

LAPIS TECHNOLOGIES INC
Form 10-Q
November 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

COMMISSION FILE NUMBER 000-10690

LAPIS TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-0016420
(I.R.S. Employer
Identification No.)

19 W 34 Street, Suite 1008, New York, NY 10001

(Address of principal executive offices)(Zip code)

Issuer's telephone number: (212) 937-3580

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of October 31, 2009, there were 6,483,000 outstanding shares of the Registrant's Common Stock, \$.001 par value.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Thousands, Except Share Amounts)

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 337	\$ 763
Accounts receivable	3,848	4,884
Inventories	4,118	4,305
Prepaid expenses and other current assets	659	91
Due from stockholder	-	-
Total current assets	8,962	10,043
Property and equipment, net	188	202
Deferred income taxes	20	20
	\$ 9,170	\$ 10,265
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Bank line of credit	\$ 453	\$ 1,248
Short term bank loans	4,835	4,124
Current portion of term loans	-	197
Accounts payable and accrued expenses	1,989	2,660
Due to stockholder	-	79
Due to affiliates	-	13
Income taxes payable	-	16
Total current liabilities	7,277	8,337
Term loans, net of current portion	-	52
Severance payable	192	190
Total liabilities	7,469	8,579
Commitments and contingencies		
Minority interest	576	501
Stockholders' Equity:		

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Preferred stock; \$.001 par value, 5,000,000 shares authorized, none issued	-	-
Common stock; \$.001 par value, 100,000,000 shares authorized, 6,483,000 shares issued and outstanding	6	6
Additional paid-in capital	78	78
Accumulated other comprehensive income (loss)	28	108
Retained Earnings	1,013	993
Total stockholders' equity	1,125	1,185
	\$ 9,170	\$ 10,265

The accompanying notes are an integral part of these financial statements.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Earnings Per Share and Share Amounts)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
Sales	\$ 6,339	\$ 7,613	2,007	2,268
Cost of sales	4,773	5,615	1,504	1,445
Gross profit	1,566	1,998	503	823
Operating expenses:				
Research and development expenses	95	100	31	46
Selling expenses	67	124	17	109
General and administrative	932	1,330	314	270
Total operating expenses	1,094	1,554	362	425
Income from operations	472	444	141	398
Other income (expense):				
Interest expense, net	(227)	(392)	(87)	(147)
Income (loss) before provision for income taxes and minority interest	245	52	54	251
Provision for income taxes	-	-	-	-
Minority interest	67	40	11	23
Net income (loss)	178	12	43	228
Other comprehensive (loss) income, net of taxes				
Foreign translation (loss) gain	37	126	(238)	115
Comprehensive (loss) income	\$ 215	\$ 138	\$ (195)	\$ 343
Basic net income (loss) per share	\$ 0.03	\$ 0.00	\$ 0.01	\$ 0.04
Basic weighted average common shares outstanding	6,483,000	6,483,000	6,483,000	6,483,000

The accompanying notes are an integral part of these financial statements.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 178	\$ 12
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	54	68
Minority interest	75	81
Gain on sale of property and equipment		-
Deferred income tax	-	(2)
Change in operating assets and liabilities:		
Accounts receivable	1,036	(732)
Inventories	187	(1,201)
Prepaid expenses and other current assets	(568)	(92)
Accounts payable and accrued expenses	(1,045)	1,172
Income tax payable	(16)	(2)
Severance payable	2	21
Net cash provided by (used in) operating activities	(97)	(675)
Cash flows from investing activities:		
Purchase of property and equipment	(40)	(46)
Increase (decrease) in due to affiliates	46	62
Increase (decrease) in due to stockholder	78	(51)
Net cash used in investing activities	84	(35)
Cash flows from financing activities:		
Increase (decrease) in bank line of credit, net	(795)	(15)
Proceeds from long term debt	462	5,519
Repayment of long-term debt	-	(4,722)
Net cash (used in) provided by financing activities	(333)	782
Effects of exchange rates on cash	(80)	189
Increase (decrease) in cash	(426)	260
Cash, beginning of period	763	133
Cash, end of period	\$ 337	\$ 393
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 227	\$ 392

Income taxes	\$	36	\$	16
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The accompanying notes are an integral part of these financial statements.

