



Proxy Statement and 2009 Annual Report to Shareholders

January 22, 2010

Letter to Shareholders

Notice of 2010 Annual
Meeting and Proxy
Statement

2009 Annual Report to
Shareholders

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Fellow Shareholders:

2009 was one of the most economically challenging years in our lifetimes. Our fiscal year, which runs from October 1 to September 30, started concurrently with the initial collapse of the financial markets and paralleled the continued erosion of the economy. Going into the year, we were already struggling with weak and declining revenues, as our mature products neared the end of their revenue-contributing lives. Our older products had not been offset by new product introductions as we had suffered a number of years of unsatisfactory product development execution. In our first fiscal quarter that ended December 31, 2008, our revenues fell to less than half of the level of preceding quarters. Having previously cut costs aggressively for a number of years, this very large drop in revenues was a serious threat to our liquidity, and even our ability to continue operating. Our dismal first quarter results, while very disturbing, were actually very much in line with the industry results for that quarter, as the economy had just seemed to come to a stop. Given that our products serve primarily industrial and military accounts, we felt confident that our revenues would stabilize at a proportionally higher level than the sharp drop in the consumer economy. However the prudent thing was to further curtail expenses to extend our liquidity, even as those cuts began to slice into the meat of our urgently needed product development efforts, in contrast to our earlier efforts to reduce overhead expenses only. Accordingly, we made difficult cost cuts that asked a great deal of our employee team; and at the same time, we asked even more of them to accelerate the new product development that we so critically needed.

Projects that had been underway from prior years were re-evaluated with an emphasis on time to revenues. As a result, we elected to prioritize our integrated modules and high-reliability static random access memories ahead of the video frame buffer that we had been working on in the prior two years.

During our second fiscal quarter, we began to see the market stability return that we traditionally enjoyed with our industrial customer base. While LOGIC may be only a small sailboat on the rough waters of the global economy, the unseen stabilizing keel beneath the waterline is our industrial and military customer base and the important systems that our legacy products support. This asset, developed over many years, is far more valuable than any line on our balance sheet. While our second quarter revenues were only a modest improvement over the very tough December quarter, orders began to rebound during the quarter to position us for a reasonably strong second half. As our cash position began to rebuild, we accelerated expenditures to bring new products to market. Our development engineering enjoyed remarkable productivity that resulted in the completion of prototypes for 13 integrated memory modules and the release to initial prototype fabrication of nine high-reliability static memory chips during the year.

With this much needed improvement in product development, we recognized the need to enhance our sales activities to garner design-ins for our new products. We entered into a novel sales channel management agreement in the fall of 2009 that greatly increased our US sales presence and merged our existing international partners into our channel manager's existing network.

So to look back at the year, we overcame an initial 50 percent drop in revenues, we enjoyed successive quarterly increases in revenues, we developed nearly as many new products during this one year as we supported entering the year, we strengthened our sales channel, we ended the year with an improved cash position, and we returned to profitability. Given the very difficult environment, there is little more we could have asked for. Fortunately, our stock price has also responded favorably to these successes.

While we are gratified by the progress we made in 2009, we are in no way satisfied with the position of LOGIC Devices. We have much to do to return the Company to the strong growth we need to reach a more critical mass. The outlook for 2010 and beyond has clearly improved from the position we were in entering 2009. We have rejuvenated the product portfolio and installed the means to aggressively promote those products. 2010 should be measured by our ability to transition our revenue stream to be primarily generated by our new products, as opposed to the recent years when the measure of our success was the introduction of new products. Our challenge during 2010 is to generate the design-ins and ramp the manufacturing of our new products sufficiently fast to offset expected sharp declines in revenues from our digital cinema project that has been a very significant revenue contributor in recent years. Looking beyond 2010, the revenues that we expect from the new products will be incremental, but in this transition year, a significant part of the gains on the new products will be offset by the expected decline in digital cinema revenues.

As I was preparing this letter we received word of the passing of Mr. Albert Morrison Jr., who had served on our board of directors from 1983 to 2007. We extend our deepest sympathies to his family, and thank them for sharing Al with us. His many trips to board meetings in California from his home in Florida were a labor of service. We miss him deeply.

Our corporate quality policy acknowledges the constituencies we rely on for continued support: our customers, our shareholders, our suppliers, our channel partners, and our employees. It is something about which we feel deeply as an essential part of our corporate culture. Thank you for your continued support.

Very truly yours,

A handwritten signature in black ink, appearing to read 'William J. Volz', written in a cursive style.

*William J. Volz
President and Chief Executive Officer*

This annual report includes a number of forward-looking statements that reflect our current views relating to future plans, events, and financial performance. These statements are subject to certain risks and uncertainties, including uncertainties related to the development of markets for our products, future revenues, and other risks identified in our SEC filings. Actual results, events, and performance may differ materially. In this report, words such as "look forward," "believe," "potential," and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. LOGIC Devices undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



LOGIC DEVICES INCORPORATED
1375 Geneva Drive
Sunnyvale, California 94089

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
March 9, 2010

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of LOGIC Devices Incorporated, a California corporation, will be held at our principal executive offices located at 1375 Geneva Drive, Sunnyvale, California 94089, on Tuesday, March 9, 2010, at 9:00 AM, local time, for the following purposes:

1. To elect directors to serve for the next year and until their successors are elected;
2. To ratify the appointment of Hein & Associates LLP as our independent auditors for the fiscal year ending September 30, 2010; and
3. 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 22, 2010 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
Corporate Secretary

Sunnyvale, California
January 22, 2010

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL 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 INSTRUCTIONS ON THE PROXY CARD; EITHER METHOD WILL ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BY AFFIXED IF MAILED IN THE UNITED STATES.

LOGIC DEVICES INCORPORATED
1375 Geneva Drive
Sunnyvale, California 94089

PROXY STATEMENT

March 9, 2010

The proxy statement contains information relating to the Annual Meeting of Shareholders of LOGIC Devices Incorporated to be held Tuesday, March 9, 2010, at 9:00 a.m., local time, and at any adjournment, postponement, or continuation of the annual meeting. The annual meeting will be held at our principal executive offices, located at 1375 Geneva Drive, Sunnyvale, California 94089. Unless the context indicates otherwise, all references in this proxy statement to “we,” “us,” “our,” “LOGIC,” or the “Company” mean LOGIC Devices Incorporated.

ABOUT OUR ANNUAL MEETING

At our annual meeting, shareholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including the election of directors and any other matters that properly come before the annual meeting. In addition, our management will report on our performance during fiscal 2009 and respond to appropriate questions from shareholders.

DATE OF PROXY STATEMENT AND RECORD DATE

This proxy statement and the accompanying proxy are first being made available to shareholders on or about January 25, 2010.

Shareholders of record at the close of business on January 22, 2010 are the only persons entitled to notice of, and to vote at, the annual meeting. As of that date, there were 6,814,438 shares issued and outstanding of our common stock, our only outstanding voting securities.

VOTING PROCEDURES – SHAREHOLDERS OF RECORD AND BENEFICIAL OWNERS

Each shareholder of record is entitled to one vote for each share held.

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 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.

If your shares are registered in your name, you are considered the shareholder of record with respect to those shares. If you hold shares through a stock brokerage account or through a bank, trust, or other nominee, then the broker, bank, trust, or other nominee is considered the shareholder of record with respect to those shares and you are considered the beneficial owner of those shares. Beneficial owners, however, generally cannot vote their shares directly and must instead instruct the broker, bank, or other nominee on how to vote their shares. Generally, this is done by following the voting instructions provided by the nominee that are included in the notice of Internet availability of proxy materials that was mailed to you, or if you have received or request a hard copy of this proxy statement and accompanying voting instruction form, by signing, dating, and mailing the voting instruction form.

