

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
December 31, 2004

Commission File Number
0-17187

LOGIC Devices Incorporated

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

94-2893789
(I.R.S. Employer
Identification Number)

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of the issuer's classes of common stock, as of the latest practicable date. On January 25, 2005, 6,743,188 shares of Common Stock, without par value, were issued and outstanding.

LOGIC Devices Incorporated

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Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets

	December 31, 2004 (unaudited)	September 30, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,833,700	\$ 1,788,900
Accounts receivable	707,400	729,000
Inventories	6,673,300	7,079,300
Prepaid expenses	288,300	143,100
Sales tax refund receivable	13,500	47,600
Total current assets	9,516,200	9,787,900
Property and equipment, net	817,400	862,000
Other assets, net	247,500	185,700
	<u>\$ 10,581,100</u>	<u>\$ 10,835,600</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 52,500	\$ 137,200
Accrued payroll and vacation	73,900	52,500
Accrued commissions	12,600	15,500
Other accrued expenses	61,800	-
Total current liabilities	200,800	205,200
Deferred rent	38,900	40,500
Total liabilities	239,700	245,700
Commitments and contingencies	-	-
Shareholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; 5,000 designated as Series A; 0 shares issued and outstanding	-	-
Common stock, no par value; 10,000,000 shares authorized; 6,743,188 shares issued and outstanding	18,436,500	18,436,500
Additional paid-in capital	100,000	100,000
Accumulated deficit	(8,195,100)	(7,946,600)
Total shareholders' equity	10,341,400	10,589,900
	<u>\$ 10,581,100</u>	<u>\$ 10,835,600</u>

See accompanying notes to financial statements.

Statements of Operations

(unaudited)

	For the fiscal quarter ended:	
	December 31, 2004	December 31, 2003
Net revenues	\$ 1,000,900	\$ 1,102,100
Cost of revenues	<u>718,300</u>	<u>710,000</u>
Gross margin	<u>282,600</u>	<u>392,100</u>
Operating expenses:		
Research and development	208,900	399,000
Selling, general, and administrative	<u>326,100</u>	<u>514,300</u>
Total operating expenses	<u>535,000</u>	<u>913,300</u>
Loss from operations	(252,400)	(521,200)
Interest income	<u>4,700</u>	<u>6,400</u>
Loss before provision for income taxes	(247,700)	(514,800)
Provision for income taxes	<u>800</u>	<u>—</u>
Net loss	<u>\$ (248,500)</u>	<u>\$ (514,800)</u>
Basic and diluted loss per common share	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>
Basic and diluted weighted average common shares outstanding	<u>6,743,188</u>	<u>6,654,021</u>

See accompanying notes to financial statements.

Statements of Cash Flows

(unaudited)

	For the fiscal quarter ended:	
	December 31, 2004	December 31, 2003
Cash flows from operating activities:		
Net loss	\$ (248,500)	\$ (514,800)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	58,800	71,800
Loss on disposal of capital equipment	—	100
Deferred rent	(1,600)	200
Change in operating assets and liabilities:		
Accounts receivable	21,600	(29,500)
Inventories	406,000	293,300
Prepaid expenses and other current assets	(111,100)	(105,100)
Accounts payable	(84,700)	57,500
Accrued payroll and vacation	21,400	(12,200)
Accrued commissions	(2,900)	(20,200)
Other accrued expenses	61,800	(38,000)
Net cash provided by (used in) operating activities	<u>120,800</u>	<u>(296,900)</u>
Cash flows from investing activities:		
Capital expenditures	(14,200)	(21,600)
Other assets	(61,800)	(27,300)
Net cash used in investing activities	<u>(76,000)</u>	<u>(48,900)</u>
Cash flows from financing activities		
Proceeds from exercise of common stock options	—	24,500
Net cash provided by financing activities:	<u>—</u>	<u>24,500</u>
Net increase (decrease) in cash and cash equivalents	44,800	(321,300)
Cash and cash equivalents, beginning of period	<u>1,788,900</u>	<u>1,806,100</u>
Cash and cash equivalents, end of period	<u>\$ 1,833,700</u>	<u>\$ 1,484,800</u>

See accompanying notes to financial statements.

LOGIC Devices Incorporated

Notes to Financial Statements

(unaudited)

1. Basis of Presentation

The accompanying unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations, and cash flows of the Company for the periods indicated.

