

NEOMAGIC CORP
Form 8-K
November 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 28, 2005

NeoMagic Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

000-22009
(Commission File Number)

77-0344424
(IRS Employer

of incorporation)

Identification No.)

3250 Jay Street, Santa Clara, California
(Address of principal executive offices)

95054
(Zip Code)

Registrant's telephone number, including area code (408) 988-7020

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On October 28, 2005, NeoMagic Corporation (the Company) accelerated the vesting of unvested and out-of-the-money stock options with exercise prices equal to or greater than \$10.00 per share previously awarded to its employees, including its executive officers, and its directors under the Company's equity compensation plans. Options to purchase 221,240 shares of the Company's common stock became exercisable immediately. The weighted average exercise price of the options subject to the acceleration is \$14.06.

The purpose of the acceleration is to enable the Company to avoid recognizing compensation expense associated with these options in future periods in its consolidated statements of operations, upon adoption of FASB Statement of Financial Accounting Standards No. 123R

Share-Based Payment (SFAS 123R). SFAS 123R is effective for the Company beginning in the first quarter of fiscal year 2007, and will require that compensation expense associated with stock options be recognized in the statement of operations, rather than as a footnote disclosure in the Company's consolidated financial statements. The pre-tax charge to be avoided amounts to approximately \$1.8 million over the course of the original vesting periods, which on average is approximately 1.6 years from the effective date of acceleration. The acceleration of the vesting of these options did not result in a charge based on generally accepted accounting principles. The Company believes that because the accelerated options have exercise prices in excess of the current market value of the Company's common stock, the options have limited economic value and are not fully achieving their original objective of incentive compensation and employee retention.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NeoMagic Corporation

(Registrant)

/s/ Scott Sullinger

Scott Sullinger
Chief Financial Officer

Date: November 2, 2005