OPTI INC
Form 10-Q
August 14, 2009

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, 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)

CALIFORNIA	**77-0220697**
(State or other jurisdiction of	**(I.R.S. Employer**
Incorporation or organization)	**Identification No.)**

3430 W. Bayshore Road, Suite 103 Palo Alto, California **94303**
(Address of principal executive office) **(Zip Code)**
Registrant s telephone number, including area code (650) 213-8550

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 x 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 x

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

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

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OPTi INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30, 2009 (unaudited)	March 31, 2009* (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,431	$ 7,032
Accounts receivable	750	750
Prepaid expenses and other current assets	79	46
Total current assets	6,260	7,828
Property and equipment, at cost		
Machinery and equipment	49	48
Furniture and fixtures	17	17
	66	65
Accumulated depreciation	(61)	(60)
	5	5
Total assets	$ 6,265	$ 7,833
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,972	$ 1,107
Accrued expenses	460	569
Accrued employee compensation	56	238
Total current liabilities	2,488	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 June 30, and March 31, 2009	13,539	13,539
Accumulated deficit	(9,762)	(7,620)
Total stockholders equity	3,777	5,919
Total liabilities and stockholders equity	$ 6,265	$ 7,833

* The balance sheet as of March 31, 2009 has been derived from the audited financial statements.

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

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OPTi Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30, 2009	2008
License revenues	$	$
Expenses		
General and administrative	2,275	1,691
Total expenses	2,275	1,691
Operating loss	(2,275)	(1,691)
Interest income and other	133	96
Loss before provision for income taxes	(2,142)	(1,595)
Income tax provision (benefit)		
Net loss	$ (2,142)	$ (1,595)
Basic and diluted net loss per share	$ (0.18)	$ (0.14)
Shares used in computing basic and diluted per share amounts	11,642	11,642

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

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OPTi INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008
Cash flows from operating activities:		
Net loss	$ (2,142)	$ (1,595)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2	2
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(35)	(68)
Accounts payable	865	571
Accrued expenses	(109)	(46)
Accrued employee compensation	(181)	
Net cash used in operating activities	(1,600)	(1,136)
Cash flows from investing activities:		
Purchase of equipment	(1)	
Net decrease in cash and cash equivalents	(1,601)	(1,136)
Cash and cash equivalents, beginning of period	7,032	6,843
Cash and cash equivalents, end of period	$ 5,431	$ 5,707

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

June 30, 2009

(Unaudited)

1. Basis of Presentation

The information at June 30, 2009 and for the three-month periods ended June 30, 2009 and 2008, is unaudited, but includes 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.

Recent Accounting Pronouncement

In September 2006, the FASB issued SFAS No. 157 (SFAS 157), Fair Value Measurements. SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value, and does not expand the use of fair value in any new circumstances. In February 2008, the FASB approved FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2) which allows companies to elect a one-year delay in applying SFAS 157 to certain fair value measurements of non-financial instruments, except those that are recognized or disclosed at fair value on at least an annual basis. The Company fully adopted SFAS 157 on April 1, 2009. The adoption of SFAS 157 was prospective and did not have a significant effect on our Condensed Consolidated Financial Statements.

2. Net Loss Per Share

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

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 three months ended June 30, 2009 and 2008, because all such securities are anti-dilutive for the respective periods.

3. Taxes

The Company recorded no tax provision for the three months ended June 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 Loss

Total comprehensive loss includes net loss and other comprehensive income or loss. During the quarter ended June 30, 2008, the Company recorded a temporary investment loss of $100,000 relating to its investments in auction rate securities. The total comprehensive loss for the first three-months ended June 30, 2009 and 2008 was $2.1 million and $1.7 million, respectively.

5. Cash and Cash equivalents

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

	June 30, 2009	March 31, 2009
Cash	$ 100	$ 100
Money markets funds	5,331	6,932
	$ 5,431	$ 7,032

SFAS No. 157 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, SFAS No. 157 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 June 30, 2009 and March 31, 2009, the Company has cash and investments in money market funds of $5.4 million and $7.0 million, respectively, in cash equivalents classified as Level I of the fair value hierarchy and no Level II or Level III investments.

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6. Subsequent Events

On July 24, 2009 the Company entered into a Dismissal and License Option Agreement with Standard Microsystems Corporation (SMSC). The agreement suspends the lawsuit that the Company filed against SMSC in the Eastern District of Texas.