On December 15, 2003, the Company elected to change its fiscal year end to September 30. Previously, the Company's fiscal years were comprised of 52 weeks of seven days, each beginning on Monday and ending on Sunday. Previously, the Company's fiscal quarters were comprised of exactly 13 weeks and, therefore, its fiscal years consisted of only 364 days.

As a result of this change, the Company's fiscal years are now comprised of 365 days or, in leap years such as 2004, 366 days with each fiscal quarter ending at the end of a calendar quarter. The Company's 2004 fiscal year ended September 30, 2004 rather than September 26, 2004. The additional four days were included in the Company's first quarter for fiscal 2004, which ended December 31, 2003.

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions for Form 10-Q, and, therefore, do not include all information and footnotes necessary for a complete presentation of the financial position, results of operations, and cash flows for the Company, in conformity with accounting principles generally accepted in the United States of America. The Company has filed audited financial statements that include all information and footnotes necessary for such a presentation of the financial position, results of operations, and cash flows for the fiscal years ended September 30, 2004 and September 28, 2003, with the Securities and Exchange Commission. It is suggested that the accompanying unaudited interim financial statements be read in conjunction with the aforementioned audited financial statements. The unaudited interim financial statements contain all normal and recurring entries. The results of operations for the interim period ended December 31, 2004 are not necessarily indicative of the results to be expected for the full fiscal year to end September 30, 2005.

2. Inventories

A summary of inventories follows:

	<i>December 31, 2004</i>	<i>September 30, 2004</i>
Raw materials	\$ 766,900	\$ 771,000
Work-in-process	3,642,600	4,003,900
Finished goods	2,263,800	2,304,400
	<u>\$ 6,673,300</u>	<u>\$ 7,079,300</u>

LOGIC Devices Incorporated

Notes to Financial Statements (continued)

(unaudited)

3. Shareholders' Equity

The Company issues common stock options to its employees, certain consultants, and certain of its board members. The Company accounts for these stock options under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. In accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an Amendment of FASB Statement No. 123," the following table illustrates the effect on net loss and net loss per common share had the Company applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based compensation:

	<i>Fiscal Quarter Ended:</i>	
	<i>December 31, 2004</i>	<i>December 31, 2003</i>
Net loss, as reported	\$ (248,500)	\$ (725,500)
SFAS No. 123 expense	27,000	16,400
Pro forma net loss	<u>\$ (275,500)</u>	<u>\$ (741,900)</u>
Basic and diluted net loss per share, as reported	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>
Pro forma basic and diluted net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>

For purposes of pro forma disclosure, the estimated fair value of the options is expensed over the vesting period of the related options.

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

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as “anticipates, appears, expects, intends, hopes, plans, believes, seeks, estimates, may, will,” and variations of these words or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to operating results, new product introductions and sales, competitive conditions, customer demand, capital expenditures and resources, manufacturing capacity utilization, and intellectual property claims and defense. Factors that could cause actual results to differ materially are included in, but not limited to, those identified in “Factors Affecting Future Results” and “Business” in the Annual Report on Form 10-K for the Company’ fiscal year ended September 30, 2004 and in the “Management's Discussion and Analysis of Financial Condition and Results of Operations,” in such Annual Report on Form 10-K and in this Quarterly Report on Form 10-Q. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may reflect events or circumstances after the date of this report.

Liquidity and Capital Resources

Cash Flows

While the Company had a net loss of \$248,500 for the fiscal quarter ended December 31, 2004, it produced net cash of \$120,800 from operations during this period. The Company used \$195,800 to increase prepaid expenses and reduce accounts payable, and it generated \$406,000 from the reduction of inventories. The Company had additional accrued expenses for property insurance and property taxes totaling \$58,600. The Company also used \$76,000 on capital expenditures, mainly for the production of its new products.

While the Company had a net loss of \$514,800 for the fiscal quarter ended December 31, 2003, it used net cash of only \$296,900 for operations during this period. The Company used \$82,000 on prepaid expenses and an additional \$67,400 to reduce accrued commissions and consulting expenses. At the same time, it generated only \$293,300 by reducing inventories while its accounts payable increased \$57,500. The Company used \$48,900 on capital expenditures and other assets and received \$24,500 from the exercise of common stock options.

Working Capital

At the end of its fiscal quarters, the Company's accounts receivable balance often equals approximately one-half to two-thirds its quarterly revenues, as many of its customers tend to request shipment during the latter portion of the fiscal quarter. As a result of this fact and the Company's net 30 day payment terms, a large portion of the Company's accounts receivable are typically not due at quarter-end. While the Company continues to work with customers to attempt to spread their orders and shipments throughout the quarter, it was less successful in doing so during the quarter ended December 31, 2004.

