

OPTI INC
Form 10-K/A
July 06, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended March 31, 2012

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 incorporated or organization) (I.R.S. Employer Identification No.)

One First Street, Suite 14, Los Altos, California 94022
(Address of principal executive office) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, no par value

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined by Rule 405 of the Securities Act

Yes
No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act

Yes
No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

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 Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes

No

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the Common Stock on June 22, 2012, as reported on the Over the Counter-Bulletin Board, was approximately \$9,935,440 and closing price of \$1.60. Shares of Common Stock held by each executive officer, director, and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the registrant's common stock as of May 31, 2012 was 11,645,903.

OPTi Inc.

Form 10-K

For the Fiscal Year Ended March 31, 2012

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PART I

Item 1. Business

Information set forth in this report includes forward-looking statements made within the meaning of Section 27A of the Security Act of 1933, as amended and Section 21E of the Securities 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 current litigation efforts and the uncertainty inherent in such litigation, and the effects of the implementation of its Plan of Liquidation. Readers are encouraged to read "Risk Factors" set forth below.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, and our Consent Solicitation Statement on Schedule 14A are available on the Securities and Exchange Commission ("SEC") website <http://www.sec.gov>.

The Company will furnish a copy of this Form 10-K upon written request and without charge. All requests for the Form 10-K should be sent by mail to: OPTi Inc, One First Street, Suite 14, Los Altos, CA 94022 Attn: Chief Financial Officer.

Approval of Plan of Liquidation

Subsequent to the end of the fiscal year, on May 31, 2012, the shareholders of OPTi Inc., a California corporation ("OPTi" or the "Company") approved a Plan of Liquidation pursuant to which the Company will wind up and dissolve. The Company anticipates that its liquidation will be complete by March 31, 2016. During the winding up period, the Company will cease to carry on business except to the extent necessary for the beneficial winding up thereof and except to preserve the Company's goodwill or going-concern value.

Revenue

During the fiscal year 2012, the Company recorded net revenue of \$240,000, relating to a license with Allied Security Trust ("AST"). During the fiscal year 2011, the Company recorded net revenue of \$50,625,000 relating to licensing agreements on its Predictive Snooping and Compact ISA technology. The vast majority of the fiscal year 2011 revenue relates to licensing activity with Advanced Micro Devices ("AMD") and Apple, Inc. ("Apple").

OPTi holds a majority of its liquid assets in cash and cash equivalents.

Background and Reasons for Liquidation

The Company's business strategy has been to pursue licensing opportunities to resolve potential infringement of the Company's proprietary intellectual property. However, the Company believes that it has already entered into license agreements with the major developers of core logic chipsets and has exhausted the litigation opportunities that may be worth pursuing. The Company currently has only one legal action pending, and after a thorough review of over twenty other companies using similar technology which was completed in the first half of 2011, the Company has not identified any other potential infringers that it would make economic sense to pursue. The Board also considered the fact that the Company's patents, which form the basis of the Company's licensing and litigation efforts, will expire in

July 2015 and February 2016.

The Board concluded that, even in the unlikely event that the Company was able to identify another viable defendant and was successful in an infringement action against such defendant, by the time of settlement or other resolution of any such action, the value of any payments would be adversely affected by the limited remaining life of the patents. Accordingly, the Board concluded in December 2011 that it is in the best interests of the Company and its shareholders to cease spending the Company's cash in attempting to identify and pursue potential litigation opportunities which would likely have negative financial results for the Company.

In addition to attempting to identify other potential defendants, the Board has also explored entering into a partnership with another entity and becoming a "non-practicing entity". Beginning in November 2010 the Company explored an opportunity which would have enabled the Company to license rights to a third party's intellectual property and pursue licensing opportunities and litigation to resolve potential infringement of such intellectual property. However, in the third quarter of 2011 the third party decided against this partnership in light of the Company's status as a public company with its resulting reporting obligations. The Company considered terminating its reporting obligations, but determined that doing so would cause the Company's stock to cease to be traded on the Over the Counter Bulletin Board which would result in loss of liquidity for the Company's shareholders. In addition, an announcement that the Company was terminating its reporting obligations would likely result in a material reduction in the Company's share price. The Board determined that these negative consequences to shareholders outweighed the potential benefits to the Company of pursuing this potential partnership.