Shareholders typically can vote their shares through the Internet, by telephone, or by mail. Instructions on voting your shares are on the notice of Internet availability of proxy materials you received for the annual meeting. If you received paper copies of our proxy materials, instructions on voting your shares are on the enclosed proxy card. The Internet and telephone voting procedures are designed to verify shareholders' identities, allow shareholders to give voting instructions, and confirm that their instructions have been recorded properly. Shareholders who vote through the Internet should be aware that they may incur costs to access the Internet, such as usage charges from telephone companies or Internet service providers, and that these costs must be borne by the shareholder. Shareholders who vote by Internet or telephone need not return a proxy card by mail.

Abstentions or broker non-votes are included in determining the number of shares present or represented at the annual meeting for purposes of determining whether a quorum exists. A broker non-vote occurs when a broker or other nominee returns a proxy but does not have either discretionary authority by law to vote on a particular proposal or specific voting instructions from the beneficial owner of the shares with respect to a particular proposal. Brokers or other nominees have discretionary authority by law to vote generally only on routine proposals.

At our annual meeting, the proposal over which the brokers will have discretionary authority to vote without having received specific voting instructions from the beneficial owner of the shares is the ratification of the appointment of Hein & Associates LLP as our independent registered public accounting firm for our 2010 fiscal year. In all other instances, brokers and other shareholders of record who serve as nominees for a beneficial owner may not vote on a proposal without having voting instructions from the beneficial owner.

Whether shareholders submit their proxies by mail, telephone, or the Internet, a shareholder may revoke a proxy by sending a written notice of revocation or submitting another proxy with a later date (either by mail, telephone, or the Internet) at any time prior to the date of the annual meeting. Shareholders of record may also vote in person at the annual meeting, as may beneficial owners who have authorization to do so from the shareholder of record. Unless so revoked, properly executed proxies will be voted in the manner set forth in this proxy statement or as otherwise specified by the shareholder giving the proxy.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 9, 2010:

The Notice of Annual Meeting, Proxy Statement, and Annual Report are available at our website, www.logicdevices.com, under "Investor Info."

COSTS ASSOCIATED WITH THIS PROXY STATEMENT AND OUR 2010 ANNUAL MEETING

The cost of this solicitation will be borne by LOGIC Devices Incorporated. In addition to solicitation by mail, our officers, directors, and employees may solicit proxies by telephone, facsimile, or in person. We may also request banks and brokers to solicit their customers who have a beneficial interest in our common stock registered in the names of nominees and will reimburse such banks and brokers for their reasonable out-of-pocket expenses. We may retain an outside firm to solicit proxies on our behalf.

STOCK OWNERSHIP

The following table shows the amount and percentage of our outstanding common stock beneficially owned by each director, each nominee for director, each executive officer named in the Summary Compensation Table, persons or groups who beneficially own more than 5% of our outstanding common stock, and all of our executive officers and directors, as a group, as of January 22, 2010.

Name and Address of Beneficial Owner	Amount ⁽¹⁾	Percent ⁽²⁾
<i>Directors and/or Nominees ⁽³⁾:</i>		
Brian P. Cardozo	75,000	1.1%
Howard L. Farkas	265,000	3.9%
Steven R. Settles	574,624	8.4%
William J. Volz	726,857	10.7%
<i>Executive Officers ⁽³⁾:</i>		
David Harrison	12,500	0.2%
Kimiko Milheim	–	0.0%
<i>All Current Officers and Directors, as a group (6 persons)</i>	1,653,981	24.3%
<i>5% Shareholders:</i>		
Steven J. Revenig, Trustee of the Farkas Trusts ⁽⁴⁾ 1873 South Bellaire Street, Suite 1000 Denver, Colorado 80222	624,305	9.2%
Hummingbird Management, LLC ⁽⁵⁾ 460 Park Avenue, 12th Floor New York, New York 10022	346,884	5.1%

(1) Includes shares that may be purchased within 60 days from the date hereof pursuant to outstanding common stock options in the amount of 75,000 shares for each of Messrs. Cardozo, Farkas and Settles, and 12,500 shares for Mr. Harrison.

(2) Shares of common stock subject to options that are currently exercisable or exercisable within 60 days are deemed to be beneficially owned by the person holding the options for computing such person's percentage, but are not treated as outstanding for computing the percentage of any other person.

(3) The business address of each person is 1375 Geneva Drive, Sunnyvale, California 94089.

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

(5) Based solely on the Schedule 13D/A filed on September 5, 2007 by Hummingbird Management, LLC.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires that our officers and directors, as well as persons who own 10% or more of a class of our equity securities, file reports of their ownership of our securities, as well as statements of changes in such ownership, with us and the Securities and Exchange Commission. Based upon written representations received by us from our officers, directors, and 10% or greater shareholders, and our review of the statements of beneficial ownership changes filed with us by our officers, directors, and 10% or greater shareholders during fiscal 2009, we believe all such filings required during our fiscal year 2009 were made on a timely basis, except Messrs Cardozo and Farkas filed a Form 4 late (one transaction each) and Mr. Settles filed a Form 4 late (four transactions).

PROPOSAL 1 – ELECTION OF DIRECTORS

Four directors will be elected at our annual meeting to serve until the next Annual Meeting of Shareholders or until their respective successors are elected. Proxies cannot be voted for a greater number of persons than the number of nominees named. Our Corporate Governance and Nominating Committee has nominated, and our Board of Directors has ratified the nomination of, the four persons named below. All of the nominees are current directors of LOGIC Devices Incorporated.

Shares represented by proxies as to which the authority to vote for a nominee has been withheld will be deemed present and entitled to vote for purposes of determining the existence of a quorum and calculating the number of votes cast, but will be deemed not to have been voted in favor of the candidate with respect to whom the proxy authority has been withheld. In the unlikely event that the nominees are not candidates for election at the annual meeting, the persons named as proxies will vote for such other persons as the Board or proxies may designate.

Brokers and other nominees do not have authority to vote for any nominee for director without specific voting instructions from the beneficial owner. As such, if a broker returns a “non-vote” proxy indicating a lack of authority to vote in the election of any nominee for director, then the shares covered by the broker non-vote will be deemed present and entitled to vote at the meeting for the purposes of determining a quorum, but not present and entitled to vote in the election of any nominees for director for whom the non-vote proxy was returned. If you hold shares in any brokerage account or through a bank, trust, or other nominee and wish to vote those shares in the election of any of the nominees for director, then you should instruct the broker, bank, trust, or other nominee how to vote the shares using the voting instructions provided.

Information Regarding Nominees

The names and ages of the nominees, their principal occupations, and other information is set forth below, based upon information furnished to us by the nominees.

Name and Age	Director Since	Principal Occupation for Past 5 years
Howard L. Farkas (85)	1983	Chairman of the Board; President of Farkas Group, Inc.
Brian P. Cardozo (51)	2003	Owner/Operator of a Harley-Davidson dealership.
Steven R. Settles (51)	2005	Managing Partner, Dawg Investment Fund, LLP
William J. Volz (61)	1983	President and Chief Executive Officer; Director

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

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.

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.

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.

The Board of Directors recommends a vote "FOR" each of the nominees for director.

PROPOSAL 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of our Board of Directors has reappointed the firm of Hein & Associates LLP (Hein) as independent registered public accountants to audit and report on the financial statements of the Company for our fiscal year ending September 30, 2010. Shareholder ratification of the appointment of Hein as our independent registered public accountant is not required by our by-laws or other applicable legal requirements. However, the Board is submitting the appointment of Hein to the shareholders for ratification to ascertain their views. If the shareholders do not ratify the appointment, the selection of other independent registered public accountants will be considered by the Board of Directors. If Hein shall decline to accept or become incapable of accepting its appointment, or if its appointment is otherwise discontinued, the Board of Directors will appoint other independent registered public accountants.

A representative of Hein is expected to be present at the Annual Meeting. The representative will have the opportunity to make a statement and will be available to respond to appropriate questions.

The Board of Directors recommends a vote "FOR" the ratification of the appointment of Hein & Associates LLP as our independent registered public accountant.

AUDIT AND NON-AUDIT FEES

Audit Fees

Fees paid to Hein for the audit of our annual financial statements included in our reports on Form 10-K and review of the financial statements in our reports on Form 10-Q were \$85,500 and \$101,100 for fiscal 2009 and 2008, respectively.