Due to the nature of its business and the long life cycles of its products, the Company's investment in inventories has been, and will continue to be, significant. Although high levels of inventory impact liquidity, the Company believes these costs are a less costly alternative to owning a wafer fabrication facility.

During fiscal 2004, the Company reduced its inventory by 17%, or \$1,431,600, and during the fiscal quarter ended December 31, 2004, the Company reduced its inventory by an additional 6%, or \$406,000. The Company expects to continue its efforts to reduce inventory during fiscal 2005 and in future periods. The Company provides reserves for product material that is over one-year old and has no backlog or sales activity, and for future obsolescence. The Company also takes physical inventory write-downs for obsolete and slow-moving items. The Company establishes reserves through periodic reviews of inventory on-hand, including lower-of-cost-or-market and excess analyses. For example, if a product type has unit costs higher than the average selling price or has more on-hand than it has sold or expects to sell, the Company provides a reserve. The Company believes its current reserve provides a reasonable estimate of the recoverability of inventories.

Financing

The Company will continue to evaluate future debt and equity financing opportunities; however, it feels the cost reductions implemented in the past few years have resulted in sufficient cash flow generated from operations to provide an adequate base of liquidity to fund future operating and capital needs. The Company's belief is based on the fact that, as of January 21, 2005, it holds approximately \$1.83 million in cash reserves. Therefore, it believes it can cover its cash operating expenses using future revenues, while saving current cash reserves for future capital expenditures, such as mask tooling for new products. At current resource levels, the Company does not anticipate being able to take advantage of all the new product development opportunities it has identified. However, as it considers product development critical to its future success, the Company anticipates its research and development expenditures will continue to be a significant portion of its operating expenses.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement Number 123 (revised 2004) ("FAS 123 (R)"), Share-Based Payments. FAS 123 (R) requires all entities to recognize compensation expense in an amount equal to the fair value of share-based payments, such as stock options granted to employees. The Company is required to apply FAS 123 (R) on a modified prospective method. Under this method, the Company is required to record compensation expense (as previous awards continue to vest) for the unvested portion of previously granted awards that remain outstanding at the date of adoption. In addition, the Company may elect to adopt FAS 123 (R) by restating previously issued financial statements, basing the amounts on the expense previously calculated and reported in their pro forma disclosures that had been required by FAS 123. FAS 123 (R) is effective for the first reporting period beginning after June 15, 2005. Management has not completed its evaluation of the effect that FAS 123 (R) will have, but believes that the effect will be consistent with the application disclosed in its pro forma disclosures.

Results of Operations

Revenues

The Company's net revenues decreased by 9% from \$1,102,100 for the fiscal quarter ended December 31, 2003, to \$1,000,900 for the fiscal quarter ended December 31, 2004. This reduction is due to the continued phasing out of older products that were not countered by revenues from newer products. The Company hopes to generate revenues from its recently released LF3312 product family in the second quarter of fiscal 2005.

Expenses

While net revenues decreased, the cost of revenues increased slightly (1%) from \$710,000 for the fiscal quarter ended December 31, 2003 to \$718,300 for the fiscal quarter ended December 31, 2004. This increase despite decreasing revenues was the result of fewer products being sold that had previously been written to zero-value. In the December 31, 2003 fiscal quarter, 6% of net revenues were items that were at zero-value, compared to only 1% of net revenues for the December 31, 2004 quarter.

Research and development (R&D) expenditures decreased by 42% from \$399,000 for the fiscal quarter ended December 31, 2003 to \$208,900 for the fiscal quarter ended December 31, 2004. This decrease is mainly the result of a reduction in staffing. As a result, as a percentage of net revenues, R&D expenditures decreased from 36% in the fiscal 2004 quarter to 21% in the fiscal 2005 quarter. This aligns the Company's R&D expenditures at a level closer to its goal of 20% of net revenues. While the Company has reduced its staffing levels to cut costs, it believes its current team is made up of very qualified individuals that are capable of accelerating new product introductions in the future.

Selling, general, and administrative expenditures decreased by 37% from \$514,300 for the fiscal quarter ended December 31, 2003 to \$326,100 for the fiscal quarter ended December 31, 2004. This decrease resulted from a reduction in staffing, lower insurance rates, and general cost cutting.

