

OPTI INC
Form 10-Q
August 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 June 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
(State or other jurisdiction of
incorporated or organization)

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

77-0220697
(I.R.S. Employer
Identification No.)

94043
(Zip Code)

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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 filing requirements for the past 90 days. Yes No

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

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OPTi Inc.

Form 10-Q

For the Quarterly Period Ended June 30, 2003

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Table of Contents**OPTi Inc.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	Three Months Ended June 30,	
	2003	2002
	(000's omitted, except per share data)	
Revenue		
Product	\$	\$ 1,835
License and royalties	584	
Net Sales	584	1,835
Costs and expenses		
Cost of sales		1,098
Selling, general, and administrative	256	633
Total costs and expenses	256	1,731
Operating income	328	104
Interest and other income, net	35	1,601
Income before income tax provision	363	1,705
Income tax provision		
Net income	\$ 363	\$ 1,705
Basic net income per share	\$ 0.03	\$ 0.15
Diluted net income per share	\$ 0.03	\$ 0.15
Shares used in computing basic per share amounts	11,634	11,634
Shares used in computing diluted per share amounts	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**

	June 30, 2003	March 31, 2003
	Unaudited (000's omitted)	Audited
Assets		
Current assets		
Cash and cash equivalents	\$ 15,351	\$ 14,996
Short-term investments	41	12
Accounts receivable, net	157	268
Other current assets	242	113
	<u>15,791</u>	<u>15,389</u>
Total current assets		
Property and equipment, net	2	4
	<u>2</u>	<u>4</u>
Total assets	<u>\$ 15,793</u>	<u>\$ 15,393</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 86	\$ 49
Accrued expenses	163	196
Accrued employee expenses	9	5
	<u>258</u>	<u>250</u>
Total current liabilities		
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 shares 11,634 at June 30, 2003 and March 31, 2003	15,053	15,053
Accumulated other comprehensive income	32	3
Retained earnings	450	87
	<u>15,535</u>	<u>15,143</u>
Total shareholders' equity		
Total liabilities and shareholders' equity	<u>\$ 15,793</u>	<u>\$ 15,393</u>

* 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 condensed consolidated financial statements.

Table of Contents**OPTi Inc.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Three months Ended June 30,	
	2003	2002
	(000 s omitted)	
Operating Activities:		
Net income	\$ 363	\$ 1,705
Adjustments:		
Depreciation	2	10
Gain on Tripath Technology distribution		(1,544)
Changes in assets and liabilities:		
Accounts receivable	111	(210)
Inventories		(117)
Other assets	(129)	448
Accounts payable	37	12
Accrued expenses	(33)	(261)
Accrued employee expenses	4	59
Net cash provided by operating activities	355	102
Investing Activities:		
Net cash provided by investing activities		
Financing Activities:		
Net cash provided by financing activities		
Net increase in cash and cash equivalents	355	102
Cash and cash equivalents beginning of period	14,996	14,332
Cash and cash equivalents end of period	\$ 15,351	\$ 14,434

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

(unaudited)

1. Basis of presentation and Recent Accounting Pronouncements

The information at June 30, 2003 and for the three month periods ended June 30, 2003 and 2002, are unaudited, but includes 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, 2003.

Liquidation of the Company

On September 7, 2001, the Board of directors approved a plan to liquidate and dissolve the Company.

On January 3, 2002, the Company announced the postponement of its voluntary liquidation and dissolution. The Company's Board determined that it would be prudent to postpone the liquidation plan to allow the Company more time to evaluate its intellectual property position, including the means by which it would pursue claims for the potential infringement of certain of its patents. The Board decision was not due to any change in the Company's business prospects.

The Company does not intend to return to an operating business and intends no future research and development related to product development. All future revenue will be generated through royalties from Opti Technologies or from the licensing of the Company's intellectual property. The Company may decide in the near future to again pursue the voluntary plan of liquidation and dissolution.

The consolidated financial statements of the Company as of June 30, 2003 and March 31, 2003, respectively, were prepared under generally accepted accounting principles for a going concern entity and do not reflect changes in the carrying amounts of assets and liabilities which may be affected should the shareholders approve a plan of liquidation of the Company's assets. Amounts that may be affected include those related to the carrying value of property, plant and equipment as well as possible adjustments of amount related to other assets and liabilities of the Company including additional costs for severance.

Sale of the Operating Business

On September 30, 2002, the Company announced that it had sold its operating business 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 \$69,000 as a partial payment on the purchase of the inventory) in September and the balance of \$350,000, for inventory, on October 1, 2002. The Company is also entitled to quarterly royalties for the sale of its 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 June 30, 2003, the Company had received a total of \$981,000 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 is \$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 FASB Interpretation No. 45 *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of 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. We adopted the disclosure requirements for our financial statements included in the last Form 10-K. The Company generally indemnifies, under predetermined conditions, its customers for infringement of third party intellectual property rights by its products or services. Adoption of FIN 45 did not have a material effect on the Company's financial position, results of operations and cash flows.

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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 proforma effect in interim financial statements. The Company adopted the disclosure provisions in its last form 10-K. It will continue to account for stock-based compensation under the provisions of Accounting Principles Board Opinion N. 25, Accounting for Stock Issued to employees using the intrinsic value method. Accordingly, the adoption of SFAS No. 148 did not have a material effect on its financial position, results of operations or cash flows.

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 disclosure 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 based on the fair value at the grant dates, as prescribed in SFAS 123, the Company's net income would have been as follows (in thousands, except per share amounts):

	Three months ended June 30,	
	2003	2002
Net income:		
As reported	\$ 363	\$ 1,705
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	\$ 363	\$ 1,705
Pro forma basic net income per share	\$ 0.03	\$ 0.15
Pro forma diluted net income per share	\$ 0.03	\$ 0.15

2. Net income per share

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Basic net income per share is computed by dividing net income 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 June 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:

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	Three Months ended June 30,	
	2003	2002
Net Income	\$ 363	\$ 1,705
Weighted average number of common shares outstanding	11,634	11,634
Basic net income per share	\$ 0.03	\$ 0.15
Weighted average number of common shares outstanding	11,634	11,634
Effect of dilutive securities: Employee stock options		
Denominator for diluted net income per share	11,634	11,634
Diluted net income per share	\$ 0.03	\$ 0.15

3. Short-term investments

The following is a summary of available for sale securities as of June 30, 2003 and March 31, 2003:

	June 30, 2003			March 31, 2003		
	Amortized Cost	Gross Unrealized Gains	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Estimated Fair Value
Cash	\$ 15,351		\$ 15,351	\$ 14,996		\$ 14,996
Investment in Tripath Technologies Inc.	9	\$ 32	41	9	\$ 3	12
	\$ 15,360	\$ 32	\$ 15,392	\$ 15,005	\$ 3	\$ 15,008
Reported as: Cash and cash equivalents	\$ 15,351					