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LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share Amounts)
SEPTEMBER 30, 2009

NOTE 1 - DESCRIPTION OF BUSINESS

Lapis Technologies, Inc. (the “Company”) was incorporated in the State of Delaware on January 31, 2002. The Company was originally named Enertec Electronics, Inc. and on April 23, 2002 changed its name to Opal Technologies, Inc. which changed its name to Lapis Technologies, Inc. on October 3, 2002. The Company’s operations are conducted through its wholly-owned Israeli Subsidiary, Enertec Electronics Ltd. (“Enertec”) and its majority owned Israeli subsidiary Enertec Systems 2001 LTD (“Systems”). Enertec is engaged in the manufacturing, distribution and marketing of electronic components and products relating to power supplies, converters and related power conversion products, automatic test equipment, simulators and various military and airborne systems, within the State of Israel.

NOTE 2 – BASIS OF PRESENTATION AND CONSOLIDATION

The accompanying unaudited consolidated financial statements and related footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information read the financial statements and footnotes thereto included in the Company's Annual Report to be filed in accordance with the rules and regulations of the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2008. The results of operations for the nine and three months ended September 30, 2009 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2009.

The accompanying financial statements include the accounts of the Company and their ownership interest in its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stock based compensation

The Company has adopted Statement of Financial Accounting Statement (“SFAS”) No. 148, “Accounting for Stock-Based Compensation-Transition and Disclosure” (“SFAS 148”). SFAS 148 amends SFAS No. 123 “Accounting for Stock-Based Compensation” (“SFAS 123”), and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has adopted the fair value method of accounting as discussed in SFAS 123 as of January 1, 2003. Accordingly, stock options, when issued, will be recorded in accordance with the terms of that document.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial

statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share Amounts)
SEPTEMBER 30, 2009

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement 109," ("FIN 48"). FIN 48 prescribes a comprehensive model as to how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The adoption of FIN 48 is effective January 1, 2007. The Company has determined there will be no effect on their financial statements.

In June 2006, the FASB ratified the Emerging Issues Task Force ("EITF") consensus on EITF Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43." EITF Issue No. 06-2 requires companies to accrue the costs of compensated absences under a sabbatical or similar benefit arrangement over the requisite service period. EITF Issue No. 06-2 is effective for us beginning July 1, 2007. The cumulative effect of the application of this consensus on prior period results should be recognized through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. Elective retrospective application is also permitted. The application of this consensus won't have a material impact on our financial statements.

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)," ("FAS 158"). Among other things, FAS 158 requires companies to prospectively recognize a net liability or asset and to report the funded status of their defined benefit pension and other postretirement benefit plans on their balance sheets, with an offsetting adjustment to accumulated other comprehensive income; such recognition will not affect the Company's statement of income. The adoption of FAS 158 is effective for the year ending December 31, 2006. The Company has determined there will be no effect on their financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115." This Standard allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities (as well as certain non-financial instruments that are similar to financial instruments) at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the Statement specifies that all subsequent changes in fair value for that instrument shall be reported in earnings. SFAS No. 159 is effective for ATMI beginning on January 1, 2008. We are currently evaluating the impact this new Standard could have on our financial position and results of operations.

In December 2007 the FASB issued SFAS No. 160 "Non-controlling Interests in Consolidated Financial Statements". FAS 160 seeks to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards. This statement is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined what the effect will be, if any, on their financial statements.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share Amounts)
SEPTEMBER 30, 2009

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

NOTE 4 – PROVISION FOR INCOME TAXES –

The income tax expense for the nine and three months ended September 30, 2009 is based upon the income tax laws of Israel. Israeli tax law does not allow a parent company to offset its' income with losses from any of its subsidiaries.

Item 2. Management's Discussion and Analysis or Plan of Operation.

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those in the forward-looking statements as a result of various important factors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, such should not be regarded as a representation by Lapis Technologies, Inc., or any other person, that such forward-looking statements will be achieved. The business and operations of Lapis Technologies, Inc. and its subsidiaries are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this Report. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under "Risk Factors," included in our Registration Statement on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on March 31, 2009.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Report.