In 2011, the Company also explored the possibility of operating as a "non-practicing entity", in which the Company would raise capital to acquire intellectual property rights with the intent of pursuing licensing opportunities and litigation to resolve potential infringement of such intellectual property. However, the Company's efforts to do so were unsuccessful given the uncertainty that the acquisition of new intellectual property could result in successful litigation. In addition, the Company determined that it would need to raise at least \$50 million of new capital in order to compete against larger, more established non-practicing entities to acquire a valuable and diversified intellectual property portfolio and to hire an experienced staff to maximize the value of such portfolio. In October 2011, the Board determined that the Company is not in a position to raise the necessary capital and, therefore, believes that taking such a course of action would not be in the best interests of the Company and its shareholders.

After considering the foregoing alternatives for more than a year and in light of the absence of other viable alternatives, in December 2011 the Board determined in its business judgment that the shareholders would obtain the greatest return by an orderly winding up and dissolution of the Company, pursuant to which proceeds from the resolution of any remaining litigation and any other assets less payment of applicable liabilities and obligations would be distributed to its shareholders. The Board reached this conclusion independently without participation from any of the major shareholders of the Company.

On or about May 1, 2012, the Company solicited the written consent of its shareholders to voluntarily wind up and dissolve the Company and adopt a Plan of Liquidation as described in the Company's Schedule 14A filed on April 30, 2012. As of May 31, 2012, the Company had received consents and non-consents with respect to 8,197,155 shares, and had not received responses with respect to 3,448,748 shares. 69.7% of the outstanding shares approved the Proposal. Accordingly, the Plan of Liquidation has become effective.

On June 4, 2012, the Company announced a cash distribution of \$1.10 per share of the Company's stock pursuant to the Plan of Liquidation. The distribution is to be payable on July 3, 2012 to shareholders of record as of the close of business on June 26, 2012.

Winding Up of Company Business; Ongoing Litigation

The Company will cease to carry on business except to the extent necessary for the beneficial winding up thereof and except to preserve the Company's goodwill or going-concern value.

The Company intends to continue to conduct its ongoing litigation against VIA Technologies, Inc. and Silicon Integrated Systems Corp. during the Liquidation Period. A trial date has been set for May 2013.

In addition, the Company may be compelled to defend itself and its directors against litigation initiated by its shareholders or others in connection with the Plan of Liquidation and the winding up of the Company. See below "Risk Factors - Uncertainty Over Winding Up and Dissolution of the Company."

Employees

The Company has one full-time and two part-time general and administrative employees. The Company's ability to retain key employees is a critical factor to the Company's success.

Item 1A. Risk Factors

Shareholder and Third Party Actions

While the Company's shareholders have approved the Plan of Liquidation, there can be no assurances that the Company's shareholders and/or third parties will not take actions that may delay or derail the Company's winding up and dissolution. For example, on February 9, 2012 a class action was filed in Federal District Court for the Northern District of California alleging that the directors of the Company breached their fiduciary duties in approving the Plan of Liquidation and violated Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 in allegedly issuing a consent solicitation statement with the intention of obtaining shareholder approval. The complaint also alleged that the Company aided and abetted the directors' breach of fiduciary duty. The Company believes that this action was without merit. The complaint was voluntarily dismissed without prejudice on February 24, 2012, but other actions could be taken by the same plaintiff or others. Defending such actions could reduce the assets of the Company available for distribution to its shareholders.

