivable of \$114,600, reductions in inventories of \$1.4 million, a decrease in prepaid expenses of \$49,200, and an increase in accounts payable of \$90,200 at year-end. Even though we maintain prompt payments to vendors, the accounts payable balance increased in fiscal 2004 compared to fiscal 2003, due to the invoices of some vendors being received during the last week of the fiscal year and not yet being due as of the end of the fiscal year. We also received \$119,300 of cash from the exercise of common stock options. We used this and the cash from operations to fund capital purchases of \$285,700 and capitalized software development costs of \$143,300.

Our current working capital requirements are greatly reduced due to our past cost cutting. We believe that these cost cutting actions and our continued focus on higher-margin products should result in after-tax cash earnings being sufficient to support our working capital and capital expenditure requirements for the next 12 months. Based on the fact that, as of December 6, 2006, we hold approximately \$1.7 million in cash reserves and available-for-sale securities and our cash usage for operations is approximately equal to or less than our current revenue rate, we believe we can cover our cash operating expenses using future revenues, while saving current cash reserves for future capital expenditures, such as mask tooling for new products.

Working Capital

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

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

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

With continuing low revenue levels, management felt it necessary to also review our raw materials and work-in-process. Our products generally exhibit an active sales product life cycle of ten or more years. However, due to rapid changes in process technology, we are generally unable to obtain wafers for our products for as long a period as their life cycles. As a result, early in a product's life, we are often required to estimate the sales expectations for the entire life cycle and purchase materials upfront. On some occasions, our expectations become lower and we provide a reserve for potential excess materials. In fiscal 2006 and 2005, we increased our inventory reserve by \$1,036,900 and \$642,200, respectively, for potential excess materials. In addition, during fiscal 2006 and 2005, we scrapped inventory of \$272,100 and \$75,300, respectively. We believe our current reserve of \$2,722,000 for inventory provides a reasonable estimate of the recoverability of inventories at the end of fiscal 2006.

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

Historically, due to customer order scheduling, up to 70% of our quarterly revenues were often shipped in the last month of the quarter, so a large portion of the shipments included in year-end accounts receivable were not yet due per our net 30-day terms. This results in year-end accounts receivable balances being at their highest point for the respective period.

Financing

While we will continue to evaluate future debt and equity financing opportunities, we believe the cost reductions implemented in the past few years have resulted in the cash flow generated from operations providing an adequate base of liquidity to fund future operating and capital needs. Based on the fact that, as of December 6, 2006, we hold approximately \$1.7 million in cash reserves and available-for-sale securities and our anticipated cash usage for operations is approximately equal to or less than our current revenue rate, we believe we can cover our cash operating expenses using future revenues, while saving current cash reserves for future capital expenditures, such as mask tooling for new products.

Contractual Obligations

Below is a summary of fixed payments related to certain contractual obligations as of September 30, 2006. Payment timing may be subject to change.

	Payments due by period:			
	Total	Within 1 year	1-3 years	
Operating leases:				
Buildings	\$ 246,600	\$ 227,600	\$ 19,000	\$ –
Equipment	25,800	25,800	–	–
	<u>\$ 272,400</u>	<u>\$ 253,400</u>	<u>\$ 19,000</u>	<u>\$ –</u>

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Results of Operations

Fiscal Year Ended September 30, 2006 compared to Fiscal Year Ended September 30, 2005

Net revenues for fiscal 2006 increased 32 percent from \$3,508,800 in fiscal 2005 to \$4,640,600. These increases are due to increases in certain customers' order quantity rates and from certain customers returning to their past order quantity rates after a slowdown in fiscal 2005. In addition, we experienced a renewed interest in fiscal 2006 in military-grade products that had been previously written down to zero-value.

While net revenues increased 32 percent, cost of revenues decreased by 25 percent, from \$2,861,600 in fiscal 2005 to \$2,153,700 in fiscal 2006. This is the result of 26 percent of fiscal 2006 net revenues coming from items previously written down to zero-value compared to 12 percent in fiscal 2005, and the recognition of favorable standard cost variances from jobs in process at September 30, 2005 that were completed in the current year. This increase in profitability was partially offset by increases in the inventory reserve totaling \$1,036,900. Our products generally exhibit an active sales product life cycle of ten or more years. However, due to rapid changes in process technology, we are generally unable to obtain wafers for our products for as long a period as their life cycles. As a result, early in a product's life, we are often required to estimate the sales expectations for the entire life cycle and purchase materials upfront. On some occasions, our expectations become lower and we provide a reserve for or write-down potential excess materials.