Overview.

We were formed in Delaware on January 31, 2002 under the name Enertec Electronics, Inc. and have filed two certificates of amendment changing our name to Opal Technologies, Inc. and then to Lapis Technologies, Inc. We conduct operations in Israel through our wholly owned subsidiary, Enertec Electronics Limited ("Enertec Electronics"), an Israeli corporation formed on December 31, 1991, and Enertec Systems 2001 LTD ("Enertec Systems"), an Israeli corporation formed on August 28, 2001, of which we have a 73% equity interest. We are manufacturers and distributors of various military and airborne systems, simulators, automatic test equipment (ATE), electronic components and products related to power supplies, converters and other power conversion products.

Liquidity and Capital Resources

As of September 30, 2009 our cash balance was \$337,000 as compared to \$393,000 at September 30, 2008. Total current assets at September 30, 2009 were \$8,962,000 as compared to \$11,686,000 at September 30, 2008. The decrease in current assets is mainly due to the decrease in accounts receivables and work in process & inventories.

Our accounts receivables at September 30, 2009 were \$3,848,000 as compared to \$6,146,000, at September 30, 2008. This decrease in accounts receivables is primarily due to a decrease in sales, improved payment terms from our customers and increase in USD/Shekel exchange rate. The USD/Shekel exchange rate increased by 9.9% from 3.421 for the nine months period ended September 30, 2008 to 3.758 for the period ended September 30, 2009.

As of September 30, 2009 our working capital was \$1,685,000 as compared to \$1,777,000 at September 30, 2008. The decrease in the working capital is due primarily to a greater decrease in current assets than the decrease in current liabilities.

There was no current portion of long-term loans at September 30, 2009 as compared to \$225,000 at September 30, 2008. Our total short-term loans amounted to \$4,835,000 for the nine month period ended September 30, 2009 as compared to \$4,822,000 for the nine-month period ended September 30, 2008.

As of September 30, 2009, our total bank debt was \$5,288,000 as compared to \$6,498,000 at the end of September 30, 2008. These funds were borrowed as follows:

\$4,835,000 as various short term bank loans due through 2010, and \$453,000 using our bank lines of credit. As a result we decreased the amount borrowed for the nine months ended September 30, 2009 by \$1,210,000 compared to the same period in 2008. The decrease in bank debt is mainly due to the decrease in accounts receivables and the increase in USD/Shekel exchange rate since the loans are in shekels. The USD/Shekel exchange rate increased by 9.9 % from 3.421 for the nine months period ended September 30, 2008 to 3.758 for the period ended September 30, 2009.

There are no other lines of credit available to us to refinance our short-term bank loans. Additionally, we currently do not have any other sources of financing available to us for refinancing our short-term loans. As of September 30, 2009, we are current with all of our bank debt and compliant with all the terms of our bank debt.

Financing Needs

Although we currently do not have any material commitments for capital expenditures, we expect our capital requirements to increase over the next several years as we continue to develop and test our suite of products, increase marketing and administration infrastructure, and embark on developing in-house business capabilities and facilities. Our future liquidity and capital funding requirements will depend on numerous factors, including, but not limited to, the levels and costs of our research and development initiatives, the cost of hiring and training additional sales and marketing personnel to promote our products and the cost and timing of the expansion of our marketing efforts.

Based on our current business plan, we anticipate that our existing cash balances and cash generated from future sales will be sufficient to permit us to conduct our operations and to carry out our contemplated business plans for the next twelve months. However, management may undertake additional debt or equity financings to better enable Lapis to grow and meet its future operating and capital requirements. Currently, the only external sources of liquidity are our banks, and we may seek additional financing from them or through securities offerings to expand our operations, using new capital to develop new products, enhance existing products or respond to competitive pressures.