Tax Fees

Fees paid to Hein for services rendered for preparation of our fiscal 2007 federal and state income tax returns, tax compliance, and tax advice were \$900 for fiscal 2007 (only for estimates) and \$3,700 for fiscal 2008. Hein did not perform any tax-related services in fiscal 2009.

All Other Fees

There were no additional fees paid or payable to Hein for any other services provided during fiscal 2009, 2008 and 2007.

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 us by our 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 the 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.

CORPORATE GOVERNANCE

Our Board of Directors undertook a review of director independence in November 2009 as to all of the four directors then serving. As part of that process, our Board reviewed all transactions and relationships between each director (or any member of his immediate family) and LOGIC Devices Incorporated, our executive officers, and our auditors, and other matters bearing on the independence of directors. As a result of this review, our Board affirmatively determined that all of the directors, except Mr. Volz, are independent as defined by the Nasdaq Marketplace Rules. Mr. Volz is not independent under the Nasdaq Marketplace Rules because he is employed by LOGIC Devices Incorporated and he serves as Chief Executive Officer.

Committees of our Board of Directors and Committee Independence

Our Board of Directors has established a Compensation Committee, a Nominating and Corporate Governance Committee, and an Audit Committee. The composition and function of these committees are set forth below.

Compensation Committee. The Compensation Committee reviews and approves the compensation and other terms of employment of our President and Chief Executive Officer and our other senior management. Among its other duties, the Compensation Committee recommends Board compensation and oversees any stock incentive plans. The current members of the Compensation Committee are Messrs. Farkas, Cardozo, and Settles. During fiscal 2009, the Compensation Committee met one time. The Compensation Committees operates under a written charter, a copy of which can be found on our website, www.logicdevices.com, and all members of the Compensation Committee are independent as determined by applicable Nasdaq and SEC rules.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for nominating individuals to serve as members of our Board of Directors and for establishing policies affecting corporate governance. The current members, Messrs. Farkas, Cardozo, and Settles are all independent as determined by applicable Nasdaq and SEC rules. The Nominating and Corporate Governance Committee operates under a written charter, a copy of which can be found on our website, www.logicdevices.com. The Nominating and Corporate Governance committee met one time during fiscal 2009.

Audit Committee. The Audit Committee reviews our accounting, auditing, financial reporting, and internal control functions and selects our independent auditors. The Audit Committee operates under a written charter, a copy of which can be found on our website, www.logicdevices.com. The current members, Messrs. Cardozo, Farkas, and Settles are all independent as determined by applicable Nasdaq and SEC rules and all qualify as “Audit Committee Financial Experts” as defined by SEC rules. The committee met four times during fiscal 2009.

Consideration of Director Nominees

Our 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 our Board, and whether any vacancies on our 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.

If you would like to submit a proposal for the 2011 Annual Meeting of Shareholders, it must be received by our Corporate Secretary, Kimiko Milheim, at 1375 Geneva Drive, Sunnyvale, CA 94089, at any time prior to October 16, 2010, 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 our Board or the proposal of business to be considered by the shareholders must be given to our Corporate 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 our 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 our annual meeting to bring such business before the 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.

Other Information about our Board of Directors

Our Board of Directors met three times during fiscal 2009. Each nominee who served as a director in fiscal year 2009 attended at least 75% or more of the meetings of our Board of Directors and any committee on which he served.

We do not have a formal policy on attendance at meetings of our shareholders; however, we encourage all Board members to attend shareholder meetings that are held in conjunction with a meeting of our Board of Directors. All members of our Board of Directors attended the 2009 Annual Meeting of Shareholders.

Shareholders may communicate with our Board as a group, the chair of any committee, or any individual director by doing so in writing to the address set forth on the front page of this proxy statement.

Code of Business Ethics

We have adopted a Code of Business Ethics that applies to our directors and officers. The full text of the Code of Business Ethics is published on our website, www.logicdevices.com, under the captions, "Company Information – About LOGIC – Code of Ethics." We intend to disclose any 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.

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 our Board of Directors serves as the representative of our 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 our website, www.logicdevices.com.

Our management has primary responsibility for preparing our financial statements and for its financial reporting process. Our independent auditors, Hein & Associates, LLP, 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 Standard, 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, 2009, for filing with the SEC.

Submitted by the Audit Committee of the Board of Directors:

Brian P. Cardozo (Chair)

Howard L. Farkas

Steven R. Settles

EXECUTIVE OFFICERS

Our executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
William J. Volz	62	President and Chief Executive Officer
Kimiko Milheim	39	Chief Financial Officer
David A. Harrison	53	Vice President of Marketing

Information about William J. Volz, our President and Chief Executive Officer may be found under the heading, “Information Regarding Nominees” within Proposal 1 – Election of Directors.

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

EXECUTIVE COMPENSATION

Compensation Disclosure and Analysis

Overview of Compensation Program

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

Compensation Philosophy

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

Use of Compensation Consultants and Role of Management

For fiscal 2009, the Compensation Committee did not use the services of a compensation consultant; however, it may consider doing so for fiscal 2010. For fiscal 2009, the Compensation Committee reviewed surveys, reports, and other market data compiled by Equilar Inc., against which it measured the competitiveness of our compensation programs to other companies within our industry with comparable revenues.

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

Executive Compensation Components

Our typical executive compensation components include base salary and variable bonus awards. The base salary of our executive officers is established primarily on the basis of the individual's qualifications and relevant experience, the strategic goals for which he or she has responsibility, the compensation levels at comparable companies, and the incentives necessary to attract and retain qualified management. We attempt to set the base salary each year to take into account the individual's performance and to maintain a competitive salary structure. During their review of base salaries for executive officers, the Compensation Committee primarily considers market data, the individual performance of each executive officer, and an internal review of the executive officer's compensation, both individually and relative to other executive officers.

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

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

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

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

Employment and Other Agreements

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

Summary Compensation Table

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

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards *	Non-equity Incentive Plan Compensation (\$)	Other Compensation (\$)	Total (\$)
William J. Volz President and Chief Executive Officer	2009	160,800	—	—	—	—	160,800
	2008	171,300	—	—	—	—	171,300
	2007	171,300	—	—	—	—	171,300
Kimiko Milheim Chief Financial Officer	2009	135,200	—	—	—	—	135,200
	2008	153,600	—	—	—	—	153,600
	2007	75,200	10,000 ⁽¹⁾	—	—	74,900 ⁽²⁾	160,100
David A. Harrison Vice President of Marketing	2009	130,000	—	2,000	2,200 ⁽³⁾	—	134,200
	2008	N/A	N/A	N/A	N/A	N/A	N/A
	2007	N/A	N/A	N/A	N/A	N/A	N/A

* Values expressed represent the expense recognized for financial reporting purposes for each respective fiscal year. In accordance with applicable accounting standards, this expense is attributable to awards granted both during and prior to the applicable fiscal year.

(1) Bonus represents an incentive signing bonus of \$10,000 to return to our Company in August 2007.

(2) Other compensation represents severance and consulting fees paid while working as a contractor for the Company during fiscal 2007.

(3) Non-equity incentive plan compensation includes commissions on net revenues for the quarter ended December 31, 2008. Mr. Harrison voluntarily elected to forego commissions for the remainder of fiscal 2009.

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

Equity Awards

The following table sets forth the Grants of Plan-Based Awards to the named executive officers in the fiscal year ended September 30, 2009:

<u>Name</u>	<u>Number of Shares Underlying Option Awards (#)</u>	<u>Exercise Price of Option Awards (\$/sh)</u>	<u>Grant Date Fair Value of Option Awards (\$) ¹</u>
William J. Volz	–	–	–
Kimiko Milheim	–	–	–
David A. Harrison	25,000	0.60	12,000

(1) The amounts in the column under “Grant Date Fair Value of Option Awards” represent the fair value of the awards on the date of grant, as computed in accordance with applicable accounting standards.