Challenges to Plan of Liquidation

Despite the approval of the Company's shareholders of the Plan of Liquidation, certain shareholders may attempt to challenge implementation of the Plan. In addition, shareholders may petition a California Superior Court to take jurisdiction over the dissolution of the Company, resulting in uncertainty as to the method and timing of the Company's dissolution and future distributions. There can be no assurance that the dissolution will proceed smoothly or on time as a result of future events.

Uncertainty of Future Distributions to Shareholders

The amount and frequency of future distributions to shareholders depend upon a number of factors including, but not limited to, the Company's ability to achieve future revenues from its pending patent infringement litigation and the amount of the Company's operating costs. Certain shareholders may attempt to challenge implementation of the Plan, as indicated by the litigation noted above. Accordingly, there can be no assurance regarding the amount or frequency of future distributions or whether they may occur at all.

Takeover Attempts

Since the Company's only assets are cash and the pending litigation, the Company may become a target for potential takeover attempts. However, the Company believes that pursuant to applicable California law, any attempt to reverse the Company's election to wind up and dissolve after the initial liquidating distribution would be very difficult, if not impossible, to achieve.

Lengthy Winding-Up Period

The Company's final liquidating distribution is not anticipated to be made until on or about March 31, 2016. Aside from potentially prevailing in its pending litigation against VIA and SIS referred to below, the Company does not anticipate any revenue during the Company's winding up period. However, the Company is subject to claims, both known and unknown, during the winding up period which may adversely affect future distributions to shareholders.

Shareholders Liability for Debts Not Paid or Provided For

Shareholders may be liable for claims with respect to the Company's debts and liabilities which were not adequately paid or provided for, even if such debts and liabilities are unknown. Shareholder liability is limited to the lesser of each shareholder's pro rata share of the claim or to the amount of corporate assets distributed to it. Claims against shareholders may be commenced before the expiration of the applicable statute of limitations or within 4 years of the Company's final dissolution, whichever is earlier.

Uncertain Outcome of VIA and SIS Legal Actions

On August 2, 2010, the Company announced that it had filed a patent infringement lawsuit on July 30, 2010, in the United States District Court for the Eastern District of Texas against VIA Technologies, Inc. ("VIA") and Silicon Integrated Systems Corp. ("SIS") for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,710,906 and U.S. Patent No. 6,405,291; both entitled "Predictive Snooping of Cache Memory for Master-Initiated Accesses". The complaint alleges that VIA and SIS infringe the patents by making, selling, and offering for sale CPUs and core logic products based on and incorporating Predictive Snooping technology and inducing and contributing to the infringement of the patents by others. OPTi has requested a jury trial in this matter. The Company, in its case against VIA and SIS, is seeking damages or other monetary relief, including pre-judgment interest and awarding OPTi's attorney fees. A trial date has been set for May 2013. The outcome in the VIA and SIS legal actions could have significant effects on the Company's distributions to its shareholders which cannot be predicted.

No Additional Infringement Claims Likely

As noted above, the Company has only one legal action pending, and the Company does not anticipate initiating any other infringement claims in the future.

Uncertain Revenue Stream

Although the Company has commenced legal action against VIA and SIS 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. It is possible the Company's announced liquidation could negatively affect the amount and timing of recovery on such claims.

OTC Bulletin Board

The Company's 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. Approval of the Plan of Liquidation could also reduce liquidity in the Company's common stock because investors may not be interested in buying shares of a company in liquidation with limited future prospects.

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. Liquidity in the Company's shares may be further reduced due to the Company's announcement of its liquidation and payment of the initial liquidating distribution.

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. It is likely that the Company's planned distribution will result in a reduction in the trading price of its common stock.

Item 2. Properties

The Company is headquartered in Los Altos, California, where it leases administrative facilities in one location consisting of an aggregate of approximately 1,575 square feet. The lease expires in January 2014. The Company believes that it will have the ability to either renew the lease in its existing facility or find alternative space once the lease expires.