On July 2, 2007, the Company announced that it filed a complaint against SMSC in the United States District Court for the Eastern District of Texas, for infringement of two U.S. patents. The patents at issue in the lawsuit are U.S. patent No. 5,944,807 and U.S. patent No. 6,098,141, both entitled Compact ISA-Bus Interface. The complaint alleged that SMSC infringes the patents by making, selling, and offering for sale products based on and incorporating the Low Pin Count Interface Specification and inducing and contributing to the infringement of the patents by others.

In exchange for the Company agreeing to dismiss its lawsuit against SMSC without prejudice and to refrain from re-filing the lawsuit for a specified period of time, SMSC has agreed to make a payment of $1,900,000 to OPTi. The Company has also granted SMSC an option to purchase a license from OPTi for an additional license fee of $100,000.

The Company will record $1,900,000 as other income in the quarter ending September 30, 2009, pursuant to our policy on revenue recognition.

The Company has evaluated all events as of August 14, 2009, which is the issued date of these financial statements.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Information set forth in this report constitutes and includes forward looking information made within the meaning of Section 27A of the Security Act of 1933, as amended and Section 21E of the Securities and Exchange Act of 1934, as amended, that involve risks and uncertainties. The Company s actual results may differ significantly from the results discussed in the forward looking statements as a result of a number of factors, including the Company s ongoing efforts to enforce its intellectual property rights including its current litigation efforts, the willingness of the parties it believes are infringing its patents to settle its claims against them, the amount of litigation costs the Company must incur in pursuing its patent infringement claims, the degree to which technology subject to the Company s intellectual property rights is used by other companies in the personal computer and semiconductor industries and our ability to obtain license revenues from them, changes in intellectual property law in such industries and in general and other matters.

OPTi Inc. a California corporation (OPTi or the Company), was founded in 1989, as an independent supplier of semiconductor products to the personal computer (PC) and embedded marketplaces.

From inception through 1995, OPTi s principal business was its core logic products for desktop personal computers and the Company employed as many as 235 employees over the years. However, over time, OPTi faced increasingly tight competition from companies with substantially greater financial, technical, distribution and marketing resources. In February 1999, the Company completely ceased further development of core logic products, although OPTi continued to ship such products to customers until September 2002. The Company s annual net sales declined from $163.7 million in 1995 to no revenue in fiscal year 2006. During the years ended March 31, 2009 and March 31, 2007, the Company recorded net revenue of approximately $3.8 million and $11 million relating to a license with NVIDIA Corporation (NVIDIA).

In September 2002, the Company sold its product fabrication, distribution and sales operations to Opti Technologies, Inc., an unrelated third party, and the Company ceased manufacturing, marketing and sales operations. However, the Company believes that certain of its patented technology is in widespread unlicensed use and the Company has been engaged in perfecting its intellectual property rights, investigating unlicensed use of its technology and developing and validating a strategy to pursue product licenses from unlicensed users.

OPTi holds a majority of its liquid assets in cash and cash equivalents for the purpose of financing its efforts to pursue licenses and claims relating to its intellectual property.

The Company s current strategy is to pursue licensing opportunities to resolve potential infringement of its proprietary intellectual property in the core logic area. During the first quarter of fiscal year 2000, the Company entered into a one-time licensing arrangement for $13,311,000 on the core logic technology that the Company had developed during its existence. During the first quarter of fiscal year 2004, the Company also entered into a one-time license arrangement for $425,000 on its patented technology. The Company believes that there may be additional companies that may be infringing its patents. The Company is actively working to explore all possible arrangements to settle such infringements.

On October 19, 2004, the Company announced that it filed a complaint against NVIDIA, in the Eastern District of Texas, for infringement of five U.S. patents relating to its Predictive Snooping chipset technology. See Part II, Item 1 Legal Proceedings below.

On April 24, 2006, the United States District Court for the Eastern District of Texas issued a ruling in the ongoing patent infringement action between OPTi and NVIDIA, which arose from a special proceeding required under U.S. patent law called a Markman hearing, where both sides present their arguments to the court as to how they believe certain claims at issue in the lawsuit should be interpreted.

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In the ruling, the Court largely adopted OPTi s proposed construction on 13 of the 15 claims at issue. The Company believed that the ruling represented a major step in OPTi s efforts to enforce its patent portfolio and licensing efforts, and sought an award of damages based on the infringement of its technology and for reimbursement of its litigation expenses.