Results of Operations

Three and Nine Months Ended September 30, 2009 Compared to Three and Nine Months Ended September 30, 2008

Revenues for the three and nine months ended September 30, 2009 were \$2,007,000 and \$6,339,000 respectively as compared to \$2,268,000 and \$7,613,000, for the three and nine months ended September 30, 2008, respectively. This represents a decrease of \$261,000 or 11.5% for the quarter ended September 30, 2009 and a decrease of \$1,274,000 or 16.7%, for the nine months ended September 30, 2009, when compared to the same periods of 2008. The decrease in revenues for the three-months and the nine months period ended September 30, 2009 as compared to the same period of 2008 is mainly the result of the decrease in the revenues of the commercial business and the increase in USD/Shekel exchange rate since the sales are in shekels. The average USD/Shekel exchange rate increased by 13.6% from 3.512 for the nine months period ended September 30, 2008 to 3.989 for the period ended September 30, 2009.

Gross profit totaled approximately \$503,000 for the quarter ended September 30, 2009 and \$1,566,000 for the nine months ended September 30, 2009. For the three and nine months ended September 30, 2008, gross profit totaled \$823,000 and \$1,998,000 respectively. Comparing the three-month period ended September 30, 2009 to the same period of 2008, gross profit decreased by approximately \$320,000, or 38.9%. For the nine-month period ended September 30, 2009, gross profit decreased approximately \$432,000 or 21.6%, compared to the same period of 2008. The decrease in gross profits is primarily due to the decrease in sales.

Gross profit as a percentage of sales was 25.1% for the three-month period ended September 30, 2009 compared to 36.3% for the same period of 2008 and for the nine month period ended September 30, 2008, was 24.7% as compared to 26.2% for the same period of 2008.

The decrease in gross profit as a percentage of sales for the three-month period ended September 30, 2009 as compared to the same period of 2008 is mainly the result of the unusual high figure for gross profit as percentage of sale in the third quarter of 2008. The high figure of gross profit as a percentage of sales for the three-month period ended September 30, 2008 was mainly a result of lower cost of sales and higher profit margins for some projects in the military field delivered during the third quarter of 2008.

The decrease in gross profit as a percentage of sales for the nine-month period ended September 30, 2009 as compared to the same period of 2008 is mainly the result of the decrease in gross profit as a percentage of sales for the three-month period ended September 30, 2009 as compared to the same period of 2008 as elaborated above.

For the three months and nine months ended September 30, 2009, operating expenses totaled \$362,000 and \$1,094,000 respectively. This was a decrease of \$63,000 (14.8%) and \$460 (29.6 %) when compared to the three and nine-month periods ended September 30, 2008. The decrease in operating expenses for the three-month period ended September 30, 2009 as compared to the same period of 2008 is attributable mainly to the decrease in research & development and selling expenses partly offset by the increase in general & administrative expenses. The decrease in operating expenses for the nine-month period as compared to the same period of 2008 is attributable mainly to the decrease in general & administrative and selling expenses .

Research and development expenses decreased by \$15,000 for the three months period and decreased by \$5,000 for the nine months period ended September 30, 2009 as compared to the same period in 2008. The decrease in research and development expenses for the three month and nine months period ended September 30, 2009 as compared to the same period in 2008 is mainly the result of the increase in USD/Shekel exchange rate since the Research and Development expenses are in shekels . The average USD/Shekel exchange rate increased by 13.6% from 3.512 for the nine months period ended September 30, 2008 to 3.989 for the period ended September 30, 2009.

Selling expenses decreased by \$ 92,000 and \$ 57,000 for the three months and nine months period ended September 30, 2009 as compared to the same period in 2008. The decrease in selling expenses during 2009 as compared to 2008 is mainly due to the reduced selling expense in the commercial field while operating in the shrinking commercial market of 2009.

The general & administrative expenses increased by \$44,000 for the three months period and decreased by \$398,000 for the nine months period ended September 30, 2009 as compared to the same period in 2008. The increase for the three month period ended Sept 2009 is mainly due to the increase in the professional services as compared to the same period in 2008. The decrease for the nine month period is mainly due to the decrease in the professional services and the increase in the USD/Shekel exchange rate since the G&A expenses are in Shekels.

Our net profit was \$43,000 in the three months ended September 30, 2009 and \$178,000 in the nine months ended September 30, 2009. This compares to a net profit of \$228,000 in the three months ended September 30, 2008 and \$12,000 in the nine months ended September 30, 2008. This represents a decrease in net income of \$185,000 or 81.1%, comparing the three months ended September 30, 2009 to the three months ended September 30, 2008, and an increase in net income of \$166,000 or 1383.3%, comparing the nine months ended September 30, 2009 to the nine months ended September 30, 2008.

