OPTI INC
Form 10-Q
November 14, 2003
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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 September 30, 2003

¨ 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**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporated or organization)	**Identification No.)**

880 Maude Avenue, Suite A, Mountain View, CA	**94043**
(Address of principal executive offices)	**(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 x No ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 at the Exchange Act): Yes ¨ No x

The number of shares outstanding of the registrant s common stock as of September 30, 2003 was 11,633,903.

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For the Quarterly Period Ended September 30, 2003

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OPTi Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	2002	2003	2002
Revenue				
Product	$	$ 414	$	$ 2,249
License and royalties	152	275	736	275
Net Sales	152	689	736	2,524
Costs and expenses				
Cost of sales		191		1,289
Selling, general and administrative	233	546	489	1,179
Total costs and expenses	233	737	489	2,468
Operating income (loss)	(81)	(48)	247	56
Interest and other income, net	32	57	67	1,658
Income (loss) before income tax provision (benefit)	(49)	9	314	1,714
Income tax provision (benefit)		(165)		(165)
Net income (loss)	$ (49)	$ 174	$ 314	$ 1,879
Basic net income per share	$ 0.00	$ 0.01	$ 0.03	$ 0.16
Diluted net income per share	$ 0.00	$ 0.01	$ 0.03	$ 0.16
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 consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, 2003	March 31, 2003
	Unaudited	**Audited**
Assets		
Current assets		
Cash and cash equivalents	$ 15,348	$ 14,996
Short-term investments	196	12
Accounts receivable, net	152	268
Other current assets	144	113
Total current assets	15,840	15,389
Property and equipment, net	1	4
Total assets	$ 15,841	$ 15,393
Liabilities and Shareholders Equity		
Current Liabilities		
Accounts payable	$ 21	$ 49
Accrued expenses	167	196
Accrued employee expenses	12	5
Total current liabilities	200	250
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 September 30, and March 31, 2003	15,053	15,053
Accumulated other comprehensive income	187	3
Retained earnings	401	87
Total shareholders equity	15,641	15,143
Total liabilities and shareholders equity	$ 15,841	$ 15,393

* The balance sheet of March 31, 2003 has been derived from the audited financial statements at that date.

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six Months Ended September 30, 2003	Six Months Ended September 30, 2002
Operating Activities:		
Net income	$ 314	$ 1,879
Adjustments:		
Depreciation	3	19
Impairment on short-term investments		12
Gain on Tripath Technology distribution		(1,544)
Changes in assets and liabilities:		
Accounts receivable	116	123
Inventories		258
Other assets	(31)	358
Accounts payable	(28)	(29)
Accrued expenses	(29)	(380)
Accrued employee expenses	7	(224)
Net cash provided by operating activities	352	472
Investing Activities:		
Net cash provided by investing activities		
Financing Activities:		
Net cash provided by financing activities		
Net increase in cash and cash equivalents	352	472
Cash and cash equivalents beginning of period	14,996	14,332
Cash and cash equivalents end of period	$ 15,348	$ 14,804

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003

(Unaudited)

1. Basis of Presentation

The information at September 30, 2003 and for the three and six-month periods ended September 30, 2003 and 2002, 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, 203.

Sale of 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 received $344,000 ($275,000 for the licensing fees and partial payment on the purchase of inventory) in September and the balance of $35,000, for inventory, on October 1, 2002. The Company is also entitled to quarterly royalty payments for the sale of it core logic and USB products by Opti Technologies. The Company is to receive 20% of net sales for the USB products and 40% of net sales for the core logic products. As of September 30, 2003, the Company has received approximately $980,000 and accrued an additional $152,000 in license and royalty payments from Opti Technologies. The maximum license and royalty payments that the Company can receive from the agreement with Opti Technologies are $1,500,000.

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.

Recent Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45 Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others (FIN 45). FIN 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 also requires additional disclosures by a guarantor in its interim financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN 45 are effective for any guarantees issued or modified after March 31, 2003. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company generally indemnifies, under predetermined conditions, its customers for infringement of third party intellectual property rights by its products or services. To date such costs have been immaterial. Adoption of FIN 45 did not have a material effect on the Company s financial position, results of operations and cash flows.

In December 2002, the FASB issued SFAS No. 148 Accounting for Stock-Based Compensation, Transition and Disclosure . SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The Company will continue to account for stock-based compensation under the provisions of Accounting Principles Board opinion No. 25, Accounting for Stock Issued to Employees using the intrinsic value method. Accordingly, SFAS No. 148 did not have a material effect on it financial position, results of operations or cash flows.

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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 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 September 30,		Six Months September 30,	
	2003	**2002**	**2003**	**2002**
Net income (loss) :				
As reported	$ (49)	$ 174	$ 314	$ 1,879
Less: Total stock-based employee compensation expense under the fair value based methods for all awards, net of related tax effects				
Pro forma net income (loss)	$ (49)	$ 174	$ 314	$ 1,879
Pro forma basic net income (loss) per share	$ 0.00	$ 0.01	$ 0.03	$ 0.16
Pro forma diluted net income (loss) per share	$ 0.00	$ 0.01	$ 0.03	$ 0.16

2. Net Income (Loss)

Basic net income (loss) per share and diluted net income (loss) per share are 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 equivalents shares consist of stock options. At September 30, 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 per share (in thousands, except per share amounts):

	Three Months ended September 30,		Six Months ended September 30,	
	2003	2002	2003	2002
Net income (loss)	$ (49)	$ 174	$ 314	$ 1,879