The following table sets forth the Outstanding Equity Awards as of September 30, 2009, for each of our named executive officers:

<u>Name</u>	<u>Number of Shares Underlying Unexercised Options Exercisable (#)</u>	<u>Number of Shares Underlying Unexercised Options Unexercisable (#)</u>	<u>Option Exercise Price (\$/sh)</u>	<u>Option Expiration Date</u>
William J. Volz	–	–	–	–
Kimiko Milheim	–	–	–	–
David A. Harrison	6,250	18,750	0.60	06/09/13

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the position of our equity compensation plans as of September 30, 2009:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants, and rights (#)</u>	<u>Weighted-average exercise price of outstanding options, warrants, and rights (\$/sh)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column (#))</u>
Equity compensation plans approved by security holders	354,500	\$1.250	1,040,000
Equity compensation plans not approved by security holders	<u>—</u>		<u>—</u>
Total	<u>354,500</u>	\$1.250	<u>1,040,000</u>

REPORT OF THE COMPENSATION 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 Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis provisions to be included in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

Submitted by the Compensation Committee of the Board of Directors:

Steven R. Settles (Chair)

Brian P. Cardozo

Howard L. Farkas

COMPENSATION OF DIRECTORS

None of our directors were paid any directors cash fees by us during the fiscal year ended September 30, 2009. Historically, each of our non-employee directors receives an automatic grant of an option to purchase 15,000 shares of our common stock upon election or re-election to our Board of Directors, per the Amended and Restated LOGIC Devices Incorporated Director Stock Incentive Plan. These options vest immediately and have a five-year term. Directors are reimbursed for expenses incurred in connection with attending meetings of our Board and Board Committees.

For the fiscal year ended September 30, 2009, our non-employee directors (Howard Farkas, Brian Cardozo, and Steve Settles) each received the automatic option grant, which was valued at \$940.00 for each director.

CERTAIN RELATIONSHIPS AND RELATED PERSONAL TRANSACTIONS

During fiscal year 2009, we did not enter into any transaction, nor is there any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last three fiscal years, and in which any executive officer, any director, any nominee for director or any family member of the foregoing had or will have a direct or indirect material interest. Before we would consider entering into any transaction in which any executive officer, director, nominee or any family member of the foregoing would have any direct or indirect interest, regardless of the amount involved, the terms of such transaction would have to be presented to our Board of Directors (other than any interested director) for approval.

SHAREHOLDER PROPOSALS FOR 2011 ANNUAL MEETING

The proxy rules of the SEC permit shareholders of a company, after timely notice to the company, to present proposals for shareholder action in the company's proxy statement where such proposals are consistent with applicable law, pertain to matters appropriate for shareholder action, and are not properly omitted by company action in accordance with the proxy rules. The LOGIC Devices Incorporated 2011 Annual Meeting of Shareholders is expected to be held on or about March 10, 2011 and proxy materials in connection with that meeting are expected to be mailed on or about January 30, 2011. Shareholder proposals prepared in accordance with the proxy rules must be received at our corporate office on or before October 15, 2010, in order to be considered for inclusion in our Board of Directors' proxy statement and proxy card for the 2011 Annual Meeting of Shareholders. Any such proposal must be in writing and signed by the shareholder.

OTHER MATTERS

Our Board of Directors knows of no other matters to be presented for consideration at our Annual Meeting other than the matters described in the notice of annual meeting, but if any matters are properly presented, it is the intention of the persons named in the enclosed proxy to vote the shares they represent in accordance with our Board of Directors' recommendation or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

By Order of the Board of Directors,

/s/ Kimiko Milheim

Kimiko Milheim
Corporate Secretary

Sunnyvale, California
January 22, 2010

2009 ANNUAL REPORT TO SHAREHOLDERS

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LOGIC Devices Incorporated

Balance Sheets

September 30,
2009

September 30,
2008

ASSETS

Current assets:

Cash and cash equivalents	\$1,238,400	\$ 312,400
Investment in available-for-sale securities	-	944,400
Accounts receivable	359,300	658,200
Inventories	1,077,700	1,424,700
Prepaid expenses and other current assets	69,700	136,800
Total current assets	2,745,100	3,476,500

Property and equipment, net	816,400	877,800
Other assets, net	22,100	22,100
	\$3,583,600	\$4,376,400

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 81,200	\$ 156,300
Accrued payroll, vacation and bonuses	122,900	126,200
Accrued commissions	20,100	16,000
Other accrued expenses	55,500	16,000
Total current liabilities	279,700	314,500

Deferred rent	42,700	26,500
Total liabilities	322,400	341,000

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	-	-
70,000 designated as Series B, 0 shares issued and outstanding	-	-
Common stock, no par value; 10,000,000 shares authorized; 6,814,438 shares issued and outstanding	18,543,200	18,543,200
Additional paid-in capital	162,100	155,600
Other comprehensive loss	-	(30,600)
Accumulated deficit	(15,444,100)	(14,632,800)
Total shareholders' equity	3,261,200	4,035,400
	\$3,583,600	\$4,376,400

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

LOGIC Devices Incorporated

Statements of Operations

	For the fiscal years ended September 30,		
	2009	2008	2007
Net revenues	\$3,013,200	\$3,352,100	\$4,686,400
Cost of revenues	1,268,800	4,196,600	2,846,700
Gross margin	1,744,400	(844,500)	1,839,700
Operating expenses:			
Research and development	1,159,300	1,563,400	1,811,800
Selling, general and administrative	1,399,800	1,483,200	1,546,400
Total operating expenses	2,559,100	3,046,600	3,358,200
Operating loss	(814,700)	(3,891,100)	(1,518,500)
Other expense (income), net:			
Interest income	(10,300)	(56,700)	(75,900)
Other expense (income), net	6,000	129,800	(100)
Total other expense (income), net	(4,300)	73,100	(76,000)
Loss before provision for income taxes	(810,400)	(3,964,200)	(1,442,500)
Provision for income taxes	900	800	45,200
Net loss	\$ (811,300)	\$(3,965,000)	\$(1,487,700)
Basic loss per common share	\$(0.12)	\$(0.58)	\$(0.22)
Basic weighted average common shares outstanding	6,814,438	6,814,313	6,797,480

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

LOGIC Devices Incorporated

Statement of Shareholders' Equity

	Common Stock		Additional Paid-In Capital	Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balances, September 30, 2006	6,763,188	\$18,458,500	\$118,700	\$ –	\$(9,180,100)	\$9,397,100
Grants of director common stock options	–	–	18,800	–	–	18,800
Vesting of employee common stock options	–	–	4,700	–	–	4,700
Exercise of director common stock options	30,000	47,400	–	–	–	47,400
Exercise of employee common stock options	19,750	35,400	–	–	–	35,400
Net loss	–	–	–	–	(1,487,700)	(1,487,700)
Balances, September 30, 2007	6,812,938	18,541,300	142,200	–	(10,667,800)	8,015,700
Grants of director common stock options	–	–	8,700	–	–	8,700
Vesting of employee common stock options	–	–	4,700	–	–	4,700
Exercise of employee common stock options	1,500	1,900	–	–	–	1,900
Unrealized loss on available-for-sale securities	–	–	–	(30,600)	–	(30,600)
Net loss	–	–	–	–	(3,965,000)	(3,965,000)
Balances, September 30, 2008	6,814,438	18,543,200	155,600	(30,600)	(14,632,800)	4,035,400
Grants of director common stock options	–	–	6,500	–	–	6,500
Unrealized gain on available-for-sale securities	–	–	–	30,600	–	30,600
Net loss	–	–	–	–	(811,300)	(811,300)
	<u>6,814,438</u>	<u>\$18,543,200</u>	<u>\$162,100</u>	<u>\$ –</u>	<u>\$(15,444,100)</u>	<u>\$3,261,200</u>