Recognizing the need to increase new product development, we expanded our research and development team, which resulted in a 34 percent increase in expenses, from \$729,800 in fiscal 2005 to \$981,700 in fiscal 2006. However, this amount remains within our goal of being between 20 to 25 percent of net revenues (21 percent in fiscal 2006).

Selling, general, and administrative expenses increased nine percent from \$1,298,700 in fiscal 2005 to \$1,421,900 in fiscal 2006. We are making various changes to our administrative and sales structure, which we believe will increase our visibility to customers, and in turn, increase revenues.

Interest income increased 103 percent from \$18,600 in fiscal 2005 to \$37,800 in fiscal 2006, mainly as a result of increases in our cash balances and investments in higher yield available-for-sale securities. Other income increased from \$600 in fiscal 2005 to \$9,100 in fiscal 2006, as a result of the sale of previously written-off fixed assets.

As a result of the foregoing, we had net income of \$129,400 in fiscal 2006, compared to a net loss of \$1,362,900 in fiscal 2005.

Fiscal Year Ended September 30, 2005 compared to Fiscal Year Ended September 30, 2004

Net revenues for fiscal 2005 decreased 20 percent, from \$4,414,600 in fiscal 2004 to \$3,508,800. We continue to experience a drop-off in sales of our older products that is not yet offset by revenues from newer products. A downturn in the semiconductor industry and a sluggish economy also contributed to the decrease in revenues. In fiscal 2005, we introduced a new video frame buffer product, the LF3324, and continue to pursue new sales of the LF3312, which we introduced at the end of fiscal 2004.

While net revenues decreased by 20 percent, cost of revenues increased three percent, from \$2,773,600 in fiscal 2004 to \$2,861,600 in fiscal 2005. As a result, our gross profit as a percentage of revenues decreased from 37 percent in fiscal 2004 to 18 percent in fiscal 2005. Gross profit declined as a result of a \$642,200 increase to our inventory reserve, which is included in cost of revenues. Our products generally exhibit an active sales product life cycle of ten or more years. However, due to rapid changes in process technology, we are generally unable to obtain wafers for our products for as long a period as their life cycles. As a result, early in a product's life, we are often

required to estimate the sales expectations for the entire life cycle and purchase materials upfront. On some occasions, our expectations become lower and we provide a reserve for or write-down potential excess materials.

While new product introductions are key to our future growth and success, decreasing revenues strained our research and development efforts. Research and development expenditures decreased from \$1,363,900 in fiscal 2004 to \$729,800 in fiscal 2005, resulting primarily from reductions in staffing that took place during fiscal 2004. As a percentage of revenues, this amount was closer to our goal of 20 to 25 percent (21 percent in fiscal 2005 compared to 31 percent in fiscal 2004).

We continued to control our spending by reducing SG&A expenses, while still supporting an adequate sales force to sell existing products and new product introductions. In fiscal 2005, our SG&A expenditures decreased 27 percent from \$1,772,100 in fiscal 2004 to \$1,298,700.

While net revenues decreased, the greater reductions in expenditures resulted in a decrease in our loss from operations from \$1,495,000 in fiscal 2004 to \$1,381,300 in fiscal 2005, an 8 percent reduction, even though we made a significant increase to our inventory reserve.

A reduction in our cash balances during fiscal 2005 resulted in interest income from deposits decreasing from \$19,700 in fiscal 2004 to \$18,600 in fiscal 2005.

As a result of the foregoing, our net loss decreased from \$1,472,300 in fiscal 2004 to \$1,362,900 in fiscal 2005, despite the 20 percent reduction in net revenues.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and the results of operations are based upon the financial statements included in this report and the data used to prepare them. The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America and we are required to make judgments, estimates, and assumptions in the course of such preparation. The Summary of Accounting Policies included with the financial statements describes the significant accounting policies and methods used in the preparation of the financial statements. On an ongoing basis, we reevaluate our judgments, estimates, and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of inventories, and valuation of long-lived assets. We base our judgments and estimates on historical experience, knowledge of current conditions, and our beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. The following are the critical accounting policies we believe are affected by significant judgments, estimates, and assumptions used in the preparation of the financial statements.

Revenue Recognition

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

Allowance for Doubtful Accounts

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

Inventories

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

Long-Lived Assets

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

Deferred Income Taxes

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

Based on the historical taxable income and projections for future taxable income over the periods in which the deferred tax assets become deductible, management believes it more likely than not that we will not realize benefits of these deductible differences as of September 30, 2006. Accordingly, we have established a valuation allowance against our net deferred income tax assets as of September 30, 2006.

Impact of New Financial Accounting Standards

In September 2006, the Securities and Exchange Commission published Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). The interpretations in SAB 108 are being issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice to build up improper amounts on the balance sheet. This guidance will apply to fiscal years ending after November 15, 2006 and early application in interim periods is encouraged. We do not believe the adoption of SAB 108 will have a material impact on our financial position, results of operations, or cash flows.

