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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended  
**March 31, 2002**

Commission File Number  
**0-17187**

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**Logic Devices Incorporated**

(Exact name of registrant as specified in its charter)

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**California**

(State or other jurisdiction of  
incorporation or organization)

**94-2893789**

(I.R.S. Employer  
Identification Number)

**1320 Orleans Drive, Sunnyvale, California 94089**

(Address of principal executive offices)  
(Zip Code)

**(408) 542-5400**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of the issuer's classes of common stock, as of the latest practicable date. On May 14, 2002, 6,852,888 shares of Common Stock, without par value, were issued and outstanding.

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## Logic Devices Incorporated

### INDEX

	<u>Page Number</u>
Part I. – Financial Information	
<u>Item 1. Financial Statements</u>	
Consolidated Balance Sheets as of March 31, 2002 and September 30, 2001	3
Consolidated Statements of Operations for the fiscal quarter ended March 31, 2002 and April 1, 2001	4
Consolidated Statements of Operations for the six fiscal months ended March 31, 2002 and April 1, 2001	5
Consolidated Statements of Cash Flows for six fiscal months ended March 31, 2002 and April 1, 2001	6
Notes to Consolidated Financial Statements	7
<u>Item 2. Management's Discussion and Analysis of         Financial Condition and Results of Operations</u>	9
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	11
Part II. – Other Information	12
<u>Item 1. Legal Proceedings</u>	12
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	12
<u>Item 6. Exhibits and Reports on Form 8-K</u>	13
Signatures	14

## Part I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Logic Devices Incorporated

#### Consolidated Balance Sheets

	March 31, 2002 <u>(unaudited)</u>	September 30, 2001 <u></u>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 194,700	\$ 217,500
Accounts receivable, net of allowance	4,167,000	3,352,200
Inventories	10,559,000	11,695,700
Prepaid expenses	<u>293,100</u>	<u>192,600</u>
Total current assets	15,213,800	15,458,000
Property and equipment, net	1,207,500	1,592,000
Other assets	<u>165,200</u>	<u>181,000</u>
	<u>\$ 16,586,500</u>	<u>\$ 17,231,000</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Current liabilities:		
Bank borrowings	\$ 750,000	\$ –
Accounts payable	266,900	268,100
Accrued payroll and vacation	170,100	190,900
Accrued commissions	54,800	54,600
Accrued insurance	51,600	–
Other accrued expenses	1,700	5,500
Current portion, capital lease obligations	16,300	54,700
Income taxes payable	<u>–</u>	<u>1,900</u>
Total current liabilities	1,311,400	575,700
Capital lease obligations, net of current portion	<u>–</u>	<u>2,900</u>
Total liabilities	<u>1,311,400</u>	<u>578,600</u>
Shareholders' equity:		
Common stock	18,539,900	18,522,700
Additional paid-in capital	19,000	19,000
Accumulated deficit	<u>(3,283,800)</u>	<u>(1,889,300)</u>
Total shareholders' equity	<u>15,275,100</u>	<u>16,652,400</u>
	<u>\$ 16,586,500</u>	<u>\$ 17,231,000</u>

**Logic Devices Incorporated**  
**Consolidated Statements of Operations**

(unaudited)

	Fiscal quarter ended	
	March 31, 2002	April 1, 2001
Net revenues	\$ 1,120,300	\$ 2,539,600
Cost of revenues	<u>915,300</u>	<u>1,528,600</u>
Gross margin	<u>205,000</u>	<u>1,011,000</u>
Operating expenses:		
Research and development	459,200	447,000
Selling, general and administrative	<u>557,400</u>	<u>540,800</u>
Total operating expenses	<u>1,016,600</u>	<u>987,800</u>
(Loss) income from operations	(811,600)	23,200
Other expense, net	<u>22,200</u>	<u>1,700</u>
(Loss) income before income taxes	(833,800)	21,500
Income tax provision	<u>6,500</u>	<u>9,600</u>
Net (loss) income	\$ <u><u>(840,300)</u></u>	\$ <u><u>11,900</u></u>
Basic and diluted (loss) earnings per common share	\$ <u><u>(0.12)</u></u>	\$ <u><u>—</u></u>
Basic weighted average common shares outstanding	<u>6,851,138</u>	<u>6,841,888</u>
Diluted weighted average common shares outstanding	<u>6,853,517</u>	<u>6,841,888</u>

**Logic Devices Incorporated**  
**Consolidated Statements of Operations**

(unaudited)

