

OPTI INC  
Form 10-Q  
February 14, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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

For the Quarterly Period Ended December 31, 2005

“ **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

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**OPTi Inc.**

(Exact name of registrant as specified in Its charter)

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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, California**  
(Address of principal executive office)

**94043**  
(Zip Code)

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

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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 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large Accelerated filer  Accelerated filer  Non-Accelerated filer

Indicate by check mark whether the registrant is a shell company (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 November 30, 2005 was 11,633,903.

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**Form 10-Q**

**For the Quarterly Period Ended December 31, 2005**

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OPTi Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2005	2004	2005	2004
Sales				
License and royalties	\$	\$	\$	\$ 52
Net sales				52
Costs and expenses				
Selling, general and administrative	584	447	1,365	1,132
Total costs and expenses	584	447	1,365	1,132
Operating loss	(584)	(447)	(1,365)	(1,080)
Interest income and other	127	63	336	134
Loss before provision for income taxes	(457)	(384)	(1,029)	(946)
Income tax provision (benefit)			1	(75)
Net loss	\$ (457)	\$ (384)	\$ (1,030)	\$ (871)
Basic and diluted net loss per share	\$ (0.04)	\$ (0.03)	\$ (0.09)	\$ (0.07)
Shares used in computing basic and 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 SHEET

	December 31, 2005	March 31, 2005 *
	Unaudited (000 s omitted)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,390	\$ 14,457
Prepaid expenses and other current assets	133	43
<b>Total current assets</b>	<b>13,523</b>	<b>14,500</b>
Property and Equipment, at cost		
Machinery and equipment	34	34
Furniture and fixtures	21	20
	55	54
Accumulated depreciation	(48)	(44)
	7	10
Other Assets	14	
<b>Total Assets</b>	<b>\$ 13,544</b>	<b>\$ 14,510</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 35	\$ 90
Accrued expenses	237	117
Income taxes payable	1	2
<b>Total current liabilities</b>	<b>273</b>	<b>209</b>
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 September 30, and March 31, 2005	15,053	15,053
Accumulated deficit	(1,782)	(752)
<b>Total shareholders' equity</b>	<b>13,271</b>	<b>14,301</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,544</b>	<b>\$ 14,510</b>

\* The balance sheet as of March 31, 2005 has been derived from the audited financial statements at that date.

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OPTi Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended December 31,	
	2005	2004
	(000 s omitted)	
<b>Operating activities</b>		
Net loss	\$ (1,030)	\$ (871)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4	3
Changes in operating assets and liabilities:		
Accounts receivable		143
Prepaid expenses and other assets	(104)	11
Accounts payable	(55)	47
Accrued expenses	120	69
Income taxes payable	(1)	(77)
Net cash used in operating activities	(1,066)	(675)
<b>Investing activities</b>		
Purchase of equipment	(1)	(6)
Net cash used in investing activities	(1)	(6)
<b>Financing activities</b>		
Net cash provided by financing activities		
Net decrease in cash and cash equivalents	(1,067)	(681)
Cash and cash equivalents at beginning of year	14,457	15,520
Cash and cash equivalents at end of year	\$ 13,390	\$ 14,839

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, 2005**

(Unaudited)

**1. Basis of Presentation**

The information at December 31, 2005 and for the three-month and nine-month periods ended December 31, 2005 and 2004, 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, 2005, 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.

Stock-based compensation

The Company has granted stock options to employees for a fixed number of shares with an exercise price equal to the fair market value of the stock on the date of the grant. As permitted under Statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation (FAS 123) and Statement of Financial Accounting Standard No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (FAS 148), we have elected to follow the intrinsic value method of accounting as defined by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations in accounting for stock awards to employees. Accordingly, no compensation expense is recognized in the financial statements in connection with employee stock option awards where the exercise price of the award is equal to the fair market value of the stock at the date of the award. When stock options are granted with an exercise price that is lower than the fair market value of the stock on the date of grant, the difference is recorded as deferred compensation and amortized to expense on a graded basis over the vesting term of the options

As required by FAS 148, the following table illustrates the effect on net loss and loss per share if we had accounted for our stock option and stock purchase plans under the fair value method of accounting (in thousands, except per share amounts):



	Three Months Ended December 31,		Nine Months Ended December 31,	
	2005	2004	2005	2004
Net loss:				
As reported	\$ (457)	\$ (384)	\$ (1,030)	\$ (871)
Add: Total stock-based employee compensation expense under the fair value based methods for all awards	1	1	3	3
Pro forma net loss	\$ (458)	\$ (385)	\$ (1,033)	\$ (874)
Pro forma basic and diluted net loss per share	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ (0.07)

**Table of Contents****2. Net Loss Per Share**

Basic net loss per share and diluted net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. At December 31, 2005 and 2004, options for 150,666 shares at exercise prices ranging from \$1.27 to \$7.50 were outstanding and were excluded from the loss per share calculation as their effects would have been antidilutive.

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

	Three Months ended December 31,		Nine Months ended December 31,	
	2005	2004	2005	2004
Net loss	\$ (457)	\$ (384)	\$ (1,030)	\$ (871)
Weighted average number of common shares outstanding	11,634	11,634	11,634	11,634
Basic and diluted net loss per share	\$ (0.04)	\$ (0.03)	\$ (0.09)	\$ (0.07)