

LAPIS TECHNOLOGIES INC  
Form 10QSB  
November 13, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-QSB**

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
EXCHANGE ACT  
  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
  
COMMISSION FILE NUMBER \_\_\_\_\_

**LAPIS TECHNOLOGIES, INC.**

(Name of small business issuer in its charter)

**Delaware**

(State or other jurisdiction of incorporation or  
organization)

**27-0016420**

(I.R.S. Employer Identification No.)

**19 W. 34th Street, Suite 1008, New York, NY 10001**

(Address of principal executive offices)

Issuer's telephone Number: **(212) 937-3580**

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 9, 2007, the issuer had 6,483,000 outstanding shares of Common Stock.

Transitional Small Business Disclosure Format (check one): Yes  No

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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)

**ASSETS**September 30,  
2007

## Current Assets:

Cash and cash equivalents	\$	86
Accounts receivable		4,285
Inventories		4,141
Prepaid expenses and other current assets		371
<b>Total current assets</b>		<b>8,883</b>
Property and equipment, net		277
Deferred income taxes		23
	\$	9,183

**LIABILITIES AND STOCKHOLDERS' EQUITY**

## Current Liabilities:

Bank line of credit	\$	1,294
Short term bank loans		2,935
Current portion of term loans		192
Accounts payable and accrued expenses		2,617
Due to stockholder		180
Due to affiliates		96
Income taxes payable		-
<b>Total current liabilities</b>		<b>7,314</b>
Term loans, net of current portion		285
Severance payable		88
<b>Total liabilities</b>		<b>7,687</b>
Commitments and contingencies		
Minority interest		434
Stockholders' Equity:		
Preferred stock; \$.001 par value, 5,000,000 shares authorized, none issued		-

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Common stock; \$.001 par value, 100,000,000 shares  
authorized, 6,483,000  
shares issued and outstanding

	6
Additional paid-in capital	78
Accumulated other comprehensive loss	(140)
Retained Earnings	1,118
Total stockholders' equity	1,062
	\$ 9,183

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

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**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,	
	2007	2006	2007	2006
Sales	\$ 6,372	\$ 5,028	\$ 2,238	1,401
Cost of sales	4,639	3,596	1,447	1,162
Gross profit	1,733	1,432	791	239
Operating expenses:				
Research and development expenses	221	232	22	118
Selling expenses	151	73	24	8
General and administrative	948	905	305	342
Total operating expenses	1,320	1,210	351	468
Income from operations	413	222	440	(229)
Other income (expense):				
Other income	-	6	-	(3)
Interest expense, net	(306)	(267)	(111)	(92)
Income before provision for income taxes and minority interest	107	(39)	329	(324)
Provision for income taxes	7	136	7	53
Minority interest	5	(24)	57	(52)
Net income(loss)	95	(151)	265	(325)
Other comprehensive (loss) income, net of taxes				
Foreign translation (loss) gain	163	21	172	(38)
Comprehensive (loss) income	\$ 258	\$ (130)	\$ 437	\$ (363)
Basic net loss per share	\$ 0.01	\$ (0.02)	\$ 0.04	\$ (0.05)
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.



**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

	Nine Months Ended September 30,	
	2007	2006
<b>Cash flows from operating activities:</b>		
Net income	\$ 58	\$ (151)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	92	69
Minority interest	20	(10)
Gain on sale of property and equipment	-	(10)
Deferred income tax	(1)	(1)
Change in operating assets and liabilities:		
Accounts receivable	392	519
Inventories	(1,172)	(296)
Prepaid expenses and other current assets	35	(193)
Accounts payable and accrued expenses	(83)	(333)
Income tax payable	-	-
Customer deposits	-	-
Severance payable	4	4
<b>Net cash provided by (used in) operating activities</b>	<b>(655)</b>	<b>(402)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of property & equipment	-	68
Purchase of property and equipment	(70)	(123)
Increase in due from stockholder	170	4
(Increase) decrease in due from affiliates	(100)	36
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(15)</b>
<b>Cash flows from financing activities:</b>		
Increase in bank line of credit, net	(195)	(129)
Proceeds from long term debt	4,661	3,365
Repayment of long-term debt	(3,899)	(2,791)
<b>Net cash (used in) provided by financing activities</b>	<b>567</b>	<b>445</b>
Effects of exchange rates on cash	167	4
Increase (decrease) in cash	79	31
Cash, beginning of period	7	78
<b>Cash, end of period</b>	<b>\$ 86</b>	<b>\$ 109</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 306	\$ 175

Income taxes	\$	31	\$	80
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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, 2007

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-QSB. 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-KSB for the year ended December 31, 2006. The results of operations for the nine, six and three months ended September 30, 2007 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2007.