	Six fiscal months ended	
	March 31, 2002	April 1, 2001
Net revenues	\$ 2,891,500	\$ 5,597,600
Cost of revenues	<u>2,245,400</u>	<u>3,573,600</u>
Gross margin	<u>646,100</u>	<u>2,024,000</u>
Operating expenses:		
Research and development	1,027,000	814,300
Selling, general and administrative	<u>990,100</u>	<u>1,081,600</u>
Total operating expenses	<u>2,017,100</u>	<u>1,895,900</u>
(Loss) income from operations	(1,371,000)	128,100
Other expense, net	<u>17,000</u>	<u>8,600</u>
(Loss) income before income taxes	(1,388,000)	119,500
Income tax provision	<u>6,500</u>	<u>10,400</u>
Net (loss) income	\$ <u>(1,394,500)</u>	\$ <u>109,100</u>
Basic and diluted (loss) earnings per common share	\$ <u>(0.20)</u>	\$ <u>0.02</u>
Basic weighted average common shares outstanding	<u>6,844,930</u>	<u>6,841,888</u>
Diluted weighted average common shares outstanding	<u>6,847,309</u>	<u>6,841,888</u>

**Logic Devices Incorporated**

**Consolidated Statements of Cash Flows**

(unaudited)

	Six fiscal months ended	
	March 31, 2002	April 1, 2001
Cash flows from operating activities:		
Net (loss) income	\$ (1,394,500)	\$ 109,100
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	426,900	616,700
Gain on disposal of capital equipment	(10,500)	-
Change in operating assets and liabilities:		
Accounts receivable	(814,800)	(862,500)
Inventories	1,136,700	(672,500)
Prepaid expenses	(100,500)	(56,300)
Accounts payable	(1,200)	165,200
Accrued payroll and vacation	(20,800)	23,300
Accrued commissions	200	(75,300)
Accrued insurance	51,600	35,800
Other accrued expenses	(3,800)	(37,400)
Income taxes payable	(1,900)	(1,700)
Net cash used in operating activities	(732,600)	(755,600)
Cash flows from investing activities:		
Capital expenditures	(27,000)	(121,500)
Decrease in other assets	300	1,300
Net cash used in investing activities	(26,700)	(120,200)
Cash flows from financing activities:		
Proceeds from exercise of common stock options	17,200	-
Proceeds from bank borrowing	750,000	500,000
Repayment of capital lease obligations	(30,700)	(146,300)
Net cash provided by financing activities	736,500	353,700
Net decrease in cash and cash equivalents	(22,800)	(522,100)
Cash and cash equivalents, beginning of period	217,500	753,300
Cash and cash equivalents, end of period	\$ 194,700	\$ 231,200

# Logic Devices Incorporated

## Notes to Consolidated Financial Statements

(unaudited)

### (A) Basis of Presentation

The accompanying unaudited interim consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations, and cash flows of the Company for the periods indicated. Certain items were reclassified in the consolidated financial statements of April 1, 2001 to conform to the basis used in the audited consolidated financial statements for the fiscal year ended September 30, 2001.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes necessary for a complete presentation of the financial position, results of operations, and cash flows for the Company, in conformity with accounting principles generally accepted in the United States of America. The Company has filed audited consolidated financial statements that include all information and footnotes necessary for such a presentation of the financial position, results of operations and cash flows for the fiscal years ended September 30, 2001 and October 1, 2000, with the Securities and Exchange Commission. It is suggested that the accompanying unaudited interim consolidated financial statements be read in conjunction with the aforementioned audited consolidated financial statements. The unaudited interim consolidated financial statements contain all normal and recurring entries. The results of operations for the interim period ended March 31, 2002 are not necessarily indicative of the results to be expected for the full year.

### (B) Inventories

A summary of inventories follows:

	March 31, <u>2002</u>	September 30, <u>2001</u>
Raw materials	\$ 1,549,700	\$ 1,544,800
Work-in-process	6,106,200	6,801,900
Finished goods	<u>2,903,100</u>	<u>3,349,000</u>
	<u>\$ 10,559,000</u>	<u>\$ 11,695,700</u>

Based on forecasted fiscal year 2002 sales levels, the Company has on hand inventories aggregating approximately twenty-four months of sales.

# Logic Devices Incorporated

## Notes to Consolidated Financial Statements

(unaudited)

### (C) Financing

On July 31, 2001, the Company renewed its line of credit with Comerica Bank - California, with an availability of up to \$2,000,000. The line of credit bears interest at the bank's prime rate (4.75% at March 31, 2002) plus 0.25%, matures on July 31, 2002, is secured by all of the Company's assets, and is guaranteed, in part, by a federal agency. The line of credit requires the Company to maintain a quarterly minimum quick ratio of 1.1/1.0, a quarterly debt to tangible net worth of no more than 0.6/1.0, a quarterly tangible net worth of at least \$15.7 million plus 50% of the quarter's net profit and 100% of newly issued equity, and annual profitability. On March 31, 2002, the Company had an outstanding balance of \$750,000 and was in compliance with the quarterly covenants, except the tangible net worth requirement, for which it has not received a waiver.