As a result of the substantial decreases in operating expenses, the Company's loss from operations decreased 48% from \$521,200 for the fiscal quarter ended December 31, 2003 to \$252,400 for the fiscal quarter ended December 31, 2004, despite the slight decrease in net revenues.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Based upon an evaluation as of December 31, 2004, the Company's President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the Company's quarter ended December 31, 2004 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company receives demands from various parties asserting patent claims. These demands are often not based on any specific knowledge of the Company's products or operations. Because of the uncertainties inherent in litigation, the outcome of any such claim, including simply the

cost of a successful defense against such a claim, could have a material adverse impact on the Company.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The Index to Exhibits appears as Page 13 of this report.

SIGNATURES

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

LOGIC Devices Incorporated
(Registrant)

Date: January 26, 2005

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

Date: January 26, 2005

By: /s/ Kimiko Milheim
Kimiko Milheim
Chief Financial Officer and Principal Financial
and Accounting Officer

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Articles of Incorporation, as amended in 1988.
3.2	Bylaws, as amended in 1988.
10.1	Real Estate lease regarding Registrant's Sunnyvale, California facilities. [10.2] (1)
10.2	LOGIC Devices Incorporated 1996 Stock Incentive Plan. [99.1] (2)
10.3	Amended and Restated LOGIC Devices Incorporated 1998 Director Stock Incentive Plan, as amended. [10.3] (3)
10.4	Rights Agreement, dated April 30, 1997. [1] (4)
10.5	Registration Rights Agreement dated October 3, 1998 between William J. Volz, BRT Partnership, and Registrant. [10.19] (5)
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14.
32.1	Certifications of Principal Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
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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)	Annual Report on Form 10-K for the fiscal year ended September 29, 2002, as filed with the SEC on December 10, 2002.
(2)	Registration Statement on Form S-8, as filed with the SEC on August 17, 1997 [Registration No. 333-32819].
(3)	Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004, as filed with the SEC on May 12, 2004.
(4)	Registration Statement on Form 8-A, as filed with the SEC on May 5, 1997 [Registration No. 000-17187].
(5)	Annual Report on Form 10-K for the transition period from January 1, 1998 to September 30, 1998, as filed with the SEC on January 13, 1999.

**RESTATED ARTICLES OF INCORPORATION
OF
LOGIC DEVICES INCORPORATED**

William J. Volz certifies that:

1. He is the President and the Secretary, respectively, of LOGIC DEVICES INCORPORATED, a California corporation.
2. The Articles of Incorporation of this corporation are amended and restated in their entirety as follows:

I

The name of this corporation is LOGIC DEVICES INCORPORATED.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California, other than the banking business, the trust company business, or the practice of a profession permitted to be incorporated under the California Corporations Code.

III

- (a) The corporation is authorized to issue two classes of shares to be designated respectively Preferred Stock ("Preferred") and Common Stock ("Common"). The total number of shares of Preferred the corporation shall have authority to issue is 1,000,000 and the total number of shares of Common the corporation shall have authority to issue is 10,000,000.
- (b) Upon the effective date of this amendment, all outstanding shares of Common are hereby combined and converted into new shares of Common at the ratio of 5.6975 outstanding shares to one (1) new share.
- (c) The Preferred may be issued in series. The first series of Preferred shall be designated Series A Preferred Stock ("Series A Preferred") and shall consist of Five Thousand (5,000) shares, with the rights, preferences, privileges and restrictions as set forth in paragraph (d) below. The Board of Directors is authorized to fix the number of shares of any other series, and to determine the designation of any such series. The Board of Directors is also authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any such wholly unissued series of Preferred and, within the limitations and restrictions stated in any resolution or resolutions of the Board of Directors originally affixing the number of shares constituting any such series, to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares in any such series subsequent to the issue of shares of that series.
- (d) The relative rights, preferences, privileges and restrictions granted to or imposed upon the respective classes or the shares of capital stock or the holders thereof are as follows:

Section 1. General Definitions. For purposes of this Article the following definitions shall apply:

- A. 'Junior Shares' shall mean all Common and any other shares of the corporation other than the Preferred.
- B. 'Subsidiary' shall mean any corporation at least 50% of whose outstanding voting shares shall at the time be owned by the corporation or by one or more of such subsidiaries.

Section 2. Dividend Rights of Preferred. The holders of the Series A Preferred shall be entitled to receive, out of funds legally available therefor, cash dividends at the rate of Ninety Dollars (\$90.00) per annum, and no more, payable in preference and priority to any payment of any dividends on Junior Shares, when and as declared by the Board of Directors. The right to such dividends on the Series A Preferred shall not be cumulative, and no right shall accrue to holders of Series A Preferred by reason of the fact that dividends on such shares are not declared or paid in any prior year. After dividends in the amount of Ninety Dollars (\$90.00) per share on the Series A Preferred have been paid or declared and set apart in any one fiscal year of the corporation, if the Board of Directors shall elect to declare additional dividends out of funds legally available therefor in that fiscal year, such additional dividends shall be declared solely on Junior Shares.