On August 3, 2006, the Company entered into a license and settlement agreement with NVIDIA (the License Agreement). Under the License Agreement the Company agreed to dismiss its patent infringement lawsuit against NVIDIA and licensed certain patents to NVIDIA. NVIDIA made a non-refundable, non-creditable fully earned payment of $11 million to the Company. There is no future performance obligation. In accordance with the Company s revenue recognition policy $11 million was recorded as revenue during the quarter ended September 30, 2006 as persuasive evidence that an agreement existed, delivery had occurred and there were no future performance obligations, fees are fixed or determinable and collectibility was reasonably assured.

The License Agreement also provides that the Company receive quarterly royalty payments of $750,000 from NVIDIA, so long as NVIDIA continues to use the Company s Predictive Snoop technology, commencing in February 2007 up to a maximum of 12 such payments in exchange for a license for future use of the Pre-Snoop patents. Royalties will be recorded as revenue when earned and received.

On February 5, 2007 the Company announced that it received a letter from NVIDIA stating that NVIDIA had discontinued the use of the Predictive Snooping technology that it had licensed from the Company pursuant to the terms of the License Agreement. The letter from NVIDIA also stated that NVIDIA would not be remitting to the Company the quarterly royalty payment originally scheduled for February 2007.

On October 17, 2007 the Company initiated an arbitration against NVIDIA because the Company believes that NVIDIA has breached the terms of the License Agreement. The Company sought payment for the past due quarters that OPTi believed NVIDIA had continued to use the Pre-Snoop technology. The arbitrator in September 2008 ruled in OPTi s favor and awarded the company a total of five quarterly royalty payment of $750,000 each for a total of $3,750,000. This amount was recognized as revenue in the fiscal year ended March 31, 2009.

On November 15, 2006, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against Advanced Micro Devices, Inc. (AMD) for infringement of three U.S. patents relating to its Predictive Snooping technology. See *Part II, Item 1 Legal Proceedings* below. The AMD case itself is a continuing part of the Company s strategy for pursuing its patent infringement claims and its outcome will have a significant effect on the Company s ability to realize ongoing licensing revenue through its intellectual property licensing efforts.

On January 16, 2007, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against Apple Inc. (Apple) for infringement of three U.S. patents. The three patents at issue in the lawsuit are U.S. Patent No. 5,710,906, U.S. Patent No. 5,813,036 and U.S. Patent No. 6,405,291, which are all entitled Predictive Snooping of Cache Memory for Master-Initiated Accesses . The Company alleges that Apple has infringed the patents by making, selling, and offering for sale desktop and portable computers and servers incorporating Predictive Snooping technology.

On April 23, 2009 a jury from the United States District Court for the Eastern District of Texas ruled in OPTi s favor in the patent infringement trial between OPTi Inc and Apple Inc. The jury ruled on the following four issues:

In the matter of willful infringement, the jury ruled that Apple willfully infringed OPTi s patent;

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In the matter of Apple s defense that OPTi s patent was invalid due to obviousness, the jury ruled that OPTi s patent was valid;

In the matter of Apple s defense that the patent was invalid due to anticipation, the jury ruled that the OPTi s patent was valid;

In the matter of damages, the jury awarded OPTi $19 million for Apple s infringement of OPTi s patent.

The court had ruled previously that Apple had infringed the OPTi patent at issue on April 3, 2009. Apple has filed a number of post-trial motions seeking to reverse the jury verdict or to secure a new trial on a variety of issues. These motions are currently being briefed.

On July 3, 2007, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against eight companies for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141, both entitled Compact ISA-Bus Interface . The Company alleges that Advanced Micro Devices, Atmel Corporation, Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc., SMSC, STMicroelectronics and VIA Technologies, Inc. have infringed the patents by making, selling, and offering one or more of the following products: core logic chipsets, Super I/O devices, Trusted Platform Modules, certain flash memory devices, certain I/O controllers and other semiconductor products incorporating Compact ISA-Bus Interface technology. The Company has settled with Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc. and STMicroelectronics during the fiscal year ended March 31, 2009. During the first four months of fiscal year 2010 the Company has settled with Atmel Corporation and SMSC. The settlement with Atmel Corporation of $125,000 is included in other income for the quarter ended June 30, 2009. The Company has requested a jury trial in this matter for the remaining defendants, AMD and VIA Technologies, Inc.

Critical Accounting Policies

General. Our discussions and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that, of the significant accounting policies used in preparation of our consolidated financial statements (see Note 1 of Notes to Consolidated Financial Statements), the following are critical accounting policies, which may involve a higher degree of judgment and complexity.

