

OPTI INC
Form 10-Q
February 14, 2005
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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 December 31, 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

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(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 January 31, 2005 was 11,633,903.

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OPTi Inc.

Form 10-Q

For the Quarterly Period Ended December 31, 2004

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OPTi Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(000 s omitted, except per share data)

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
Revenue				
License and royalties	\$	\$ 171	\$ 52	\$ 907
Net Sales		171	52	907
Costs and expenses				
Selling, general and administrative	447	273	1,132	762
Total costs and expenses	447	273	1,132	762
Operating income (loss)	(447)	(102)	(1,080)	145
Interest and other income, net	63	337	134	404
Income (loss) before income tax provision (benefit)	(384)	235	(946)	549
Income tax benefit			75	
Net income (loss)	\$ (384)	\$ 235	\$ (871)	\$ 549
Basic net income (loss) per share	\$ (0.03)	\$ 0.02	\$ (0.07)	\$ 0.05
Diluted net income (loss) per share	\$ (0.03)	\$ 0.02	\$ (0.07)	\$ 0.05
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.

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OPTi Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(000 s omitted)

	December 31,	March 31,
	2004	2004 *
	<u>Unaudited</u>	
Assets		
Current assets		
Cash and cash equivalents	\$ 14,839	\$ 15,520
Accounts receivable		143
Other current assets	61	58
	<u>14,900</u>	<u>15,721</u>
Total current assets	14,900	15,721
Property and equipment, net	12	9
Other assets		14
	<u>14,912</u>	<u>15,744</u>
Total assets	\$ 14,912	\$ 15,744
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 73	\$ 26
Accrued expenses	234	164
Income taxes payable	1	78
Accrued employee expenses	1	2
	<u>309</u>	<u>270</u>
Total current liabilities	309	270
Commitments and contingencies		
Shareholders' equity		
Preferred stock, no par value		
Authorized shares - 5,000		
No shares issued or outstanding		
Common stock, no par value		
Authorized shares - 50,000		
Issued and outstanding - 11,634 at December 31, and March 31, 2004	15,053	15,053
Retained earnings	(450)	421
	<u>14,603</u>	<u>15,474</u>
Total Shareholders' Equity	14,603	15,474
Total Liabilities and Shareholders' Equity	\$ 14,912	\$ 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.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended	
	December 31	
	2004	2003
	(000 s omitted)	
Operating Activities:		
Net income (loss)	\$ (871)	\$ 549
Adjustments:		
Depreciation	3	3
Gain on Tripath Technology distribution		(306)
Changes in assets and liabilities:		
Accounts receivable	143	97
Other assets	11	10
Accounts payable	47	(45)
Accrued expenses	(7)	(9)
Accrued employee expenses	(1)	(3)
Net cash provided by (used in) operating activities	(675)	296
Investing Activities:		
Proceeds from sell of Tripath Technologies, Inc. stock		315
Purchase of equipment	(6)	(9)
Net cash provided by (used in) investing activities	(6)	306
Financing Activities:		
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	(681)	602
Cash and cash equivalents beginning of period	15,520	14,996
Cash and cash equivalents end of period	\$ 14,839	\$ 15,598

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

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OPTi Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

(Unaudited)

1. Basis of Presentation

The information at December 31, 2004 and for the three and nine-month periods ended December 31, 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

OPTi was founded in 1989 and was an independent supplier of semiconductor products to the personal computer market. 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 paid the Company \$275,000 in licensing fees and acquired the existing inventory at cost. The Company was also entitled to quarterly royalty payments for the sale of its core logic and USB products. The Company received license and royalty payments in the aggregate amount of \$1,500,000. The final payment was received in the quarter ended September 30, 2004. No additional payments are expected from Opti Technologies related to this transaction.

Currently, the Company is pursuing revenue through the pursuit of licenses from users of its intellectual property. The Company does not expect to receive additional significant revenue other than any that may result through the pursuit of its patent infringement cases and associated licensee efforts.

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, of the fair market value of the Company's stock on the date of grant over the exercise price 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		Nine-Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
Net income (loss):				
As reported	\$ (384)	\$ 235	\$ (871)	\$ 549
Less: Total stock-based employee compensation expense under the fair value based methods for all awards, net of related tax effects	1	3	3	3
Pro forma net income (loss)	\$ (385)	\$ 232	\$ (874)	\$ 546
Pro forma basic net income (loss) per share	\$ (0.03)	\$ 0.02	\$ (0.07)	\$ 0.05
Pro forma diluted net income (loss) per share	\$ (0.03)	\$ 0.02	\$ (0.07)	\$ 0.05

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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 December 31, 2004 and 2003, options for 150,666 shares at exercise prices ranging from \$1.27 to \$7.50 were outstanding and were excluded from the earnings (loss) per share calculator as their effects would have been antidilutive.

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		Nine-Months ended	
	December 31,		December 31,	
	2004	2003	2004	2003
Net income (loss)	\$ (384)	\$ 235	\$ (871)	\$ 549
Weighted average number of common shares outstanding	11,634	11,634	11,634	11,634
Basic net income (loss) per share				