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

LOGIC Devices Incorporated

Statements of Cash Flows

For the fiscal years ended September 30,

	2009	2008	2007
Cash flows from operating activities:			
Net loss	\$ (811,300)	\$(3,965,000)	\$(1,487,700)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	322,300	305,200	307,800
Issuance of common stock options	6,500	13,400	23,500
Write-down of inventory	406,700	2,059,300	555,600
Inventory valuation allowance adjustment	–	–	402,700
Loss on disposal of capital equipment	49,400	129,900	145,200
Write-off of capitalized software development costs	–	–	400,200
Deferred rent	16,200	24,400	(17,600)
Change in operating assets and liabilities:			
Accounts receivable	298,900	23,100	149,600
Inventories	(59,700)	904,700	(107,300)
Prepaid expenses and other current assets	67,100	49,700	(44,900)
Accounts payable	(75,100)	126,200	(116,800)
Accrued payroll and vacation	(3,300)	6,300	20,200
Accrued commissions	4,100	(9,000)	14,600
Other accrued expenses	39,500	(54,500)	27,500
Net cash provided by (used in) operating activities	261,300	(386,300)	272,600
Cash flows from investing activities:			
Purchases of available-for-sale securities	–	(25,000)	(554,900)
Sales of available-for-sale securities	975,000	112,000	–
Capital expenditures	(310,300)	(274,200)	(391,100)
Other assets	–	–	(3,500)
Net cash provided by (used in) investing activities	664,700	(187,200)	(949,500)
Cash flows from financing activities:			
Proceeds of bank borrowings	975,000	–	–
Repayment of bank borrowings	(975,000)	–	–
Exercise of director stock options	–	–	47,400
Exercise of employee stock options	–	1,900	35,400
Net cash provided by financing activities	–	1,900	82,800
Net increase (decrease) in cash and cash equivalents	926,000	(571,600)	(594,100)
Cash and cash equivalents, beginning	312,400	884,000	1,478,100
Cash and cash equivalents, ending	\$1,238,400	\$ 312,400	\$ 884,000

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

The Company and Nature of Business

LOGIC Devices Incorporated (the Company) develops and markets high-performance integrated circuits. The Company's products include chips that are used in digital communications, broadcast and medical imaging processing applications, instrumentation, and smart weapons systems. The Company markets its products worldwide, such that 84 percent of the Company's net revenues in fiscal 2009 were derived from original equipment manufacturers, while sales through distributors accounted for approximately 16 percent of net revenues. Approximately 87 percent of the Company's fiscal 2009 net revenues were from domestic sales and approximately 13 percent from foreign sales.

Use of Estimates

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

The Company establishes a general allowance for doubtful accounts based on its analysis of historical bad debts, specific customer creditworthiness, and current economic conditions. Historically, the Company has not experienced significant losses related to receivables. At September 30, 2009 and 2008, 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.

Revenue Recognition

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

Research and Development Costs

Research and development costs are expensed to operations as incurred.

Income Taxes

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

Income (Loss) Per Common Share

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

There were 310,500, 337,500, and 335,500 common stock options outstanding at September 30, 2009, 2008, and 2007, respectively. These options were not considered in calculating diluted net loss per common share as their effect would have been antidilutive. As a result, for fiscal 2009, 2008, and 2007, the Company's basic and diluted net loss per common share is the same.

Long-lived Assets

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

Share-based Payments

The Company issues common stock options to its employees, certain consultants, and certain of its board members. The Company measures the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which services are provided in exchange for the award, known as the requisite service period (usually the vesting period).

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Dividend yield	None	None	None
Expected volatility	148.2%	49.8%	49.8%
Risk-free interest rate	1.5%	2.2%	4.5%
Expected term (years)	4.0	4.0	4.0

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

Segment Reporting

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

Impact of New Financial Accounting Pronouncements

In September 2006, the FASB issued authoritative guidance for Fair Value Measurements and Disclosures that defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value in the financial statements. In February 2008, the FASB issued authoritative guidance that allows for the delay of the effective date for fair value measurements for one year for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). In April 2009, the FASB issued additional authoritative guidance in determining whether a market is active or inactive, and whether a transaction is distressed, is applicable to all assets and liabilities (i.e. financial and non-financial) and will require enhanced disclosures. This standard was effective beginning with the Company's fourth quarter of fiscal 2009. The measurement and disclosure requirements related to financial assets and financial liabilities were effective for the Company beginning on October 1, 2008. The effective date for all non-financial assets and non-financial liabilities is the beginning of the Company's first quarter of fiscal 2010.

In February 2007, the FASB issued authoritative guidance for fair value option for financial assets and financial liabilities. This standard permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. On October 1, 2008 the Company adopted this standard and has elected not to measure any additional financial instruments or other items at fair value.

On April 1, 2009, the Company adopted new authoritative guidance related to the recording and disclosure of fair value measurement, which had no impact on the Company's financial position or results of operations.

In April 2009, the FASB issued authoritative guidance for Investments — Debt and Equity Securities regarding the recognition and presentation of other-than-temporary impairments, which amends the other-than-temporary impairment guidance for debt and equity securities. On April 1, 2009 the Company adopted this standard, which had no impact on its financial position or results of operations.

In May 2009, the FASB issued authoritative guidance regarding Subsequent Events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Company evaluated subsequent events through December 14, 2009, the date of financial statement issuance.

In June 2009, the FASB issued the FASB Accounting Standards Codification. The Codification is the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. This statement does not change GAAP and will not have an affect on the Company's financial position or results of operations. The Company adopted the Codification standard on September 30, 2009.

1. Inventories

A summary of inventories follows:

	<i>September 30,</i> <i>2009</i>	<i>September 30,</i> <i>2008</i>
Raw materials	\$ 38,700	\$ 156,500
Work-in-process	194,800	149,400
Finished goods	844,200	1,118,800
	<u>\$1,077,700</u>	<u>\$1,424,700</u>

2. Property and Equipment

A summary of property and equipment follows:

	<i>September 30,</i> <i>2009</i>	<i>September 30,</i> <i>2008</i>
Equipment	\$1,187,500	\$3,299,400
Tooling costs	535,800	549,600
Leasehold improvements	194,700	179,500
	<u>1,918,000</u>	<u>4,028,500</u>
Less accumulated depreciation	<u>1,101,600</u>	<u>3,150,700</u>
	<u>\$ 816,400</u>	<u>\$ 877,800</u>

Depreciation expense for fiscal 2009, 2008, and 2007 was \$322,300, \$305,200, and \$307,800, respectively.

3. Share-Based Compensation

The Company issues options to purchase common stock to its employees, certain consultants, and certain of its board members. Options are generally granted with an exercise price equal to the closing market value of a common share at the date of grant, have five- to ten-year terms and typically vest over periods ranging from immediately to three years from the date of grant. There are 1,040,000 authorized shares remaining for granting of future options.

The estimated fair value of equity-based awards, less expected forfeitures, is amortized over the awards' vesting period on a straight-line basis. Share-based compensation expense recognized in the statements of operations for fiscal years ended September 30, 2009, 2008, and 2007 related to common stock options was \$6,500 (\$0.12 per share) \$13,400 (\$0.30 per share), and \$23,500 (\$0.58 per share), respectively. The Company did not record income tax benefits related to the equity-based compensation expense as deferred tax assets are fully offset by a valuation allowance.

A summary of nonvested shares at September 30, 2009 and changes during the fiscal year then ended follows:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested shares at October 1, 2008	2,875	\$0.47
Granted	90,000	\$0.53
Vested	(59,125)	\$0.53
Forfeited/Expired	—	\$—
Nonvested shares at September 30, 2009	<u>33,750</u>	\$0.60

As September 30, 2009, there was \$11,100 of total unrecognized compensation cost related to nonvested options granted under the plans. That cost is expected to be recognized over the next three years. The total fair value of options vested during the fiscal year ended September 30, 2009 was \$6,500.