Revenue Recognition. Revenue from license arrangements is recognized when persuasive evidence of an arrangement exists, delivery has occurred and there are no future performance obligations, fees are fixed or determinable and collectibility is reasonably assured. Royalties are recorded as revenue when earned and collectibility is reasonably assured.

Litigation and Contingencies. From time to time, we receive various inquiries or claims in connection with patent and other intellectual property rights. We estimate the probable outcome of these claims and accrue estimates of the amounts that we expect to pay upon resolution of such matters, if needed. Should we not be able to secure the terms we expect, these estimates may change and may result in increased accruals, resulting in decreased profits.

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Fiscal 2009 Compared to 2008

Revenues

The Company had no revenue for the three-month periods ended June 30, 2009 and 2008. The Company s future revenues depend on the success of our strategy of pursuing license claims on our intellectual property position.

General and Administrative

General and administrative expenses for the quarter ended June 30, 2009 were $2,275,000 as compared to $1,691,000 for the quarter ended June 30, 2008. The increase in general and administrative costs for the three-month period ended June 30, 2009 as compared to the comparable period ended June 30, 2008 was mainly attributable to increased litigation costs relating to the preparation of the Apple trial in April 2009.

Interest and Other Income, Net

Net interest and other income for the three-month period ending June 30, 2009 was $133,000 as compared to $96,000 for the three-months ended June 30, 2008. The increase in net interest and other income in the three-month period ended June 30, 2009 as compared to the comparable period in 2008 was due to the standstill agreement with Atmel Corporation signed during the quarter, offset in part, by a decrease in interest income due to lower average cash balances and lower interest rates during the quarter ended June 30, 2009.

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Income Taxes

The Company recorded no tax provision for the three months ended June 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.

Liquidity and Capital Resources

Cash and cash equivalents decreased to $5.4 million at June 30, 2009 from $7.0 million at March 31, 2009. The decrease in cash and cash equivalents of approximately $1.6 million from March 31, 2009 to June 30, 2009, primarily relates to the net loss for the period, offset, in part, by an increase in accounts payable. Working capital as of June 30, 2009 decreased to $3.8 million from $5.9 million at March 31, 2009. During the first three-months of fiscal 2009, operating activities used approximately $1.6 million of cash. Cash used in operating activities was primarily due to the net loss during the three-month period of $2.1 million, offset in part, by an increase in accounts payable. The Company had insignificant investing activity in the quarter ended June 30, 2009 and no investment activity for the three-month period ended March 31, 2009. The Company had no financing activity during the quarters ended June 30, 2009 and March 31, 2009.

As of June 30, 2009, the Company s principal sources of liquidity included cash, cash equivalents of approximately $5.4 million and working capital of approximately $3.8 million. The Company believes that the existing sources of liquidity will satisfy the Company s projected working capital and other cash requirements through at least the next twelve months.

The Company s current building lease agreement is scheduled to end on December 31, 2009. The total remaining commitment under the lease at June 30, 2009 is approximately $54,000.

Contractual Obligations

There was no material change as of June 30, 2009, of our contractual obligations as compared to those at March 31, 2009 as disclosed in our Annual Report on Form 10-K for the year ended March 31, 2009.

Off Balance Sheet Arrangements

None

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

We maintain our cash and cash equivalents primarily in money market funds. We do not have any derivative financial instruments. As of June 30, 2009, all of our investments mature in less than one month. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

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Item 4. Controls and Procedures

(a) We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the Company s year ended March 31, 2009. Based upon that evaluation, our Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

(b) There have been no material changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis and to improve our controls and procedures over time and to correct any deficiencies that we may discover in the future. Our goal is to ensure that our senior management has timely access to all material financial and non-financial information concerning our business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to significantly modify our disclosure controls and procedures.

There were no changes in our internal controls over financial reporting during our last quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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OPTi Inc.

Part II. Other Information

Item 1. Legal Proceedings

On November 15, 2006, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against AMD for infringement of three U.S. patents relating to its Predictive Snooping technology. The AMD case itself is a continuing part of the Company s strategy for pursuing its patent infringement claims and its outcome will have a significant effect on the Company s ability to realize ongoing licensing revenue through its intellectual property licensing efforts.