In June 2006, Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. The interpretation contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50 percent likely of being realized upon ultimate settlement. Though we are currently evaluating the impact this statement will have on our financial statements, due to our net operating loss carryforward amounts, we do not believe the provisions will change our financial statements.

In June 2005, the FASB issued Statement of Financial Accounting Standard No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*, (SFAS 154). SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles required recognition of a cumulative effect adjustment within net income of the period of the change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, it does not change the transition provisions of any existing accounting pronouncements. We do not believe adoption of SFAS 154 will have a material effect on our financial position, results of operations, or cash flows.

In November 2004, the FASB issued Statement of Financial Accounting Standard No. 151, *Inventory Costs* (SFAS 151). SFAS 151 requires that abnormal amounts of idle facility expense, freight, handling costs and spoilage be recognized as current-period charges. Further, SFAS 151 requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. Unallocated overheads must be recognized as an expense in the period in which they are incurred. SFAS 151 is effective for inventory costs incurred beginning in the first quarter of fiscal 2007. We are currently evaluating the effect of SFAS 151 on our financial statements and related disclosures

OTHER CORPORATE INFORMATION

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

Our products are used in the broadcast, medical, military and consumer electronics markets. Our products generally address digital signal processing (DSP) requirements involving high-performance arithmetic computational and high-speed storage functions. We are focusing on developing proprietary catalog products to address specific functional application needs or performance levels that are not otherwise commercially available. We seek to provide related groups of circuits that original equipment manufacturers (OEMs) purchase for incorporation into high-performance electronic systems. As a result of our focus on higher value products, we have reduced our number of products offerings by over 85 percent over the past five years.

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

We market our products worldwide through a combination of a direct sales force, sales representatives, and roughly 20 international distributors. In fiscal year 2006, approximately 62 percent of our net revenues were derived from OEMs, while sales through distributors accounted for approximately 38 percent of net revenues. We continue to make changes in our sales structure to address appropriate emerging sales channel requirements. Additionally, changes in the sales structure will be required as customers continue to move engineering design efforts to regions,

such as China, Malaysia, and India. LOGIC Devices counts among its customers Texas Instruments, BAE Systems, Harmonic, GE Medical, Lockheed Martin, Qualcomm, and Raytheon. Approximately 60 percent of the fiscal 2006 net revenues were derived from the United States and approximately 40 percent were derived from foreign sales.

LOGIC was incorporated under the laws of the State of California in April 1983. Our headquarters are located at 395 West Java Drive, Sunnyvale, California 94089 and our telephone number is (408) 542-5400.

Available Information

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

Quantitative and Qualitative Disclosures about Market Risk

We conduct all of our transactions, including those with foreign suppliers and customers, in U.S. dollars. We are therefore not directly subject to the risks of foreign currency fluctuations and do 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 us 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 our products relative to the prices of our foreign competitors.

The Company's Common Stock

As of January 31, 2007, there were approximately 1,600 holders of record of our Common Stock. We have not paid any dividends since our incorporation.

Our Common Stock is traded under the symbol, LOGC, on The Nasdaq Capital Market. The following table sets forth, for the periods indicated, the high and low closing sale prices for our Common Stock, as reported by Nasdaq during the following calendar quarters:

<u>Calendar Year</u>	<u>High</u>	<u>Low</u>
2004		
Fourth quarter	\$1.55	\$1.02
2005		
First quarter	\$1.65	\$1.31
Second quarter	\$1.50	\$1.01
Third quarter	\$1.40	\$1.01
Fourth quarter	\$1.20	\$0.93
2006		
First quarter	\$1.40	\$0.98
Second quarter	\$1.70	\$1.15
Third quarter	\$2.72	\$1.27

Selected Financial Data

On December 15, 2003, we elected to change our calendar business year to a fiscal year ending September 30. Previously, our fiscal years were comprised of 52 weeks of seven days, each beginning on Monday and ending on Sunday, with fiscal 2003 ending September 28, 2003. As a result of this change, our 2004 fiscal year ended September 30, 2004 rather than September 26, 2004. The additional four days were included in our first quarter for fiscal 2004, which ended December 31, 2003.

The following table sets forth selected financial data for our last five fiscal years. This information is derived from our audited financial statements, unless otherwise stated. This data should be read in conjunction with the financial statements, related notes, and other financial information included elsewhere in this report.