In the event that the corporation shall have declared and unpaid dividends outstanding immediately prior to, and in the event of, a conversion of Series A Preferred (as provided hereof), the corporation shall pay in cash to the holder(s) of Series A Preferred subject to conversion the full amount of any such dividends.

Section 3. Liquidation Preferences

- A. In the event of any liquidation, dissolution or winding up of the corporation, either voluntary or involuntary, the holders of the Series A Preferred shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of the Junior Shares by reason of their ownership thereof, the amount of One Thousand Dollars (\$1,000) per share for each share of Series A Preferred, then held by them (as appropriately adjusted for any stock dividends, stock splits, recapitalization, consolidation or the like), and, in addition, an amount equal to all declared but unpaid dividends on such Series A Preferred. If, upon occurrence of such event, the assets and funds to be distributed among the holders of the Series A Preferred shall be insufficient to permit the payment to such holders of the full preferential amount, then the entire assets and funds of the corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred. If the corporation has assets remaining after payment or setting apart for payment has been made to the holders of Series A Preferred of the full amounts to which they are entitled as aforesaid, the holders of Junior Shares shall be entitled to receive ratably all remaining assets of the corporation legally available for distribution.
- B. For purposes of this Section 3, a liquidation, dissolution or winding up of the corporation shall not be deemed to be occasioned by, or to include the corporation's sale of all or substantially all of its assets or the acquisition of the corporation by another entity by means of merger or consolidation resulting in the exchange of the outstanding shares of the corporation for securities or consideration issued, or caused to be issued, by the acquiring corporation or its subsidiary.
- C. For purposes of this Section 3, if the distributions or consideration received by the shareholders of the corporation is other than cash, its value will be deemed to be its fair market value as determined in good faith by the Board of Directors of the corporation. In the case of publicly traded securities listed on an exchange, fair market value shall mean the average last closing sales price as reported on such exchange or by a consolidated transaction reporting system for the five-day period immediately preceding the date such sale, merger, consolidation or other

reorganization is consummated. In the case of publicly traded securities not listed upon an exchange, fair market value shall mean the average last closing bid price as reported by NASDAQ for the five-day period immediately preceding the date such sale, merger, consolidation or other reorganization is consummated.

Section 4. Redemption

- A. The corporation may, at any time it may lawfully do so, at the option of the Board of Directors, redeem in whole or in part, the Series A Preferred by paying in cash for each such share to be redeemed the price of One Thousand Twenty Dollars (\$1,020) per share (as appropriately adjusted for any stock dividends, stock splits, recapitalization, consolidation or the like), together with an amount equal to any declared but unpaid dividends to the date fixed for redemption. Such amount is hereinafter referred to as the "Redemption Price."
- B. At least twenty (20) days prior to the date fixed for any redemption of Series A Preferred (hereinafter referred to as the "Redemption Date"), written notice shall be mailed, postage prepaid, to each holder of record of Series A Preferred to be redeemed, at the holder's post office address last shown on the records of the corporation, notifying such holder of the election of the corporation to redeem such shares, specifying the Redemption Date, the applicable Redemption Price, and the date on which such holder's Conversion Rights (as defined in Section 5) as to such shares terminate and calling upon such holder to surrender to the corporation, in the manner and at the place designated, such holder's certificate or certificates representing the shares to be redeemed (such notice is hereinafter referred to as the "Redemption Notice"). On or after the Redemption Date, each holder of Series A Preferred to be redeemed shall surrender the certificate or certificates representing such shares to the corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner of such shares and each surrendered certificate shall be canceled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. From and after the Redemption Date, all rights of the holders of Series A Preferred designated for redemption in the Redemption Notice as holders of Series A Preferred of the corporation (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease and terminate with respect to such shares, and such shares shall not subsequently be transferred on the books of the corporation or be deemed to be outstanding for any purpose whatsoever.
- C. On or prior to the Redemption Date, the corporation shall deposit the Redemption Price of all shares of Series A Preferred designated for redemption in the Redemption Notice and not yet redeemed with a bank or trust company having aggregate capital and surplus in excess of One Hundred Million Dollars (\$100,000,000) as a trust fund for the benefit of the respective holders of the shares designated for redemption and not yet redeemed, with irrevocable instructions and authority to the bank or trust company to pay the Redemption Price for such shares to their respective holders on or after the Redemption Date upon receipt of notification from the corporation that such holder has surrendered such holder's share certificate to the corporation pursuant to Section 5(B). Such instructions shall also provide that any funds deposited by the corporation pursuant to Section 5(C) for the redemption of shares subsequently converted into shares of Common pursuant to Section 5 no later than the fifth (5th) day preceding the Redemption Date shall be returned to the corporation forthwith upon such conversion. The balance of any funds deposited by the corporation pursuant to this Section 4(C) remaining unclaimed at the expiration of one (1) year following the Redemption Date shall be returned to the corporation upon its request expressed in a resolution of its Board of Directors.