On January 16, 2007, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against Apple for infringement of three U.S. patents. The three patents at issue in the lawsuit are U.S. Patent No. 5,710,906, U.S. Patent No. 5,813,036 and U.S. Patent No. 6,405,291, which are all entitled Predictive Snooping of Cache Memory for Master-Initiated Accesses . The Company alleges that Apple has infringed the patents by making, selling, and offering for sale desktop and portable computers and servers incorporating Predictive Snooping technology.

On April 23, 2009 a jury from the United States District Court for the Eastern District of Texas ruled in OPTi s favor in the patent infringement trial between OPTi and Apple. The jury ruled on the following four issues:

In the matter of willful infringement, the jury ruled that Apple willfully infringed OPTi s patent;

In the matter of Apple s defense that OPTi s patent was invalid due to obviousness, the jury ruled that OPTi s patent was valid;

In the matter of Apple s defense that the patent was invalid due to anticipation, the jury ruled that the OPTi s patent was valid;

In the matter of damages, the jury awarded OPTi $19 million for Apple s infringement of OPTi s patent.

The court had ruled previously that Apple had infringed the OPTi patent at issue on April 3, 2009. Apple has filed a number of post-trial motions seeking to reverse the jury verdict or to secure a new trial on a variety of issues. These motions are currently being briefed.

On July 3, 2007, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against eight companies for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141, both entitled Compact ISA-Bus Interface . The Company alleges that Advanced Micro Devices, Atmel Corporation, Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc., SMSC, STMicroelectronics and VIA Technologies, Inc. have infringed that patents by making, selling, and offering one or more of the following products: core logic chipsets, Super I/O devices, Trusted Platform Modules, certain flash memory devices, certain I/O controllers and other semiconductor products incorporating Compact ISA-Bus Interface technology. The Company has settled with Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc. and STMicroelectronics during the fiscal year ended March 31, 2009. During the first four months of fiscal year 2010 the Company has settled with Atmel Corporation and SMSC. The Company has requested a jury trial in this matter for the remaining defendants, AMD and VIA Technologies, Inc.

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The AMD, Apple and the Compact ISA-Bus Interface cases are a continuing part of the Company s strategy for pursuing its patent infringement claims and their outcomes will have a significant effect on the Company s ability to realize ongoing licensing revenue through its intellectual property licensing efforts.

Item 1A. Risk Factors

Trading of OPTi Common Stock on the OTC Bulletin Board

Our common stock is currently traded on the OTC Bulletin Board. Some investors may be less likely to invest in stocks that are not traded on recognized national markets and listing services such as Nasdaq. Therefore, investors in our common stock may experience reduced liquidity when attempting to trade shares of our common stock.

Dependence on Intellectual Property Position

The success of the Company s current strategy of resolving potential infringement of its patented core logic technology can be affected by new developments in intellectual property law generally and with respect to semiconductor patents in particular and upon the Company s success in defending its patent position. It is difficult to predict developments and changes in intellectual property law. However, such changes could have an adverse impact on the Company s ability to pursue infringement claims on its previously developed technology.

Uncertain Revenue Stream

Although the Company has commenced legal action and continues to pursue license revenues relating to the unauthorized use of its intellectual property, there can be no assurances whether or when revenues will result from the pursuit of such claims.

In addition, the Company s focus on pursuing claims related to its intellectual property position can result in one time payments that may increase revenues during a single fiscal period but may not be repeated in future periods. For example, in the fiscal quarter ended September 30, 2006, the Company reached a settlement of certain claims and counterclaims with NVIDIA that included, among other things, a one-time cash payment to the Company. Under the terms of the settlement, the Company was to receive future payments from NVIDIA if they continued to use the patented technology. Consequently, settlements of these claims will cause our operating results to fluctuate from period to period and revenues that we may receive from such a settlement should not be viewed as indicative of future trends in our operating results.

Outcome of AMD, Apple and Compact ISA-Bus Legal Actions

On November 15, 2006, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against AMD for infringement of a U.S. patents relating to its Predictive Snooping technology. See *Part II, Item 1 Legal Proceedings* above. The AMD case itself is a continuing part of the Company s strategy for pursuing its patent infringement claims and its outcome will have a significant effect on the Company s ability to realize ongoing licensing revenue through its intellectual property licensing efforts.

On January 16, 2007, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against Apple Inc. (Apple) for infringement of three U.S. patents. The three patents at issue in the lawsuit are U.S. Patent No. 5,710,906, U.S. Patent No. 5,813,036 and U.S. Patent No. 6,405,291, which are all entitled Predictive Snooping of Cache Memory for Master-Initiated Accesses . The Company alleges that Apple has infringed the patents by making, selling, and offering for sale desktop and portable computers and servers incorporating Predictive Snooping technology.