The decrease in the net profit for the three-month period ended September 30, 2009 as compared to the same period in 2008 was mainly a result of a larger decrease in the gross profit than the decrease in the operating and interest expenses.

The increase in the profitability for the nine month period ending September 30, 2009 as compared to the same period in 2008 was mainly a result of a larger decrease in the operating and interest expenses than the decrease in the gross profit.

As of September 30, 2009, we had 2 customers that accounted for approximately 64.5% of the accounts receivable. For the nine months ended September 30, 2008, approximately 68.2% of our sales were to 2 customers.

Research and Development Costs

Research and development costs are part of operating expenses. Research and development costs for the three and nine months ended September 30, 2009 were \$31,000 and \$95,000, respectively. Research and development costs for the three and nine months ended September 30, 2008 were \$46,000 and \$100,000, respectively.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

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Critical Accounting Policies

Concentration of Credit Risk - Concentrations of credit risk with respect to trade receivables are limited to customers dispersed primarily across Israel. All trade receivables are concentrated in the manufacturing and distribution of electronic components segment of the economy; accordingly the Company is exposed to business and economic risk. Although the Company does not currently foresee a concentrated credit risk associated with these trade receivables, repayment is dependent upon the financial stability of this segment of the economy.

Revenue Recognition and Customer Deposits - Revenue is recorded as product is shipped, the price has been fixed or determined, collectibility is reasonably assured and all material specific performance obligations have been completed. The product sold by the Company is made to the specifications of each customer; sales returns and allowances are allowed on a case-by-case basis, are not material to the financial statements and are recorded as an adjustment to sales. Cash payments received in advance are recorded as customer deposits.

Revenue relating to service is recognized on the straight-line basis over the life of the agreement, generally one year. For the three months ended September 30, 2009 revenue relating to service contracts were less than one percent of net sales.

Financial Instruments - The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, bank line of credit, short term bank loans and accounts payable and accrued expenses approximate fair value at September 30, 2009 because of the relatively short maturity of the instruments. The fair value of due from stockholder is not practical to estimate without incurring excessive cost and is carried at cost at September 30, 2009. The carrying value of the long-term debt approximate fair value at September 30, 2009 based upon debt terms available for companies under similar terms.

Foreign Currency Translation - Lapis Technologies, Inc. has one wholly owned subsidiary, Enertec Electronics Limited, an Israeli corporation, and one majority owned subsidiary, Enertec Systems 2001 Ltd., an Israeli corporation. The assets and liabilities of the foreign subsidiaries are translated at current exchange rates and related revenues and expenses at average exchange rates in effect during the periods reported. Resulting translation adjustments, if material, are recorded as a separate component of accumulated other comprehensive income or loss.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

N/A.

Item 4T. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Exchange Act of 1934, as amended (the "Exchange Act") that is designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time specified in the Security and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Pursuant to Rule 13a-15(b) under the Exchange Act the Company carried out an evaluation with the participation of the Company's management, including Harry Mund, the Company's Chief Executive Officer ("CEO") and Miron Markovitz, the Company's Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the period ended September 30, 2009. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal controls

Our management, with the participation our Chief Executive Officer and Chief Financial Officer, performed an evaluation as to whether any change in our internal controls over financial reporting occurred during the Quarter ended September 30, 2009. Based on that evaluation, our CEO and CFO concluded that no change occurred in the Company's internal controls over financial reporting during the quarter ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of our business. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

Item 1A. Risk Factors.

N/A.

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

N/A.

Item 3. Defaults Upon Senior Securities.

N/A.

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

N/A.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
31.2	Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
32.1	

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Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code

32.2 Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAPIS TECHNOLOGIES, INC.

Date: November 13, 2009

By: /s/ Harry Mund
Harry Mund
Chief Executive Officer (principal executive officer), President
and Chairman of the Board

Date: November 13, 2009

By: /s/ Miron Markovitz
Miron Markovitz
Chief Financial Officer, Chief Accounting Officer (Principal Financial Officer) and Director