

OPTI INC
Form 10-Q
November 15, 2004
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2004

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

For the Transition Period from:

Commission File Number 0-21422

OPTi Inc.

(exact name of registrant as specified in this charter)

California

77-0220697

Edgar Filing: OPTI INC - Form 10-Q

(State or other jurisdiction of

(I.R.S. Employer

incorporated or organization)

Identification No.)

880 Maude Avenue, Suite A, Mountain View, CA
(Address of principal executive offices)

94043
(Zip Code)

Registrant's telephone number, including area code (650) 625-8787

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings 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

The number of shares outstanding of the registrant's common stock as of October 31, 2004 was 11,633,903.

Table of Contents

OPTi Inc.

Form 10-Q

For the Quarterly Period Ended September 30, 2004

INDEX

	Page
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	
a) <u>Condensed Consolidated Statements of Operations for the three and six-months ended September 30, 2004 and 2003</u>	3
b) <u>Condensed Consolidated Balance Sheets as of September 30, 2004 and March 31, 2004</u>	4
c) <u>Condensed Consolidated Statements of Cash Flows for the three and six-months ended September 30, 2004 and 2003</u>	5
d) <u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
Item 3. <u>Quantitative and Qualitative Disclosure about Market Risks</u>	13
Item 4. <u>Controls and Procedures</u>	14
Part II. Other information	15
Item 1. <u>Legal Proceedings</u>	15
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	15
Item 3. <u>Defaults Upon Senior Securities</u>	15
Item 4. <u>Submission of Matters to a Vote of Shareholders</u>	15
Item 5. <u>Other Information</u>	15
Item 6. <u>Exhibits</u>	15
<u>Signatures</u>	16

Table of Contents

OPTi Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(000 s omitted, except per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2004	2003	2004	2003
Revenue				
License and royalties	\$	\$ 152	\$ 52	\$ 736
Net Sales		152	52	736
Costs and expenses				
Selling, general and administrative	337	233	685	489
Total costs and expenses	337	233	685	489
Operating income (loss)	(337)	(81)	(633)	247
Interest and other income, net	42	32	70	67
Income (loss) before income tax provision (benefit)	(295)	(49)	(563)	314
Income tax provision (benefit)	(75)		(75)	
Net income (loss)	\$ (220)	\$ (49)	\$ (488)	\$ 314
Basic net income (loss) per share	\$ (0.02)	\$ (0.00)	\$ (0.04)	\$ 0.03
Diluted net income (loss) per share	\$ (0.02)	\$ (0.00)	\$ (0.04)	\$ 0.03
Shares used in computing basic per share amounts	11,634	11,634	11,634	11,634
Shares used in computing diluted per share amounts	11,634	11,634	11,634	11,634

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

Table of Contents

OPTi Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2004	March 31, 2004 *
	Unaudited (000 s omitted)	
Assets		
Current assets		
Cash and cash equivalents	\$ 15,187	\$ 15,520
Accounts receivable		143
Other current assets	88	58
Total current assets	15,275	15,721
Property and equipment, net	10	9
Other assets		14
Total assets	\$ 15,285	\$ 15,744
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 113	\$ 26
Accrued expenses	182	164
Income taxes payable	1	78
Accrued employee expenses	3	2
Total current liabilities	299	270
Commitments and contingencies		
Shareholders' equity		
Preferred stock, no par value Authorizd shares - 5,000 No shares issued or outstanding		
Common stock, no par value Authorizd shares - 50,000 Issued and outstanding - 11,634 at September 30, and March 31, 2004	15,053	15,053
Retained earnings	(67)	421
Total shareholders' equity	14,986	15,474
Total liabilities and shareholders' equity	\$ 15,285	\$ 15,744

* The balance sheet of March 31, 2004 has been derived from the audited financial statements at that date.

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

Table of Contents

OPTi Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended September 30,	
	2004	2003
	(000 s omitted)	
Operating Activities:		
Net income (loss)	\$ (488)	\$ 314
Adjustments:		
Depreciation	2	3
Changes in assets and liabilities:		
Accounts receivable	143	116
Other assets	(16)	(31)
Accounts payable	87	(28)
Accrued expenses	(59)	(29)
Accrued employee expenses	1	7
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	(330)	352
Investing Activities:		
Purchase of equipment	(3)	
	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	(3)	
Financing Activities:		
Net cash provided by financing activities		
	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	(333)	352
Cash and cash equivalents beginning of period	15,520	14,996
	<u> </u>	<u> </u>
Cash and cash equivalents end of period	<u>\$ 15,187</u>	<u>\$ 15,348</u>

The accompany notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPTi Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2004

(Unaudited)

1. Basis of Presentation

The information at September 30, 2004 and for the three and six-month periods ended September 30, 2004 and 2003, are unaudited, but include all adjustments (consisting of normal recurring accruals) which the Company's management believes to be necessary for the fair presentation of the financial position, results of operations and cash flows for the periods presented. Interim results are not necessarily indicative of results for a full year.

The accompanying financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2004.

Sale of the Product Fabrication, Distribution and Sales Operations

On September 30, 2002, the Company announced that it had sold its product fabrication, distribution and sales operations to Opti Technologies, Inc., an unrelated third party. As part of the transaction Opti Technologies was to pay the Company \$275,000 in licensing fees and acquire the existing inventory at cost. The Company was also entitled to quarterly royalty payments for the sale of its core logic and USB products by Opti Technologies. The maximum license and royalty payments that the Company could receive from the agreement with Opti Technologies was \$1,500,000, which was completed in August 2004.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stock-based compensation

The Company accounts for stock-based compensation arrangements in accordance with the provisions of APB No. 25 (APB No. 25), Accounting for Stock Issued to Employees and complies with the provisions of Statement of Financial Accounting Standard No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation . Under APB No. 25, compensation cost is, in general, recognized based on the excess, if any,

Edgar Filing: OPTI INC - Form 10-Q

of the fair market value of the Company's stock on the date of grant over the amount an employee must pay to acquire the stock. Equity instruments issued to non-employees are accounted for in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force 96-18.

SFAS No. 123 pro forma disclosures

Had compensation cost for the Company's option plans been determined using the fair value at the grant dates, as prescribed in SFAS No. 123, the Company's net income (loss) would have been as follows (in thousands, except per share amounts):

	Three-Months Ended		Six-Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Net income (loss):				
As reported	\$ (220)	\$ (49)	\$ (488)	\$ 314
Less: Total stock-based employee compensation expense under the fair value based methods for all awards, net of related tax effects	1		2	
Pro forma net income (loss)	\$ (221)	\$ (49)	\$ (490)	\$ 314
Pro forma basic net income (loss) per share	\$ (0.02)	\$ 0.00	\$ (0.04)	\$ 0.03
Pro forma diluted net income (loss) per share	\$ (0.02)	\$ 0.00	\$ (0.04)	\$ 0.03

Table of Contents**2. Net Income (Loss) Per Share**

Basic net income (loss) per share and diluted net loss per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of stock options. At September 30, 2004 and 2003, options for 150,666 shares at exercise prices ranging from \$1.27 to \$7.50 were outstanding.

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Three Months ended September 30,		Six-Months ended September 30,	
	2004	2003	2004	2003
Net income (loss)	\$ (220)	\$ (49)	\$ (488)	\$ 314
Weighted average number of common shares outstanding	11,634	11,634	11,634	11,634
Basic net income (loss) per share	\$ (0.02)	\$ 0.00	\$ (0.04)	\$ 0.03
Weighted average number of common shares outstanding	11,634			