Under the terms of its line of credit, the Company is precluded from paying any dividends without the consent of the parties to such agreements, even if the Company is in compliance with all of the financial covenants. Regardless of any such restrictions in its bank loan agreements, the Company does not intend to pay cash dividends in the near future.

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

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Some forward-looking statements are identified by words “believe,” “expect,” “anticipate,” “project,” and similar expressions. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to operating results, new product introductions and sales, competitive conditions, customer demand, capital expenditures and resources, manufacturing capacity utilization, and intellectual property claims and defense. Factors that could cause actual results to differ materially are included in, but not limited to, those identified in “Factors Affecting Future Results” in the Annual Report on Form 10-K for the Company’s fiscal year ended September 30, 2001 and elsewhere in Management’s Discussion and Analysis of Financial Conditions and Results of Operations in such Annual Report on Form 10-K and in this Quarterly Report on Form 10-Q. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may reflect events or circumstances after the date of this report.

### Results of Operations

#### *Revenues*

Net revenues decreased 56% from \$2,539,600, for the fiscal quarter ended April 1, 2001, to \$1,120,300, for the fiscal quarter ended March 31, 2002, which is the Company’s second fiscal quarter of 2002. This decrease resulted from the continued downturn in the industry and economy.

#### *Expenses*

Cost of revenues decreased 40% from \$1,528,600 in the fiscal quarter ended April 1, 2001 to \$915,300 in the fiscal quarter ended March 31, 2002. This decrease was the result of the weaker sales. As a percentage of net revenues, the gross profit margin decreased by 22% due to some overhead costs being fixed.

Research and development expense increased slightly (by 3%) from \$447,000 (18% of net revenues) in the fiscal 2001 period to \$459,200 (41% of net revenues) in the fiscal 2002 period. However, if revenues had remained consistent with those of the fiscal 2001 period, the expense would have been approximately 18% of revenues, which is near the Company’s target of 20%. The Company believes the only way to consistently grow future revenues will be through new product development.

Selling, general and administrative expense increased slightly (by 3%) from \$540,800 (21% of net revenues) in the fiscal 2001 period to \$557,400 (50% of net revenues) in the fiscal 2002 period, due to the decrease in net revenues.

The Company had a loss from operations for the fiscal 2002 period of \$811,600 versus income of \$23,200 in the fiscal 2001 period, due to the decrease in revenues and unavoidable fixed administrative costs.

For the fiscal 2002 period, the Company had other expense of \$22,200 versus other expense of \$1,700 in the fiscal 2001 period, consisting mainly of interest on bank borrowings.

As a result of the foregoing, the Company had a net loss of \$840,300 for the fiscal 2002 period versus a net income of \$11,900 in the fiscal 2001 period.

## Liquidity and Capital Resources

### *Cash Flows*

During the six fiscal months ended March 31, 2002, the Company used net cash of \$732,600 for operations as the result of a net loss of \$1,394,500 during the period. While the downturn in the industry and economy continues to result in many customers paying 14 to 30 days past due, the Company attempts to maintain its payment terms with vendors. Therefore, while accounts receivable increased by approximately \$814,800, accounts payable decreased by \$1,200. Inventory decreased by \$1,136,700, as the Company was able to primarily use existing inventory to ship its sales during the six fiscal months. During the six fiscal months, the Company drew down \$750,000 on its line of credit, while reducing capital lease obligations by \$30,700 and purchasing \$27,000 in capital equipment. The Company also received \$17,200 from the exercise of common stock options by employees.

Even though it had net income of \$109,100, the Company used net cash of \$755,600 for operations during the six fiscal months ended April 1, 2001. This was the result of an increase in accounts receivable of \$862,500 and an increase in inventory of \$672,500, consisting mainly of silicon wafers. During this 2001 period, the Company drew down \$500,000 on its line of credit, while purchasing \$121,500 of capital equipment and reducing capital lease obligations by \$146,300.

### *Working Capital*

While the Company's accounts receivable balance typically represents the prior quarter's sales, one customer on extended terms currently represents nearly 90% of the total receivables balance. In addition, due to the downturn in the economy, many of the Company's customers are paying 21 days beyond its normal net 30-day terms. However, the Company currently believes all its receivables are collectible.

As a nature of its business, the Company's investment in inventories has been, and will continue to be, significant (at current sales levels, on-hand inventories approximate 24 months of sales). However, the Company does not anticipate the slump in the industry and economy to continue indefinitely, and many of the Company's products have life cycles of at least five years. Although levels of inventory impact its liquidity, the Company believes that it is a cost of doing business as a fabless operation (processed wafers are purchased from outside suppliers).