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, 2007

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

In December 2004, FASB issued Statement No. 123 (revised 2004), "Share-Based Payment" (SFAS 123 (revised 2004)), effective for public entities that file as small business issuers as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. This Statement is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. SFAS 123 (revised 2004) eliminates the alternative to use Opinion No. 25's intrinsic value method of accounting that was provided in Statement 123 as originally issued. Under Opinion 25, issuing stock options to employees generally resulted in recognition of no compensation cost. This Statement requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). Recognition of that compensation cost helps users of financial statements to better understand the economic transactions affecting an entity and to make better resource allocation decisions. The Company is required to adopt Statement 123 (revised 2004) as of January 1, 2006, and does not expect this statement to have a material effect on its results of operations.

In May 2005, FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a Replacement of APB Opinion No. 20 (Accounting Changes) and FASB No. 3 (Reporting Accounting Changes in Interim Financial Statements)," that changes requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable.

Statement 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005 (calendar year 2006). Early adoption is permitted.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In Thousands, Except Per Share Amounts)  
SEPTEMBER 30, 2007

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

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.

NOTE 4 - PROVISION FOR INCOME TAXES -

The income tax expense for the nine, six and three months ended September 30, 2007 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.

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. Enertec Electronics is a distributor of electronic components and products relating to power supplies, converters and related power conversion products. Enertec Systems designs, develops and manufactures airborne, shipborne and land military electronic equipment, automatic test systems as well as various other military electronic products for manufacturers of defense systems in accordance with their specifications.

### *Liquidity and Capital Resources*

Our cash balance at September 30, 2007 has decreased compared to the cash balance at September 30, 2006, with cash and cash equivalents of \$86,000 as of September 30, 2007 compared to \$109,000 at September 30, 2006. Total current assets at September 30, 2007 were \$8,883,000 as compared to \$6,446,000 at September 30, 2006. The increase in current assets is mainly due to increase in accounts receivable and an increase in work in process inventory.

Our accounts receivable at September 30, 2007 was \$4,285,000, as compared to \$3,193,000 at September 30, 2006. This change in accounts receivable is primarily due to increase in sales.

As of September 30, 2007 our working capital was \$1,569,000 as compared to \$1,286,000 at September 30, 2006. The increase in the working capital is primarily due to a greater increase in work in process and accounts receivable relative to the increase in accounts payable and the increase in banks debt.

The current portion of our short-term loans at September 30, 2007 totaled \$192,000 compared to \$179,000 at September 30, 2006. Our total short-term loans amounted to \$2,935,000 for the nine-month period ended September 30, 2006 as compared to \$1,957,000 at September 30, 2006.

As of September 30, 2007, our total bank debt was \$4,706,000 as opposed to \$3,761,000 at the end of September 30, 2006. These funds were borrowed as follows; \$3,127,000 which includes the current portion of long term debt, as various short term bank loans due through 2007, \$ 285,000 of long term debt due through March 2010, and \$ 1,294,000 using our bank lines of credit. As a result we increased the amount borrowed for the nine months ended

September 30, 2007 by \$945,000 as compared to the same period of 2006.

The increase in bank debt is mainly due to the increase in accounts receivables and the decrease in USD/Shekel exchange rate since the loans are in shekels. The USD/Shekel exchange rate decreased by 6.7% from 4.302 as of September 30, 2006 to 4.013 as of September 30, 2007.

As of September 30, 2007, we are current with all of our bank debt and compliant with all the terms of our bank debt.

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### *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, 2007 Compared to Three and Nine Months Ended September 30, 2006**

Revenues for the three and nine months ended September 30, 2007 were \$2,238,000 and \$6,372,000 respectively, as compared to \$1,401,000 and \$5,028,000 for the three and nine months ended September 30, 2006, respectively. This represents an increase of \$837,000, or 59.7% for the quarter ended September 30, 2007 and an increase of \$1,344,000, or 26.7%, for the nine months ended September 30, 2007, when compared to the same periods of 2006.

The increase of 26.7% in revenues for the nine months ended September 2007 versus the same period for the prior year is mainly a result of the increase in sales during the second and third quarters of 2007 as compared to the same period of 2006.

During this period we have started to deliver to our customers several new military products introduced during 2006 which are implemented by our customers into long term defense programs. The first prototypes of these products have completed the qualification tests programs and we have started to produce them in higher volume on our production lines.

The decrease in USD/Shekel exchange rate affects our business since the sales are in shekels. The average USD/Shekel decreased by 8% from 4.522 for the nine month period ended September 2006 to 4.163 for the nine month period ended September 2007.

The increase of \$837,000 (59.7%) in revenues for the three-months ended September 30, 2007 as compared to the same period of 2006 is mainly a result of an increased number of products, part of our long term projects, started to be manufactured in higher quantities on the production lines, following the first units and prototypes made by the different engineering groups.