A summary of changes in common stock options outstanding under the equity-based compensation plans for the fiscal years ended September 30, 2009 and 2008 follows:

	<u>Common Stock Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at September 30, 2007	335,500	\$1.405	4.23	\$249,400
Granted	45,000	\$1.210		
Exercised	(1,500)	\$1.270		\$1,900
Forfeited/Expired	<u>(41,500)</u>	\$2.087		
Outstanding at September 30, 2008	337,500	\$1.595	2.57	\$—
Granted	90,000	\$0.53		
Exercised	—	—		—
Forfeited/Expired	<u>(73,000)</u>	\$1.958		
Outstanding at September 30, 2009	<u>354,500</u>	<u>\$1.250</u>	3.38	\$32,400
Exercisable at September 30, 2009	<u>320,750</u>	<u>\$1.318</u>	2.71	\$22,600
Exercisable at September 30, 2008	<u>334,265</u>	<u>\$1.598</u>	2.52	—

The weighted average fair value of options granted during the fiscal year ended September 30, 2009 was \$0.29

4. Commitments and Contingencies

Leases

The Company leases its facilities under an operating lease, which requires the Company to pay certain maintenance and operating expenses, such as taxes, insurance, and utilities. Rent expense under the various leases was \$239,300, \$239,300, and \$214,900 for fiscal 2009, 2008, and 2007, respectively.

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

	<u>Amount</u>
<i>Fiscal years ending:</i>	
September 30, 2010	\$231,400
September 30, 2011	239,700
September 30, 2012	248,100
September 30, 2013	257,300
Thereafter	242,800
	<u>\$1,219,300</u>

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.

5. Provisions for Income Taxes

The provision for income taxes for fiscal 2009 and 2008 includes a current state expense of \$900 and \$800, respectively. The provision for income taxes for fiscal 2007 includes a current state expense of \$800, federal alternative minimum taxes of \$37,100, and state alternative minimum taxes of \$7,300.

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 2009, 2008, and 2007, to the loss before taxes:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Federal income tax benefit at statutory rate	\$(275,500)	\$(1,347,800)	\$(490,400)
Tax credit carryforwards originated in current year	(33,000)	(46,700)	(41,000)
State tax benefit, net of federal tax benefit	(46,800)	(223,700)	(85,700)
Adjustment of prior year net operating loss carryforwards before valuation allowance	10,700	(9,700)	(28,200)
Valuation allowance	341,200	1,633,000	765,800
Other, net	4,300	(4,300)	(75,300)
	<u>\$900</u>	<u>\$800</u>	<u>\$45,200</u>

Deferred tax assets and liabilities comprise the following:

	<i>September 30,</i> <i>2009</i>	<i>September 30,</i> <i>2008</i>
	<u> </u>	<u> </u>
Deferred tax assets:		
Net operating loss carryforwards	\$8,416,200	\$8,113,200
Tax credit carryforwards	634,900	602,900
Gross deferred tax assets	9,051,100	8,716,100
Deferred tax liabilities:		
State tax benefit	(581,300)	(553,500)
Depreciation	–	(75,300)
	<u>(41,300)</u>	<u> </u>
Net deferred tax assets	8,428,500	8,087,300
Valuation allowance	<u>(8,428,500)</u>	<u>(8,087,300)</u>
Net deferred taxes	<u>\$ –</u>	<u>\$ –</u>

The valuation allowance increased \$341,200 from fiscal 2008 to fiscal 2009. This was the result of an increase in the net deferred tax assets, primarily net operating loss carryforwards (NOLs), partially offset by the increase in the state tax benefit liability. Because the Company's management is unable to determine whether it is more likely than not that the net deferred tax assets will be realized, the Company continues to record a 100 percent valuation against the net deferred tax assets.

As of September 30, 2009, the Company has Federal and State NOLs totaling approximately \$20,832,200 and \$15,082,500, respectively, available to offset future taxable income. These NOLs expire at various times through 2028 and 2018, respectively. The Company also has Federal and State research and development credit carryforwards totaling approximately \$249,600 and \$95,700, respectively, expiring at various times through 2028. The Company has state manufacturing tax credit carryforwards totaling approximately \$289,600, which expire at various times through 2012.

Utilization of the Company's net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration or elimination of the net operating loss and tax credit carryforwards before utilization.

We adopted authoritative guidance related to accounting for uncertain tax positions on October 1, 2007. As of the date of adoption, the Company had no unrecognized income tax benefits. Should the Company incur interest and penalties relating to tax uncertainties, such amounts would be classified as a component of interest expense and operating expense, respectively.

At September 30, 2009, the Company had no increase or decrease in unrecognized income tax benefits for the fiscal year and there was no accrued interest or penalties relating to tax uncertainties at September 30, 2009. Unrecognized income tax benefits are not expected to increase or decrease within the next 12 months.

The Company is subject to income tax in the U.S. federal and California and New Hampshire state jurisdictions. The years still open to audit for the U.S. federal and New Hampshire state jurisdiction are 2006 through 2008 and for the California state jurisdiction are 2005 through 2008. However, because the Company has net operating losses and credits carried forward in both these jurisdictions, certain items attributable to closed tax years are still subject to adjustment by applicable taxing authorities through an adjustment to tax attributes carried forward to open years.

6. Major Customers, Major Suppliers, and Export Sales

Major Customers and Suppliers

For fiscal 2009, two customers accounted for approximately 41 and 32 percent of net revenues, with accounts receivable of \$159,400 and \$142,000 as of September 30, 2009, respectively. For fiscal 2008, two customers accounted for approximately 26 and 19 percent of net revenues, with accounts receivable of \$188,600 and \$76,900 as of September 30, 2008, respectively. For fiscal 2007, one customer accounted for approximately 43 percent of net revenues, with accounts receivable of \$334,900 as of September 30, 2007.

For fiscal 2009, three suppliers comprised 10 or more percent of the total inventory purchases (49, 21, and 14 percent). For fiscal 2008, three suppliers comprised 10 or more percent of the total inventory purchases (31, 29, and 14 percent). During fiscal 2007, one supplier comprised 62 percent of the total inventory purchases (no others comprised more than 10 percent).

Export Sales

The following table summarizes export sales information:

	<i>2009</i>	<i>2008</i>	<i>2007</i>
Western Europe	\$225,000	\$ 524,500	\$1,132,700
Far East	180,800	497,500	393,400
Other	—	—	37,800
	<u>\$405,800</u>	<u>\$1,022,000</u>	<u>\$1,563,900</u>

In fiscal 2009, 2008, and 2007, no one country accounted for more than 10 percent of net revenues.

7. Use of Estimates and Concentrations of Credit Risks

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

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

A significant portion of the Company's accounts receivable have 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 one primary supplier as its wafer-processing source. If this supply was to be interrupted or the terms were to become unfavorable to the Company, this could have a material adverse impact on the Company's operations.

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

8. Statements of Cash Flows

During fiscal 2009, we paid \$1,900 for interest, while there was no interest paid during fiscal 2008 and 2007. The Company paid \$80,000 (\$77,200 for estimated alternative minimum taxes) for income tax in fiscal 2007. In fiscal 2009 and 2008, the Company paid \$900 and \$800 for income taxes, respectively. There were no non-cash investing and financing activities during fiscal 2009, 2008, and 2007.

9. 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 2009 and 2008.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of LOGIC Devices Incorporated (the "Company") as of September 30, 2009 and 2008 and the related statements of operations, shareholders' equity, and cash flows for each of the three fiscal years in the period ended September 30, 2009. 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 audit 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LOGIC Devices Incorporated as of September 30, 2009 and 2008 and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 30, 2009, 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.

We were not engaged to examine management's assessment of the effectiveness of LOGIC Devices Incorporated's internal control over financial reporting as of September 30, 2009 included in the accompanying Form 10-K and, accordingly, we do not express an opinion thereon.

/s/ Hein & Associates LLP

Irvine, California
December 14, 2009

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.

Overview

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 address storage and digital signal processing (DSP) requirements that involve high-performance arithmetic computation. We focus on developing proprietary catalog products to address specific functional application needs or performance levels that are not otherwise commercially available. We seek to provide related groups of circuits that original equipment manufacturers (OEMs) incorporate into high-performance electronic systems.