- D. In the event of a redemption of only a part of the outstanding shares of Series A Preferred, the corporation shall effect such redemption ratably according to the number of shares held by each holder of the Series A Preferred.

Section 5. Conversion

- A. Right to Convert. Each share of Series A Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share on or prior to the fifth (5th) business day prior to such date, if any, as may have been fixed for the redemption thereof in any call for redemption pursuant to Section 4 hereof, at the office of the corporation or any transfer agent for the Series A Preferred, into such number of fully paid and nonassessable shares of Common, as is determined by dividing One Thousand Dollars (\$1,000) by the Conversion Price determined as hereinafter provided, in effect at the time of conversion. The price at which shares of Common shall be deliverable upon conversion (the "Conversion Price") shall initially be Six Dollars (\$6.00) provided, however, the Conversion Price shall be adjusted to be equal to the price at which the corporation first offers shares of its Common for sale to the public pursuant to an underwritten public offering under the Security Act of 1933, as amended, provided such offering becomes effective prior to June 30, 1989. Such Conversion Price shall also be subject to further adjustment as hereinafter provided. In the event of a notice of redemption of any shares of Series A Preferred pursuant to Section 4 hereof, the Conversion Rights shall terminate as to the number of shares designated for redemption at the close of business on the fifth (5th) day preceding the Redemption Date, unless default is made in payment of the Redemption Price, in which case the Conversion Rights for such shares shall continue.
- B. Mechanics of Conversion. No fractional shares of Common shall be issued upon conversion of Series A Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the corporation shall pay cash equal to such fraction multiplied by the then effective fair market value as determined by the Board of Directors. Before any holder of Series A Preferred shall be entitled to convert the same into full shares of Common, the holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the corporation or of any transfer agent for the Series A Preferred, and shall give written notice to the corporation at such office that the holder elects to convert the same. The corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred, a certificate or certificates for the number of shares of Common to which the holder shall be entitled as aforesaid and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred to be converted, and the person or persons entitled to receive the shares of Common issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common on such date.
- C. Adjustment for Subdivisions and Combinations. If the corporation at any time or from time to time effects a subdivision of the outstanding Common, the Conversion Price of Series A Preferred then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the corporation at any time or from time to time combines the outstanding shares of Common, the Conversion Price of Series A Preferred then in effect immediately before the combination shall be proportionately increased. Any adjustment of the Conversion Price of Series A Preferred under this Section 5(C) shall become effective at the close of business on the date the subdivision or combination becomes effective.

- D. Adjustment for Certain Dividends and Distributions. In the event the corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common entitled to receive, a dividend or other distribution payable in shares of Common then and in each such event the Conversion Price of the Series A Preferred then in effect shall be decreased as of the time of such issuance or, in the event such a record date, by multiplying such Conversion Price then in effect by a fraction (1) the numerator of which shall be the total number of shares of Common issued and outstanding immediately prior to the time of such issuance on the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Common issued and outstanding immediately prior to the time of such issuance on the close of business on such record date plus the number of shares of Common issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, such Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this Section 5(D) as of the time of actual payment of such dividends or distributions.
- E. Adjustment for Other Dividends and Distributions. In the event the corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common entitled to receive, a dividend or other distribution payable in securities of the corporation other than shares of Common, then and in each event provision shall be made so that the holder of Series A Preferred shall receive upon conversion thereof, in addition to the number of shares of Common receivable thereupon, the amount of securities of the corporation which they would have received had their Series A Preferred been converted into Common on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 5 with respect to the rights of the holders of Series A Preferred.
- F. Adjustments for Reclassification, Exchange and Substitution. If the Common issuable upon the conversion of the Series A Preferred is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares of stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 5), then and in any such event each holder of Series A Preferred shall have the right, thereafter, to convert such shares of Series A Preferred into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the number of shares of Common into which such shares of Series A Preferred might have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.
- G. Reorganization, Mergers, Consolidations or Sales of Assets. If at any time or from time to time there is a capital reorganization of the Common (other than a recapitalization, reclassification, subdivision, combination, stock dividend or exchange of shares provided for elsewhere in this Section 5) or a merger or consolidation of the corporation with or into another corporation, or the sale of all or substantially all of the corporation's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series A Preferred shall thereafter be entitled to receive, upon conversion of the Series A Preferred, the number of shares of stock or other securities or property of the corporation, or of successor corporation resulting from such capital reorganization, merger or consolidation or sale, to which a holder of Common deliverable upon conversion would have