Gross profit totaled approximately \$791,000 for the quarter ended September 30, 2007 and \$1,733,000 for the nine months ended September 30, 2007. For the three and nine months ended September 30, 2006, gross profit totaled \$239,000 and \$1,432,000, respectively.

Comparing the three-month period ended September 30, 2007 to the same period of 2006, gross profit increased by approximately \$552,000, or 231%. For the nine-month period ended September 30, 2007, gross profit increased approximately \$301,000, or 21%, compared to the same period of 2006. The increase in gross profits for the nine

month period as compared to the same period of 2006 is primarily due to the increase in sales.

Gross profit as a percentage of sales was 35.3% for the three-month period ended September 30, 2007 as compared to 17.1 % for the same period of 2006 and for the nine-month period ended September 30, 2007, was 27.2% as compared to 28.5% for the same period of 2006.

The increase in gross profit as a percentage of sales for the three-month period ended September 30, 2007 as compared to the same period of 2006 is a result of:

1. The gross profit as a percentage of sales for the three-month period ended September 30, 2006 was in particularly low mainly as a result of focusing on the delivery of first prototypes of several new products in the third quarter of 2006. The cost of a prototype includes high costs of development and tooling, resulting in a low profit margin.
2. The gross profit as a percentage of sales for the three-month period ended September 30, 2007 was in particularly high mainly as a result of focusing on the delivery of an increased number of serial products with higher profit margin and less prototypes with low profit margin.
3. The decrease in gross profit as a percentage of sales for the nine month period ended September 30, 2007 to the same period of 2006 is a result of increased cost of sales at Enertec Electronics due to the increased competition in the local market.

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Total operating expenses are comprised of selling, general and administrative expenses and Research & Development. For the three months and nine months ended September 30, 2007, operating expenses totaled \$351,000 and \$1,320,000, respectively. This was a decrease of \$117,000 (25%) when compared to the three month period and an increase of \$110,000 (9.1%) compared to the nine-month periods ended September 30, 2006. The increase in operating expenses for the nine-month period as compared to the same period of 2006 is attributable mainly to the increase in selling expenses due to our increased marketing efforts, in particular in the second quarter of 2007, in order to maintain our position in the much more competitive environment during the last year and the decrease in USD/Shekel exchange rate since the operating expenses are in shekels. The average USD/Shekel decreased by 8% from 4.522b for the nine month period ended September 2006 to 4.163 for the nine month period ended September 2007.

The decrease in operating expenses for the three month period as compared to the same period of 2006 is attributable mainly to the decrease in Research & Development expenses of \$96,000 and a decrease of about \$37,000 in the General & Administrative expenses mainly due to the decrease in the cost of professional services, partly offset by an increase of about \$ 16,000 in the selling expenses.

Our net income was \$265,000 in the three months ended September 30, 2007 and \$95,000 in the nine months ended September 30, 2007. This compares to a net loss of \$325,000 in the three months ended September 30, 2006 and \$151,000 in the nine months ended September 30, 2006.

This represents an increase in the net income by \$590,000, or 182%, comparing the three months ended September 30, 2007 to the three months ended September 30, 2006, and an increase in the net income by \$246,000, or (163%), comparing the nine months ended September 30, 2007 to the nine months ended September 30, 2006.

The increase in the net income in the three-month period ended September 30, 2007 was mainly due to an increase of \$552,000 in gross profit, a decrease of \$117,000 in the total operating expenses, a decrease of \$46,000 in provision for tax partly offset by and an increase of \$109,000 in the minority interest.

For the nine month period ending September 30th 2007, the increase in the net income is mainly due to an increase of \$301,000 in gross profit and a decrease of \$129,000 in provision for tax, partly offset by an increase of \$39,000 in interest expenses, an increase of \$110,000 in operating expenses and an increase of \$29,000 in the minority interest.

As of September 30, 2007, we had 2 customers that accounted for approximately 48.5% of the accounts receivable. For the nine months ended September 30, 2007, approximately 56.2% 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, 2007 were \$22,000 and \$221,000, respectively. Research and development costs for the three and nine months ended September 30, 2006 were \$118,000 and \$232,000, 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.

### **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 and six months ended September 30, 2007 revenue relating to service contracts was 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, 2007 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, 2007. The carrying value of the long-term debt approximate fair value at September 30, 2007 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. Controls and Procedures.**

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (1) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure; and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change to our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II**

**UPDATE BELOW SECTION AS NECESSARY**

**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 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.**

**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	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.

**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, 2007

By:

/s/ Harry Mund

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Harry Mund  
Chief Executive Officer, President  
and Chairman of the Board

Date: November 13, 2007

By:

/s/ Miron Markovitz

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Miron Markovitz  
Chief Financial Officer, Chief Accounting  
Officer and Director