Liquidity and Capital Resources

Despite having a net loss of \$811,300, our operations produced net cash of \$261,300. During fiscal 2009, we wrote-off \$406,700 of inventories and \$49,400 of property and equipment no longer in use, all of which increased our net loss but did not affect cash flows from operations. The collection of accounts receivable produced \$298,900 and the reduction of prepaid expenses produced \$67,100 of net cash, respectively. During fiscal 2009, we also liquidated all \$975,000 of our auction rate securities (ARS), paid down the bank borrowings of \$975,000 based on those ARS, and made capital expenditures of \$310,300.

Our operations used net cash of \$386,300, despite a large net loss of \$3,965,000 for fiscal 2008. Inventory write-downs totaling \$2,059,700 and a write-off of property and equipment no longer in use totaling \$129,900 increased our net loss but did not affect cash flows. Sales of existing inventories produced \$904,700 of cash for operations, while timing of invoices resulted in an increase in accounts payable of \$126,200. Prior to the collapse of the auction rate securities market, we liquidated \$112,000 of our investment. Capital expenditures of \$274,200 included mask tooling and production tooling for new products.

Despite having a net loss of \$1,487,700 for fiscal 2007, our operations produced net cash of \$272,600. During fiscal 2007, we wrote-off \$555,600 of inventories, \$400,200 of capitalized test software, and \$142,600 of property and equipment no longer in use, all of which increased the net loss but did not affect cash flows from operations. During the year, we also increased our inventory valuation allowance by \$402,700, while writing off \$1,551,000 of inventories against this valuation allowance. We also continue to purchase additional available-for-sale securities as a means to increase the return on our cash and cash equivalents balances, with purchases of \$554,900 in fiscal 2007. Capital expenditures of \$391,100 included leasehold improvements for our new facilities into which we moved on September 1, 2007.

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 valuation allowance for the potentially obsolete or slow-moving items. For the LOCOM analysis, we compare the average historical sales price to the average unit cost of inventories at the end of the fiscal year. If the average unit cost exceeds the average sales price, we provide a valuation allowance.

With continuing low revenue levels, management felt it necessary to also review our raw materials and work-in-process. Our products generally exhibit an active sales product life cycle of ten or more years. However, due to rapid changes in process technology, we are generally unable to obtain wafers for our products for as long a period as their life cycles. As a result, early in a product's life, we are often required to estimate the sales expectations for the entire life cycle and purchase materials upfront. On some occasions, our expectations become lower and we provide a reserve for potential excess materials. In fiscal 2009, we wrote down inventory of \$406,700. In fiscal 2008, we wrote down inventory against our inventory valuation allowance of \$1,573,700 and additional inventory totaling \$2,059,300. In fiscal 2007, we increased our inventory valuation allowance by \$402,700 for potential excess materials, while writing down \$1,551,000 of inventory against this previously established allowance. In addition, during fiscal 2007, we scrapped other inventory of \$555,600. We believe our current inventory valuation provides a reasonable estimate of the recoverability of inventories at the end of fiscal 2009.

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 60% of our quarterly revenues were often shipped in the last month of the quarter, so a large portion of the shipments included in year-end accounts receivable were not yet due per our net 30-day terms. This results in year-end accounts receivable balances being at their highest point for the respective period.

Financing

Since May 2006, we have had approximately \$1 million of auction rate securities (ARS) classified as a short-term investment in available-for-sale securities, which paid a monthly average of \$3,500 of dividends and interest. Historically, these securities were considered cash alternatives that were risk averse and highly liquid. Beginning in February 2008, the auctions began to fail and no secondary market developed. Accordingly, ARS lacked liquidity and were no longer considered cash alternatives. While there was no current market for the ARS, the underlying issuers were required to pay the interest and dividends when due. On October 16, 2008, we elected to accept an offer from UBS Financial Services Inc. (UBS) to sell our ARS to UBS at par value at any time during a two-year period, beginning January 2, 2009. In addition, on November 10, 2008, we obtained a no net-cost line of credit from UBS Bank USA for the par value of our ARS. We drew down the entire \$975,000 available balance on November 21, 2008. This loan was considered no net-cost as the interest charged was the lesser of the LIBOR rate plus an established percentage rate or the interest and/or dividends earned on our ARS. Therefore, our interest paid could be no more than the interest and/or dividends we earned on the ARS.

In December 2008, UBS liquidated \$50,000 of our \$975,000 of ARS, which we used to pay down the line of credit. In January 2009, the remaining \$925,000 of ARS were liquidated and paid down against the line of credit. All UBS accounts were closed in February 2009.

We believe the cost reductions we have undertaken in the past few years will allow us to use this cash, along with cash from future revenues, to fund current operations and future capital needs. However, we continue to evaluate our debt and equity financing opportunities.

Contractual Obligations

Our only contractual obligation is our facility operating lease. The following table summarizes the future fixed payments under this lease as of September 30, 2009. Payment timing may be subject to change.

	Payments due by period:			
	Total	Within 1 year	1-3 years	After 3 years
Building	\$1,219,300	\$231,400	\$745,100	\$242,800

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Results of Operations

Comparison of Fiscal Years Ended September 30, 2009 and 2008

Net revenues for fiscal 2009 decreased 10 percent from \$3,352,100 in fiscal 2008 to \$3,013,200. This decrease was the result of fewer military purchases during fiscal 2009 compared to fiscal 2008, while the digital cinema project actually increased during fiscal 2009.

Cost of revenues for fiscal 2009 decreased 70 percent from \$4,196,600 in fiscal 2008 to \$1,268,800, mainly the result of fiscal 2008 including a write-down of \$2,059,300 in inventories compared to \$406,700 in fiscal 2009. Sales of products previously written down to zero were 18 percent of revenues in fiscal 2009 compared to 27 percent in fiscal 2008.

Research and development expenses decreased 26 percent from \$1,563,400 in fiscal 2008 to \$1,159,300 in fiscal 2009, mainly the result of reduced work weeks for certain employees, salary cuts made in January 2009, and staffing cuts made at the end of fiscal 2008.

Selling, general and administrative expenses decreased six percent from \$1,483,200 in fiscal 2008 to \$1,399,800 in fiscal 2009. This decrease was primarily the result of reduced work weeks and other cost cuts made during fiscal 2009.

Interest income decreased 82 percent from \$56,700 in fiscal 2008 to \$10,300 in fiscal 2009, mainly the result of less cash being held with lower interest rates in fiscal 2009. Other expense consists of \$4,100 of property and equipment no longer in use and \$1,900 of interest expense.

As a result of fewer inventory write-downs and increased cost cutting during fiscal 2009, our net loss decreased from \$3,965,000 in fiscal 2008 to \$811,300 in fiscal 2009.

Comparison of Fiscal Years Ended September 30, 2008 and 2007

Net revenues for fiscal 2008 decreased 28 percent from \$4,686,400 in fiscal 2007 to \$3,352,100. This decrease was the result of the older products, including the digital cinema project, dropping off with no new product revenues replacing them during fiscal 2008.

Cost of revenues for fiscal 2008 increased 47 percent from \$2,846,700 in fiscal 2007 to \$4,196,600, mainly the result of write-downs of inventory totaling \$2,059,300. Sales of products previously written down to zero were 27% of revenues in fiscal 2008 compared to 15% in fiscal 2007.

Research and development expenses decreased 14 percent from \$1,811,800 in fiscal 2007 to \$1,563,400 in fiscal 2008. This decrease is primarily the result of the one-time \$400,200 write-off of capitalized test software done in fiscal 2007. During the last quarter of fiscal 2008, we made a few minor staffing cuts but believe the current team can complete the new products we currently have in development.

Selling, general, and administrative expenses decreased four percent from \$1,546,400 in fiscal 2007 to \$1,483,200. This decrease was mainly the result of general cost cutting in fiscal 2008 and the expensing of certain prepaids in fiscal 2007 that did not recur in fiscal 2008.

Interest income decreased 25 percent from \$75,900 in fiscal 2007 to \$56,700, primarily as a result of a smaller balance in available-for-sale securities and a lower cash balance in fiscal 2008. Other expense in fiscal 2008 consisted of the write-off of property and equipment no longer in use.