Item 3. Legal Proceedings

On August 2, 2010, the Company announced that it had filed a patent infringement lawsuit on July 30, 2010, in the United States District Court for the Eastern District of Texas against VIA Technologies, Inc. ("VIA") and Silicon Integrated Systems Corp. ("SIS") for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,710,906 and U.S. Patent No. 6,405,291, both entitled "Predictive Snooping of Cache Memory for Master-Initiated Accesses". The complaint alleges that VIA and SIS infringe the patents by making, selling, and offering for sale CPUs and core logic products based on and incorporating Predictive Snooping technology and inducing and contributing to the infringement of the patents by others. OPTi has requested a jury trial in this matter. The Company, in its case against VIA and SIS, is seeking damages or other monetary relief, including pre-judgment interest and awarding OPTi's attorney fees. A trial date has been set for May 2013.

The outcome in the VIA and SIS legal actions could have significant effects on the Company's distribution to its shareholders which cannot be predicted.

On February 9, 2012, a shareholder class action was filed in the United States District Court for the Northern District of California alleging that the Company's directors breached their fiduciary duties in approving the Plan of Liquidation and violated Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 in allegedly issuing a consent solicitation statement with the intention of obtaining shareholder approval. The complaint also alleged that the Company aided and abetted in the director's breach of fiduciary duties. The Company and directors believe that this action was without merit. The complaint was voluntarily dismissed without prejudice on February 24, 2012. (See "Risk Factors – Shareholder and Third Party Actions).

Item 4.

Mine Safety Disclosures

Not applicable.

PART II

Item 5.

Market for Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

The following required information is filed as a part of this Report:

The Company did not issue any cash dividends on its common stock in fiscal year 2012. During fiscal year 2011 the Company paid cash dividends of \$0.75 and \$0.65 per share, respectively, on each share of the Company's common stock, equal to approximately \$16.3 million.

The Company's common stock traded on the NASDAQ National Market until May 25, 2004. Its common stock is traded on the OTC Bulletin Board under the ticker symbol "OPTI". The following table sets forth the range of high and low closing prices for the Common Stock:

Common stock price per share:	Quarterly Period Ended			
	June 30	September 30	December 31	March 31
Fiscal 2012				
High	\$2.08	\$1.85	\$1.76	\$1.70
Low	\$1.80	\$1.59	\$1.50	\$1.51
Fiscal 2011				
High	\$4.20	\$3.92	\$3.17	\$2.35
Low	\$3.34	\$2.55	\$2.17	\$2.02

As of June 14, 2012, there were approximately 93 holders of record of the Company's common stock.

The Company did not repurchase any of its equity securities during fiscal 2012 and does not currently intend to do so in the future.

Item 6.

Selected Financial Data

Smaller reporting companies are not required to provide the information required by this Item.

Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Information set forth in this report constitutes includes forward-looking statements made within the meaning of Section 27A of the Security Act of 1933, as amended and Section 21E of the Securities 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, its current litigation efforts and the uncertainty inherent in such litigation, and the effects of the implementation of its Plan of Liquidation.

Readers are encouraged to refer to “Risk Factors.”

Subsequent to the end of the fiscal year, on May 31, 2012, the shareholders of OPTi, Inc. (“OPTi” or the “Company”) approved a Plan of Liquidation pursuant to which the Company will wind up and dissolve. The Company anticipates that its liquidation will be complete by March 31, 2016. During the winding up period, the Company will cease to carry on business except to the extent necessary for the beneficial winding up thereof and except as to preserve the Company’s goodwill or going-concern value.

On June 4, 2012, the Company announced a cash distribution of \$1.10 per share of the Company’s stock pursuant to the Plan of Liquidation. The distribution is to be payable on July 3, 2012 to shareholders of record as of the close of business on June 26, 2012.

See Item 3. “Legal Proceedings” above.

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 collectability is reasonably assured. Royalties are recorded as revenue when earned and collectability 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.