The Company has made good progress in reducing inventory levels during the first two

quarters of fiscal 2002, and plans to increase its efforts to reduce inventory during the remaining fiscal quarters. The Company provides reserves for future obsolescence and for product material that is over one year old and has no backlog or sales activity. The Company also takes physical inventory write-downs for obsolescence. While the Company has been actively attempting to reduce inventory levels over the past several quarters, it made large purchases of wafers during the quarter ended December 31, 2000, when wafer capacity was tight. The Company felt it was necessary to take advantage of available capacity from its primary supplier in order to prepare itself for future sales.

### *Financing*

The Company has a \$2,000,000 line of credit with Comerica Bank-California, which bears interest at the bank's prime rate (4.75% at March 31, 2002) plus 0.25%, is secured by all the Company's assets, and is partially guaranteed by a federal agency. The line of credit requires the Company to maintain a quarterly minimum quick ratio of not less than 1.10 to 1.00, a quarterly maximum debt to tangible net worth ratio of no more than 0.60 to 1.00, a quarterly tangible net worth of at least \$15.7 million plus 50% of the quarter's profits and 100% of newly issued equity, and annual profitability. On March 31, 2002, the Company had an outstanding balance of \$750,000, but was not in compliance with its tangible net worth requirement, for which it has not received a waiver. This line of credit matures on July 31, 2002.

Under the terms of its line of credit, the Company is precluded from paying any dividends without the consent of the parties to such agreements, even if the Company is in compliance with all of the financial covenants. Regardless of any such restrictions in its bank loan agreements, the Company does not intend to pay cash dividends in the near future.

While the Company will continue to evaluate debt and equity financing opportunities, it believes its financing arrangements and operating cash flow provide a sufficient base of liquidity for funding operations and capital needs to support the Company's operations.

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

The Company conducts all of its transactions, including those with foreign suppliers and customers, in U.S. dollars. It is therefore not directly subject to the risks of foreign currency fluctuations and does not hedge or otherwise deal in currency instruments in an attempt to minimize such risks. Of course, 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. The Company also does not hold any market risk sensitive instruments that are not considered cash under accounting principles generally accepted in the United States of America. The Company's credit facilities bear interest at rates determined from the prime rate of the Company's lender; therefore, changes in interest rates affect the amount of interest that the Company is required to pay thereunder.

## Part II - OTHER INFORMATION

### Item 1. Legal Proceedings.

Not Applicable.

### Item 2. Changes in Securities and Use of Proceeds.

Not Applicable.

### Item 3. Defaults Upon Senior Securities.

Not Applicable.

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

At 11:00 a.m. on March 12, 2002, the Company held its Annual Shareholders Meeting at the Company's headquarters located at 1320 Orleans Drive, Sunnyvale, California. The only item to be voted upon at the meeting was the election of the Board of Directors. There were 6,290,600 shares present or represented by proxy at the meeting, representing a quorum.

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

<u>Nominee</u>	<u>Votes in Favor</u>	<u>Votes Against</u>	<u>Abstention</u>
Howard L. Farkas	6,204,030	100	23,750
Fredric J. Harris	6,140,705	100	23,750
Joel S. Kanter	6,140,705	100	23,750
Albert Morrison Jr.	6,140,705	100	23,750
William J. Volz	6,203,205	100	23,750

### Item 5. Other Information.

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K.

- a. The Index to Exhibits appears at page 15 of this report.
- b. No reports on Form 8-K have been filed during the fiscal quarter for which this report is filed.

## SIGNATURES

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

Logic Devices Incorporated  
(Registrant)

Date: May 14, 2002

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

Date May 14, 2002

By /s/ Kimiko Lauris  
Kimiko Lauris  
Chief Financial Officer and  
Principal Financial and  
Accounting Officer

## INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Incorporation, as amended. [3.1] (1)
3.2	Bylaws, as amended. [3.2] (1)
10.1	Real Estate lease regarding Registrant's Sunnyvale facilities. [10.1] (2)
10.2	LOGIC Devices Incorporated 1996 Stock Incentive Plan. [99.1] (3)
10.3	LOGIC Devices Incorporated 1999 Director Stock Incentive Plan. [10.1] (4)
10.4	Registration Rights Agreement dated October 3, 1998 between William J. Volz, BRT Partnership, and Registrant. [10.19] (5)

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[ ] Exhibits so marked have been previously filed with the Securities and Exchange Commission (SEC) as exhibits to the filings shown below under the exhibit numbers indicated following the respective document description and are incorporated herein by reference.

- (1) Registration Statement on Form S-18, as filed with the SEC on August 23, 1988 [Registration No. 33-23763-LA].
- (2) Registration Statement of Form S-3, as filed with the SEC on November 21, 1996 [Registration No. 333-16591].
- (3) Registration Statement on Form S-8, as filed with the SEC on August 17, 1997 [Registration No. 333-32819].
- (4) Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, as filed with the SEC on August 14, 1999.
- (5) Annual Report on Form 10-K for the transition period from January 1, 1998 to October 3, 1999, as filed with the SEC on January 13, 1999.