(Dollars in thousands, except per share amounts)

	Fiscal Years Ended:				
	September 30, 2006	September 30, 2005	September 30, 2004	September 28, 2003	September 29, 2002
Net revenues	\$ 4,641	\$ 3,509	\$ 4,415	\$ 5,009	\$ 6,573
Research and development	\$ 982	\$ 730	\$ 1,364	\$ 1,785	\$ 1,776
Net income (loss)	\$ 129	\$ (1,363)	\$ (1,472)	\$ (2,461)	\$ (2,124)
Basic earnings (loss) per common share	\$ 0.02	\$ (0.20)	\$ (0.22)	\$ (0.37)	\$ (0.31)
Basic weighted average common shares outstanding (000s)	6,754	6,750	6,715	6,652	6,850
Working capital	\$ 7,897	\$ 7,589	\$ 9,583	\$ 11,084	\$ 13,674
Property and equipment, net	\$ 1,101	\$ 1,163	\$ 862	\$ 857	\$ 931
Total assets	\$ 9,717	\$ 9,547	\$ 10,836	\$ 12,248	\$ 14,927
Long-term liabilities	\$ 20	\$ 34	\$ 41	\$ 40	\$ -
Shareholders' equity	\$ 9,397	\$ 9,238	\$ 10,590	\$ 11,943	\$ 14,627

Quarterly Financial Data (Unaudited)

The following is a summary of unaudited results of operations (dollars in thousands, except per share data) for the fiscal years ended September 30, 2006 and 2005:

	Fiscal Quarters Ended:				Total
	12/31/05	03/31/06	06/30/06	09/30/06	
Net revenues	\$ 1,101	\$ 1,048	\$ 1,217	\$ 1,275	\$ 4,641
Gross margin	\$ 446	\$ 573	\$ 622	\$ 846	\$ 2,487
Income (loss) from operations	\$ 3	\$ (18)	\$ 40	\$ 58	\$ 83
Income (loss) before income taxes	\$ 10	\$ (11)	\$ 60	\$ 71	\$ 130
Net income (loss)	\$ 9	\$ (11)	\$ 60	\$ 71	\$ 129
Basic income per share	\$ 0.00	\$ (0.00)	\$ 0.01	\$ 0.01	\$ 0.02
Basic weighted average common shares	6,753	6,753	6,753	6,756	6,754

	Fiscal Quarters Ended:				Total
	12/31/04	03/31/05	06/30/05	09/30/05	
Net revenues	\$ 1,001	\$ 831	\$ 662	\$ 1,015	\$ 3,509
Gross margin	\$ 283	\$ 468	\$ 319	\$ (423)	\$ 647
Loss from operations	\$ (252)	\$ (77)	\$ (239)	\$ (813)	\$ (1,381)
Loss before income taxes	\$ (248)	\$ (72)	\$ (234)	\$ (808)	\$ (1,362)
Net loss	\$ (248)	\$ (72)	\$ (234)	\$ (809)	\$ (1,363)
Basic loss per share	\$ (0.04)	\$ (0.01)	\$ (0.03)	\$ (0.12)	\$ (0.20)
Basic weighted average common shares	6,743	6,750	6,753	6,753	6,750

BOARD OF DIRECTORS

Howard L. Farkas
Chairman of the Board; President of Farkas Group, Inc.

Brian P. Cardozo
Owner/operator of a Harley-Davidson dealership

Albert Morrison Jr.
Chairman Emeritus of Morrison Brown Argiz & Farra LLP

Steven R. Settles
Managing Partner, Dawg Investment Fund, LLP

William J. Volz
President and Principal Executive Officer

EXECUTIVE MANAGEMENT

William J. Volz
President and Principal Executive Officer

Kimiko Milheim
Secretary and Chief Financial Officer

Adesh Sidhu
Vice President of Worldwide Sales

INDEPENDENT AUDITORS

Perry-Smith LLP
Sacramento, CA

LEGAL COUNSEL

Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLC
Chicago, Illinois

TRANSFER AGENT AND REGISTRAR

For a response to questions regarding misplaced stock certificates, changes of address, or the consolidation of accounts, please contact our transfer agent:

Computershare Investor Services
350 Indiana Street, Suite 800
Golden, Colorado 80401
303-262-0600

INVESTOR RELATIONS

We welcome inquiries from our shareholders and other interested investors. For further information on our activities, additional copies of this report, the Form 10-K, or other financial matters, please contact:

Investor Relations
395 West Java Drive
Sunnyvale, California 94089
408-542-5400
www.logicdevices.com

LISTING OF SECURITIES

Our Common Stock is traded on the NASDAQ Capital Market under the symbol LOGC.



Technological Leadership through Engineering Excellence

395 West Java Drive, Sunnyvale, California 94089 Telephone: 408-542-5400 Web: www.logicdevices.com