Results of Operation

2012 Compared to 2011 – The Company recorded \$240,000 of net sales during the fiscal year ended March 31, 2012 (“fiscal year 2012”) as compared to \$50,625,000 of net sales during the fiscal year ended March 31, 2011 (“fiscal year 2011”). This decrease in net sales was attributable to higher licensing revenue as the Company entered into licensing agreement with AMD, Apple and additional companies during the fiscal year ended March 31, 2011 versus only the licensing agreement with Allied Security Trust in fiscal year 2012. The Company’s future revenues depend on the success of our current litigation with VIA and SIS.

Gross margin for fiscal year 2012 and fiscal year 2011 was 100%. This gross margin is attributable to the Company's revenue in fiscal year 2012 and fiscal year 2011 relating entirely to license and settlement revenue, which had no associated costs.

Selling, general and administrative ("SG&A") expenses for fiscal year 2012 were \$2.9 million as compared to \$5.1 million for fiscal year 2011. This represented an approximate 44% decrease in SG&A expenses year over year. This decrease was primarily related to decreased costs associated with the litigation and arbitration cases against AMD, Apple, Compact ISA defendants and NVIDIA, during 2011.

Net interest and other income for fiscal year 2012 was \$13,000 as compared to \$12,000 in fiscal year 2011. The increase in net interest and other income in fiscal year 2012, as compared to fiscal year 2011, was primarily higher average cash balances during the period.

The Company recognizes income taxes under the liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Liquidity and Capital Resources

In fiscal year 2012, the Company used approximately \$3.8 million in operating activities primarily related to the operating loss of the Company, an increase in income tax receivable and a reduction in accrued employee expenses, offset in part, by a decrease in tax valuation allowance. In fiscal year 2011, the Company provided approximately \$38.5 million in operating activities primarily related to the operating income of the Company and release of tax valuation allowance, offset in part, by a decrease in accounts payable.

The Company had insignificant investment activities in fiscal year 2012 and 2011, making only \$8,000 and \$4,000 in purchases of property and equipment, respectively.

The Company had no financing activity during the fiscal year ended March 31, 2012. The Company used approximately \$16.3 million in financing activities in fiscal year 2011, related to cash dividends.

As of March 31, 2012, the Company's principal sources of liquidity included working capital of approximately \$23.0 million, of which cash and cash equivalents comprised approximately \$21.9 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.

Off Balance Sheet Arrangements

None

Item 7A.

Quantitative and Qualitative Disclosures about Market Risk.

Smaller reporting companies are not required to provide the information required by this Item.

Item 8.

Financial Statements and Supplementary Data

The Company's financial statements and the report of the independent registered public accounting firm appear on pages F-1 through F-14 of this Report.

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A.

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-14 and 13a-15 as of the end of the Company's fiscal year ended March 31, 2012. 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 significant 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting refers to the process designed by, or under the supervision of our CEO and CFO and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (2) Provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.
- (3)

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework set forth in "Internal Control — Integrated Framework," our management concluded that our internal control over financial reporting was effective as of March 31, 2012. This annual report does not include disclosure of an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's annual report.

Bernard Marren	Mike Mazzoni
Chief Executive Officer	Chief Financial Officer

Item 9B.
Other Information

None

PART III

Item 10.

Directors and Executive Officers and Corporate Governance

Directors and Executive Officers of the Registrant

The directors and executive officers of the Company, as of June 15, 2012, were as follows:

Name	Age	Position with the Company
Bernard T. Marren	76	President, Chief Executive Officer and Chairman of the Board
Michael F. Mazzoni	49	Chief Financial Officer and Secretary
Kapil K. Nanda (1)(2)(3)(4)	66	Director
William H. Welling (1)(2)(3)(4)	78	Director

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating Committee.
- (4) Independent Director

All board members serve until the next annual meeting of shareholders when they are either re-elected or their successors are elected.