been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of the Series A Preferred after the capital reorganization, merger, consolidation or sale to the end that the provisions of this Section 5 (including adjustment of the Conversion Price then in effect and number of shares purchasable upon conversion of the Series A Preferred) shall be applicable after that event and be as nearly equivalent to the provisions hereof as may be practicable. This Section 5(G) shall similarly apply to successive capital reorganizations, mergers, consolidations and sales.

- H. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 5, the corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon the written request at any time of any holder of Series A Preferred, furnish or cause to be furnished to such holder alike certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common and the amount, if any, of other property which at the time would be received upon the conversion of Series A Preferred.
- I. Notices of Record Date. In the event that this corporation shall propose at any time:
- i. to declare any dividend or distribution upon its Common, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;
 - ii. to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights;
 - iii. to effect any reclassification or recapitalization of its Common outstanding involving a change in the Common; or
 - iv. to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all its property or business, or to liquidate, dissolve or wind up;

then, in connection with each such event, the corporation shall send to the holders of the Series A Preferred:

1. at least 10 days' prior written notice of the date on which a record shall be taken for such dividend, distribution or subscription rights (and specifying the date on which the holders of Common shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (iii) and (iv) above; and
2. in the case of the matters referred to in (iii) and (iv) above, at least 10 days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Common shall be entitled to exchange their Common for securities or other property deliverable upon the occurrence of such event).

Each such written notice shall be given by first class mail, postage prepaid, addressed to the holders of Series A Preferred at the address for each such holder as shown on the books of the corporation.

Section 6 Voting Rights. Except as otherwise required by law, the holder of each share of Common issued and outstanding shall have one vote per share and each share of Series A Preferred issued and outstanding shall have the number of votes equal to the number of whole shares of Common into which such Series A Preferred could be converted at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited, such votes to be counted together with all other shares of stock of the corporation having general voting power and not separately as a class.

Section 7 Residual Rights. All rights accruing to the outstanding shares of this corporation not expressly provided for to the contrary herein shall be vested in the Common.

Section 8 Consent for Certain Repurchases of Common Stock Deemed to be Distributions. Each holder of an outstanding share of Series A Preferred shall be deemed to have consented, for purposes of Section 502, 503 and 506 of the Corporations Code, to distributions made by the corporation in connection with the repurchase of shares of Common issued to or held by employees, consultants, officers and directors upon termination of their employment or services pursuant to agreements providing for the right of repurchase between the corporation and such persons.

Section 9 Status of Converted or Redeemed Stock. In the event any shares of Series A Preferred shall be redeemed or converted, the shares so converted or redeemed shall be cancelled and shall not be issuable by the corporation, and the Articles of Incorporation of the corporation shall be amended to effect the corresponding reduction in the corporation's capital stock.

IV

The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Information required by this Item is incorporated by reference from the Registrant's proxy statement for its 2005 Annual Meeting, expected to be filed with the SEC on or about January 28, 2005.

V

The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the Corporations Code) for breach of duty to the corporation and its stockholders through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Corporation Code.

1. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Board of Directors.
2. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of this corporation is 19,941,249 shares of Common Stock. No other class of shares is outstanding. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).

The undersigned declares under penalty of perjury that the matters set forth in the foregoing certificate are true of his own knowledge.

Executed at Sunnyvale, California on 17 August 1988.

/s/ William J. Volz

William J. Volz, President

/s/ William J. Volz

William J. Volz, Secretary

BYLAWS

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

LOGIC DEVICES INCORPORATED

a California Corporation

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BYLAWS

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

LOGIC DEVICES INCORPORATED

Article I. General Provisions

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

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

Article II. Shares and Shareholders

Section 2.1. Meetings and Shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.3. Voting of Shares.

