

OPTI INC
Form 10-Q
November 16, 2009
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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, 2009

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____ to _____

Commission File Number 0-21422

OPTi Inc.

(Exact name of registrant as specified in its charter)

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CALIFORNIA
(State or other jurisdiction of
incorporation or organization)

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

3430 W. Bayshore Road, Suite 103 Palo Alto, California
(Address of principal executive office)

94303
(Zip Code)

Registrant's telephone number, including area code (650) 213-8550

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, non-accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12(b)-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock as of October 31, 2009 was 11,641,903.

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Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****OPTi Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)

(unaudited)

	September 30, 2009	March 31, 2009*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,674	\$ 7,032
Accounts receivable		750
Prepaid expenses and other current assets	55	46
Total current assets	5,729	7,828
Property and equipment, at cost		
Machinery and equipment	57	48
Furniture and fixtures	17	17
	74	65
Accumulated depreciation	(63)	(60)
	11	5
Total assets	\$ 5,740	\$ 7,833
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 247	\$ 1,107
Accrued expenses	839	569
Accrued employee compensation	139	238
Total current liabilities	1,225	1,914
Stockholders' equity:		
Preferred stock, no par value		
Authorized shares 5,000		
No shares issued or outstanding		
Common stock		
Authorized shares 50,000		
Issued and outstanding 11,642 at September 30, and March 31, 2009	13,539	13,539
Accumulated deficit	(9,024)	(7,620)
Total stockholders' equity	4,515	5,919
Total liabilities and stockholders' equity	\$ 5,740	\$ 7,833

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- * The balance sheet as of March 31, 2009 has been derived from the audited financial statements.
The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents**OPTi Inc.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)****(In thousands, except per share data)**

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Sales				
License and royalties	\$	\$ 3,750	\$	\$ 3,750
Net sales		3,750		3,750
Costs and expenses				
Selling, general and administrative	1,164	2,798	3,439	4,489
Total costs and expenses	1,164	2,798	3,439	4,489
Operating income (loss)	(1,164)	952	(3,439)	(739)
Interest income and other income, net	1,902	249	2,034	344
Income (loss) before provision for income taxes	738	1,201	(1,405)	(395)
Income tax provision				
Net income (loss)	\$ 738	\$ 1,201	\$ (1,405)	\$ (395)
Basic and diluted net income (loss) per share	\$ 0.06	\$ 0.10	\$ (0.12)	\$ (0.03)
Shares used in computing basic per share amounts	11,642	11,642	11,642	11,642
Shares used in computing diluted per share amounts	11,646	11,644	11,642	11,642

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

Table of Contents**OPTi Inc.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Six Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (1,405)	\$ (395)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3	4
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(9)	(24)
Accounts receivable	750	(3,955)
Accounts payable	(860)	1,284
Accrued expenses	270	(25)
Accrued employee compensation	(98)	
Net cash used in operating activities	(1,349)	(3,111)
Cash flows from investing activities:		
Purchase of equipment	(9)	
Net cash used in investing activities	(9)	
Cash flows from financing activities:		
Net decrease in cash and cash equivalents	(1,358)	(3,111)
Cash and cash equivalents, beginning of period	7,032	6,843
Cash and cash equivalents, end of period	\$ 5,674	\$ 3,732

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

Table of Contents**OPTi Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2009****(unaudited)****1. Basis of Presentation**

The information at September 30, 2009 and for the three and six-month periods ended September 30, 2009 and 2008, are unaudited, but include all adjustments (consisting of normal recurring adjustments) 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, 2009, which are included in the annual report on Form 10-K filed by the Company with the Securities and Exchange Commission.

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 under different assumptions or conditions.

2. Net Income (Loss) Per Share

Basic and diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.

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

	Three Months ended September 30,		Six Months ended September 30,	
	2009	2008	2009	2008
Net income (loss)	\$ 738	\$ 1,201	\$ (1,405)	\$ (395)
Weighted average number of common shares outstanding	11,642	11,642	11,642	11,642
Basic net income (loss) per share	\$ 0.06	\$ 0.10	\$ (0.12)	\$ (0.03)
Weighted average number of common shares outstanding	11,642	11,642	11,642	11,642
Effect of dilutive securities:				
Employee stock options	4	2		
Denominator for diluted net income (loss) per share	11,646	11,644	11,642	11,642
Diluted net income (loss) per share	\$ 0.06	\$ 0.10	\$ (0.12)	\$ (0.03)

The Company has excluded options for the purchase of 8,000 and 108,000 shares of common stock from the calculation of diluted net loss per share in the six-month periods ended September 30, 2009 and 2008, because all such securities are anti-dilutive for the respective periods.

Table of Contents**OPTi Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****September 30, 2009****(unaudited)****3. Taxes**

The Company recorded no tax provision for the three and six-months ended September 30, 2009 and 2008. The Company's effective tax rate differed from the federal and state statutory rates during all periods presented due to the uncertainty of the Company returning to profitability.

Due to uncertainty associated with the Company's prospective ability to realize the benefits of its tax assets, the Company has fully reserved the value of its deferred tax assets. In addition, utilization of the net operating loss and credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitations may result in the expiration of net operating loss carryforwards before utilization.

4. Comprehensive income (loss)

Total comprehensive income (loss) includes net income (loss) and other comprehensive income or loss. During the three and six-month period ended September 30, 2008, the Company recorded a temporary investment gain of \$70,000 and a loss of approximately (\$30,000) relating to its investments in auction rate securities. The total comprehensive income (loss) for the three and six-month periods ended September 30, 2009 were \$0.7 million and \$1.2 million, respectively, and the total comprehensive income (loss) for the three and six-month periods ended September 30, 2008 were \$(1.4) million and \$(0.4) million, respectively.

5. Cash and Cash Equivalents

The following is a summary as of September 30 and March 31, 2009 (in thousands):

	September 30, 2009	March 31, 2009
Cash	\$ 100	\$ 100
Money markets funds	5,574	6,932
	\$ 5,674	\$ 7,032

ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level I) observable inputs such as quoted prices in active markets; (Level II) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level III) unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures its investments and marketable securities at fair value.

As of September 30, 2009 and March 31, 2009, the Company has cash and investments in money market funds of \$5.7 million and \$7.0 million, respectively, in cash equivalents classified as Level I of the fair market hierarchy and no Level II or Level III investments.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2009