Bernard T. Marren has served as President and Chief Executive Officer of the Company since May 1998. Mr. Marren was elected as a director in May 1996. He also founded and was the first President of SIA (the Semiconductor Industry Association). Mr. Marren is currently a director at several privately-held companies. Mr. Marren also served as a director at Infocus Corporation, until its sale in 2009, and Microtune, Inc. until its sale in 2010. We believe that Mr. Marren is qualified to sit on our Board because he is the President and Chief Executive Officer of the Company and has served in that role for the past fourteen years.

Michael F. Mazzoni has served as Chief Financial Officer since December 2000. Mr. Mazzoni also served with the Company from October 1993 to December 1999. The last two years prior to his departure Mr. Mazzoni served as its Chief Financial Officer. Mr. Mazzoni also served as Chief Financial Officer of Horizon Navigation, Inc., a privately held, car navigation company, from January 2003 to June 2005. Prior to rejoining the Company, Mr. Mazzoni was Chief Financial Officer of Xpeed, Inc., a startup in the Digital Subscriber Line CPE business, from January 2000 to November 2000. Mr. Mazzoni has over twenty five years of experience in the accounting and finance areas for technology companies and has been with the Company for approximately eighteen years. In that time, Mr. Mazzoni has accumulated significant knowledge of the Company's intellectual property and licensing activities.

Kapil K. Nanda was elected as a director in May 1996. Mr. Nanda is currently President of InfoGain Corporation, a software and development consulting company, which he founded in 1990. Mr. Nanda holds a B.S. in Engineering

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from the University of Punjab, India, an M.S. in Engineering from the University of Kansas, and an M.B.A. from the University of Southern California. Mr. Nanda's years of management experience with technology companies provide the Company and the Board demonstrated senior level management ability and critical industry and technology insights.

William H. Welling was elected as a director in August 1998. He is currently Chairman and CEO of @Comm Corporation, a telecommunications software company. In August 2001, @Comm Corporation filed for protection under Chapter 11 of the Federal Bankruptcy Code. Mr. Welling also serves as a director on the

boards of several private companies. The Company believes that Mr. Welling's management experience with technology companies makes him an excellent candidate as a member of the Board.

There are no family relationships among any of our directors or executive officers.

Audit Committee Financial Expert. The Company's Board has not determined whether one of the members of its audit committee qualifies as an audit committee financial expert as set forth in Item 401(h) of Regulation S-K of the rules promulgated by the SEC. Each of the members of the Company's audit committee met the standards for audit committee membership set forth in the NASDAQ Marketplace Rules when they were selected for the committee by the Board. In light of the nature of the Company's business, the Company believes that its audit committee, as presently constituted, possesses the skills and experience necessary to oversee the work of the Company's independent registered Public accounting firm and carry out the duties set forth in the Company's audit committee charter.

Code of Ethics. The Company has adopted a code of ethics that applies to its chief executive officer and its chief financial officer in accordance with Item 406 of Regulation S-K. A copy of the code of ethics was included in the exhibit list to the Company's Form 10-K filed for the year ended March 31, 2004 and is incorporated herein by reference.

Section 16(a)

Beneficial Ownership Reporting Compliance of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file certain reports regarding ownership of, and transactions in, the Company's securities with the SEC and with NASDAQ. Such officers, directors and 10% shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on its review of copies of Forms 3 and 4 and amendments thereto furnished to the Company pursuant to Rule 16a-3(e) and Forms 5 and amendments thereto furnished to the Company with respect to the last fiscal year, the Company believes that, during the last fiscal year, all Section 16(a) filing requirements applicable to the Company's officers, directors and 10% shareholders were complied with.

Item 11.

Executive Compensation

Compensation Discussion and Analysis

Introduction

The primary objectives of our executive compensation plan are to:

- align the financial interests of our executives with those of our shareholders;
- motivate and retain the executive talent required to successfully implement our business strategy; and
- provide incentives for achieving our short-term and long-term goals.

To achieve these objectives, our Compensation Committee establishes and reviews compensation packages for our executive officers on an annual basis, consisting of a combination of salary and cash bonus.