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

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

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

Section 2.4. Proxies. Every person entitled to vote shares may authorize another person or persons to act by proxy with respect to such shares by a written proxy signed by such person and filed with the secretary of the corporation. A proxy shall be deemed signed by such person if such person's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by such person or such person's attorney in fact. No proxy shall be valid after the expiration of 11 months from the date of the proxy unless otherwise provided in the proxy. A valid proxy which does not state that it is irrevocable shall continue in full force and effect until revoked by the person executing it before the vote pursuant to that proxy or unless

written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted. Such revocation of a revocable proxy may be effected by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or as to any meeting by attendance at such meeting and voting in person by the person executing the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the California General Corporation Law.

Section 2.5. Inspectors of Election.

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

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

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

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

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

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

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

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

Section 2.7. Share Certificiates.

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

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

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

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

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

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

- (1) The fact that the shares are subject to restrictions upon transfer;
- (2) If the shares are assessable, a statement that they are assessable;
- (3) If the shares are not fully paid, a statement of the total consideration to be paid therefor and the amount paid thereon;
- (4) The fact that the shares are subject to a voting agreement or an irrevocable proxy or restrictions upon voting rights contractually imposed by the corporation;
- (5) The fact that the shares are redeemable; and
- (6) The fact that the shares are convertible and the period for conversion.

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

Article III. Directors

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

Section 3.2. Number of Directors. The Board of Directors shall consist of not less than five (5) or more than nine (9) directors. The exact number of directors within the limits specified shall be five (5) or such other number as may be fixed from time to time by the approval of the Board of Directors or the shareholders. Such indefinite number may be changed, or a definite number fixed without provision for an indefinite number, by an amendment to these bylaws duly adopted by the vote or written consent of a majority of the outstanding shares entitled to vote; provided, however, that a bylaw amendment reducing the fixed number or the minimum number of directors to a number less than five cannot be adopted if the votes cast against its adoption at a meeting or the shares not consenting in the case of action by written consent are equal to more

than 16-2/3 percent of the outstanding shares entitled to vote. The stated maximum number of authorized directors shall in no case be greater than two times the stated minimum number of directors minus one.

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

Section 3.4. Removal.

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

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

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

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

Section 3.7. Meetings of the Board of Directors.

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

Section 3.8. Action Without Meeting. Any action required or permitted to be taken by the Board

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

Section 3.9. Committees of the Board.

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

(1) The approval of any action which also requires, under the California General Corporation Law, shareholders' approval or approval of the outstanding shares;

(2) The filling of vacancies on the Board of Directors or in any committee;

(3) The fixing of compensation of the directors for serving on the Board of Directors or on any committee;

(4) The amendment or repeal of bylaws or the adoption of new bylaws;

(5) The amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

(6) A distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range set forth in the corporation's Articles of Incorporation or determined by the Board of Directors; and

(7) The appointment of other committees of the Board of Directors or the members thereof.

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

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

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

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

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

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

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

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

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

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

Article IV. Officers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article V. Records and Reports

Section 5.1. Books, Records, and Reports.

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

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

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

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

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

Section 5.2. Rights of Inspection.

(a) By Shareholders.

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

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

(2) Accounting Books and Records. The accounting books and records and minutes

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

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

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

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

Section 6.1. Indemnification of Directors and Officers. The corporation shall, to the maximum extent and in the manner permitted by the Code, indemnify each of its directors and officers against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Article VI, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

Section 6.2. Indemnification of Others. The corporation shall have the power, to the extent and in the manner permitted by the Code, to indemnify each of its employees and agents (other than directors and officers) against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of Article VI, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

Section 6.3. Payment of Expenses in Advance. Expenses incurred in defending any civil or criminal action or proceeding for which indemnification is required pursuant to Section 6.1, or for which indemnification is provided pursuant to Section 6.2 hereof, shall be paid by the corporation

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

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

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

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

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

Article VII. Miscellaneous.

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

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

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

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

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

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

Article VIII. Amendments.

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

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

Certification

I, William J. Volz, certify that:

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

Date: January 26, 2005

/s/ William J. Volz

William J. Volz

President and Principal Executive Officer

Certification

I, Kimiko Milheim, certify that:

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

Date: January 26, 2005

/s/ Kimiko Milheim
Kimiko Milheim
Chief Financial Officer

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

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

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

Date: January 26, 2005

/s/ William J. Volz

William J. Volz
President and Principal Executive Officer

Date: January 26, 2005

/s/ Kimiko Milheim

Kimiko Milheim
Chief Financial Officer

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