As a result of the decreased revenues and large write-down of inventory, we had a net loss of \$3,965,000 in fiscal 2008, compared to a net loss of \$1,487,700 in fiscal 2007.

Critical Accounting Policies

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

Revenue Recognition

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

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, 2009. Accordingly, we have established a valuation allowance against our net deferred income tax assets as of September 30, 2009.

Impact of New Financial Accounting Standards

In September 2006, the FASB issued authoritative guidance for Fair Value Measurements and Disclosures that defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value in the financial statements. In February 2008, the FASB issued authoritative guidance that allows for the delay of the effective date for fair value measurements for one year for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). In April 2009, the FASB issued additional authoritative guidance in determining whether a market is active or inactive, and whether a transaction is distressed, is applicable to all assets and liabilities (i.e. financial and non-financial) and will require enhanced disclosures. This standard was effective beginning with the Company's fourth quarter of fiscal 2009. The measurement and disclosure requirements related to financial assets and financial liabilities were effective for the Company beginning on October 1, 2008. The effective date for all non-financial assets and non-financial liabilities is the beginning of the Company's first quarter of fiscal 2010.

In February 2007, the FASB issued authoritative guidance for fair value option for financial assets and financial liabilities. This standard permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. On October 1, 2008 the Company adopted this standard and has elected not to measure any additional financial instruments or other items at fair value.

On April 1, 2009, the Company adopted new authoritative guidance related to the recording and disclosure of fair value measurement, which had no impact on the Company's financial position or results of operations.

In April 2009, the FASB issued authoritative guidance for Investments — Debt and Equity Securities regarding the recognition and presentation of other-than-temporary impairments, which amends the other-than-temporary impairment guidance for debt and equity securities. On April 1, 2009 the Company adopted this standard, which had no impact on its financial position or results of operations.

In May 2009, the FASB issued authoritative guidance regarding Subsequent Events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Company evaluated subsequent events through December 14, 2009, the date of financial statement issuance.

In June 2009, the FASB issued the FASB Accounting Standards Codification. The Codification is the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. This statement does not change GAAP and will not have an affect on the Company's financial position or results of operations. The Company adopted the Codification standard on September 30, 2009.

OTHER CORPORATE INFORMATION

LOGIC Devices Incorporated, an ISO 9001:2000 registered company, develops and markets high-performance, low power digital integrated circuits and integrated modules that perform high-density storage and signal/image processing functions. Our products enable video display, transport, editing, composition, special effects, and the high-performance, high-density storage of electronic information. We also provide solutions for digital filtering in television broadcast stations and image enhancement in medical diagnostic scanning and imaging equipment.

Our products are used in video broadcasting, medical imaging, military, industrial, embedded, and telecommunications markets. Our products address memory and digital signal processing (DSP) and high-performance arithmetic computation. We focus on developing proprietary, silicon intellectual property (IP) and standard catalog products to address specific functional application needs and performance levels that are not otherwise commercially available. We seek to provide related groups of circuits that original equipment manufacturers (OEMs) incorporate into high-performance electronic systems.

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

We market our products worldwide via our marketing and business development group as well as an external sales management organization, providing increased direct sales support and channel exposure through a combination of domestic sales representatives and international non-stocking distributors and/or agents. In fiscal 2009, approximately 16 percent of net revenues were from international channels. We adjust our sales structure to address appropriate market requirements. We include the following as some of our customers: Texas Instruments, BAE Systems, Harmonic, GE Medical, Northrup Grumman, Qualcomm, and Raytheon. Fiscal 2009 net revenues derived from foreign sales approximate 13 percent.

LOGIC Devices was incorporated under the laws of the State of California in April 1983. Our headquarters are located at 1375 Geneva Drive, Sunnyvale, California 94089, and our telephone number is 408-542-5400.

Available Information

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 are available 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

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

Our Common Stock

As of December 14, 2009, there were approximately 1,500 holders of record of our Common Stock.

Our Common Stock trades under the ticker symbol, LOGC, on The Nasdaq Capital Market. The following tables sets forth, for the period indicated, the high and low closing sales prices for our Common Stock, as reported by Nasdaq during the following calendar quarters:

<u>Calendar Year</u>	<u>High</u>	<u>Low</u>
2007		
Fourth quarter	\$2.07	\$1.03
2008		
First quarter	\$2.50	\$1.00
Second quarter	\$1.18	\$0.88
Third quarter	\$1.52	\$0.90
Fourth quarter	\$1.01	\$0.53
2009		
First quarter	\$0.69	\$0.41
Second quarter	\$0.61	\$0.41
Third quarter	\$1.10	\$0.44

Selected Financial Data

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.

(In thousands, except per share amounts)

	Fiscal Years Ended:				
	September 30, 2009	September 30, 2008	September 30, 2007	September 30, 2006	September 28, 2005
Net revenues	\$3,013	\$3,352	\$4,686	\$4,641	\$3,509
Research and development	\$1,159	\$1,563	\$1,812	\$982	\$730
Net (loss) income	\$(811)	\$(3,965)	\$(1,488)	\$129	\$(1,363)
Basic (loss) earnings per common share	\$(0.12)	\$(0.58)	\$(0.22)	\$0.02	\$(0.20)
Basic weighted-average common shares outstanding	6,814	6,814	6,797	6,754	6,750
Working capital	\$2,465	\$3,162	\$6,957	\$7,897	\$7,589
Inventory	\$1,078	\$1,425	\$4,389	\$5,240	\$5,626
Total assets	\$3,583	\$4,376	\$8,263	\$9,717	\$9,547
Shareholders' equity	\$3,261	\$4,035	\$8,016	\$9,397	\$9,238

Quarterly Financial Data (unaudited)

The following is an unaudited summary of quarterly results of operations for the fiscal years ended September 30, 2009 and 2008 (in thousands, except per share data):

	Fiscal Quarters Ended:				Fiscal Year
	12/31/08	03/31/09	06/30/09	09/30/09	
Net revenues	\$ 445	\$ 556	\$ 803	\$ 1,209	\$ 3,013
Gross margin	\$ 31	\$ 278	\$ 636	\$ 799	\$ 1,744
(Loss) income from operations	\$ (628)	\$ (418)	\$ 31	\$ 200	\$(815)
(Loss) income before income taxes	\$ (621)	\$ (420)	\$ 31	\$ 200	\$ (810)
Net (loss) income	\$ (621)	\$ (421)	\$ 31	\$ 200	\$ (811)
Basic (loss) income per share	\$ (0.09)	\$ (0.06)	\$ –	\$ 0.03	\$ (0.12)
Basic wtd-avg common shares	6,814	6,814	6,814	6,814	6,814

	Fiscal Quarters Ended:				Fiscal Year
	12/31/07	03/31/08	06/30/08	09/30/08	
Net revenues	\$ 869	\$ 965	\$ 729	\$ 789	\$ 3,352
Gross margin	\$ 128	\$ (50)	\$ (423)	\$ (499)	\$ (844)
Loss from operations	\$ (649)	\$ (809)	\$ (1,128)	\$ (1,305)	\$ (3,891)
Loss before income taxes	\$ (763)	\$ (791)	\$ (1,116)	\$ (1,294)	\$ (3,964)
Net loss	\$ (763)	\$ (791)	\$ (1,117)	\$ (1,294)	\$ (3,965)
Basic loss per share	\$ (0.11)	\$ (0.12)	\$ (0.16)	\$ (0.19)	\$ (0.58)
Basic wtd-avg common shares	6,814	6,814	6,814	6,814	6,814

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

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

David A. Harrison
Vice President of Marketing

INDEPENDENT AUDITORS

Hein & Associates LLP
Irvine, California

LEGAL COUNSEL

My General Counsel Group
San Mateo, California

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
1375 Geneva 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

1375 Geneva Drive, Sunnyvale, California 94089 Telephone: 408-542-5400 Web: www.logicdevices.com