The Compensation Committee meets outside the presence of all of our executive officers to consider appropriate compensation for our CEO. For our other executive officer, the Compensation Committee meets outside the presence of such executive officer.

The Compensation Committee considers the recommendations of management when establishing compensation for our executive officers, but relies upon its own judgment to determine each individual's compensation. Factors that affect the Compensation Committee's judgment include each individual's performance and scope of responsibilities, as well as overall Company performance.

Elements of Executive Compensation

Executive compensation consists of the following elements:

Base Salary. Base salaries for our executives are established based on the scope of their responsibilities, and taking into account the Company's budget guidelines, labor market conditions, and competitive market compensation paid by other companies for similar positions. Base salaries are reviewed and adjusted annually, to realign salaries with the market after taking into account individual responsibilities, performance and experience.

Discretionary Bonus. Bonus targets are based on a percentage of the executive's base salary. The bonus plan allows the payment of up to 20% of the executive salary as a target bonus amount. The bonus is ordinarily paid in a single installment following the completion of a given fiscal year. The individual performance objectives tend to be keyed to the company's goals in regard to licensing its intellectual property. The Compensation Committee did not recommend any discretionary bonuses for Mr. Marren and Mr. Mazzoni during fiscal 2012.

Change of Control Bonus. Mr. Marren's and Mr. Mazzoni's employment agreements provide for a change of control bonus (which is defined in their respective agreements) to be paid to them in the event of a change of control transaction while each executive is employed by the Company, provided that the executive signs an irrevocable general release of all claims against the Company. Upon such a change of control, the Shareholder Return Bonus program would immediately cease, and Mr. Marren and Mr. Mazzoni would instead be entitled to receive a change of control bonus.

Shareholder Return Bonus. Currently, the Company has a Shareholder Return Bonus program under which Mr. Marren and Mr. Mazzoni receive a percentage of all monies returned to the shareholders of the Company or if the Company determines not to distribute any third party payments from its intellectual property strategy within six months of receiving that payment. The compensation ranges from 1% to 5% of the amount received from third party payments from the intellectual property strategy. During fiscal year 2012, the Company awarded Mr. Marren and Mr. Mazzoni \$4,320 and \$2,880, respectively, under the Shareholder Return Bonus plan, from third party payments which were either distributed to shareholders, in the form of dividends, or were not distributed to shareholders. During fiscal 2011, the Company awarded Mr. Marren and Mr. Mazzoni \$1,032,401 and \$688,268, respectively, under the Shareholder Return Bonus plan.

Stock Options. The Company does not currently grant stock options to its Executive Officers, as it believes that the bonus programs better align the goals of management and the shareholders of the Company.

Other Compensation. All of our executives are eligible to participate in our employee benefit plans, including medical, dental and 401(k) plans. These plans are available to all full-time employees and do not discriminate in favor of executive officers.

Employment Agreements. During fiscal year 2007 the Compensation Committee determined that it would be appropriate to enter into employment agreements with Mr. Marren and Mr. Mazzoni, primarily in order to document the provisions of the Shareholder Return Bonus program, adjust certain of the payment thresholds and address program award payments under particular circumstances. The shareholders of the Company, at the November 27, 2007 annual meeting, approved the employment agreements for Mr. Marren and Mr. Mazzoni.

Final Analysis. Our current strategic objectives for executive compensation are to compensate our executives fairly and competitively in return for their devoted efforts, and to avoid having the compensation program interfere with what the Company considers (a) an ongoing trend of meaningful progress toward achievement of the OPTi's business objectives and (b) its incentivized, dedicated, collaborative management environment that is already in place.

Summary Compensation Table

The following table sets forth information concerning compensation earned for services rendered to us by the Chief Executive Officer and the Chief Financial Officer for fiscal years 2012 and 2011. Collectively, these are the "Named Executive Officers":

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j)

Name