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On April 23, 2009 a jury from the United States District Court for the Eastern District of Texas ruled in OPTi s favor in the patent infringement trial between OPTi and Apple. The jury ruled on the following four issues:

In the matter of willful infringement, the jury ruled that Apple willfully infringed OPTi s patent;

In the matter of Apple s defense that OPTi s patent was invalid due to obviousness, the jury ruled that OPTi s patent was valid;

In the matter of Apple s defense that the patent was invalid due to anticipation, the jury ruled that the OPTi s patent was valid;

In the matter of damages, the jury awarded OPTi $19 million for Apple s infringement of OPTi s patent.

The court had ruled previously that Apple had infringed the OPTi patent at issue on April 3, 2009. Apple has filed a number of post-trial motions seeking to reverse the jury verdict or to secure a new trial on a variety of issues. These motions are currently being briefed.

On July 3, 2007, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against eight companies for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141, both entitled Compact ISA-Bus Interface . The Company alleges that Advanced Micro Devices, Atmel Corporation, Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc., SMSC, STMicroelectronics and VIA Technologies, Inc. have infringed that patents by making, selling, and offering one or more of the following products: core logic chipsets, Super I/O devices, Trusted Platform Modules, certain flash memory devices, certain I/O controllers and other semiconductor products incorporating Compact ISA-Bus Interface technology. The Company has settled with Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc. and STMicroelectronics during the fiscal year ended March 31, 2009. During the first four months of fiscal year 2010 the Company has settled with Atmel Corporation and SMSC. The Company has requested a jury trial in this matter for the remaining defendants, AMD and VIA Technologies, Inc.

The outcomes in the AMD, Apple and the Compact ISA-Bus legal actions will have significant effects on the Company s ability to realize ongoing license revenue.

Fluctuations in Operating Results

The Company has experienced significant fluctuations in its operating results in the past and expects that it will experience such fluctuations in the future. In the past, these fluctuations have been caused by a variety of factors including increased competition, price competition, changes in customer demand, ability to continue to sale existing products, inventory adjustments, changes in the availability of foundry capacity, changes in the mix of products sold and litigation expenses. In the future, the Company s operating results will largely be dependent on its ability to generate revenue from its pursuit of license and patent infringement claims.

Limited Trading Volume

Daily trading volume in our shares has varied from zero to over one hundred thousand shares during the last two years. Therefore, investors in our stock may find liquidity in our shares to be limited and difficult to predict.

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Possible Volatility of Stock Price

There can be no assurances as to the Company s operating results in any given period. The Company expects that the trading price of its common stock will continue to be subject to significant volatility.

Uncertainty of Future Distributions to Shareholders

From time to time, the Company has made distributions to its shareholders of funds that it believed unlikely to be required for the pursuit of its legal strategy. On April 9, 2007 the Company paid a dividend of $0.50 per share of common stock to its shareholders. Its most recent previous cash distribution had occurred in 2002. The amount and frequency of future distributions to shareholders depends upon a number of factors including the Company s ability to achieve future revenues from its patent infringement claims, the amount of the Company s legal, operating and compensation costs, tax treatment of such dividends and changes to the Company s intellectual property position or strategy. Accordingly, there can be no assurance regarding the amount or frequency of future distributions or whether they may occur at all.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

Not applicable and has been omitted.

Item 3. Defaults Upon Senior Securities

Not applicable and has been omitted.

Item 4. Submission of Matters to a Vote of Shareholders

Not applicable and has been omitted.

Item 5. Other Information

Not applicable and has been omitted

Item 6. Exhibits

10.1 Standstill and Option Agreement between OPTi Inc and Renesas Technology America, Inc., dated as of January 23, 2009.

10.2 Dismissal and License Option Agreement between OPTi Inc. and Atmel Corporation dated as of May 26, 2009.

31.1 and 31.2 Certification of the Chief Executive Officer and Chief Financial Officer in accordance with 18 U.S. 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 and 32.2 Certification of Chief Executive Officer and Chief Financial Officer in accordance with rule 15d-14, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

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OPTi Inc.

Signatures

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 thereunto duly authorized.

	OPTi Inc.	
Date: August 14, 2009	By:	/s/ Michael Mazzoni Michael Mazzoni
		Signed on behalf of the Registrant and as
		Chief Financial Officer