

CURRENCYSHARES EURO TRUST

Form 10-Q

September 08, 2008

**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 July 31, 2008

or

**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 001-32694

CurrencySharesSM Euro Trust

**Sponsored by Rydex Specialized Products LLC,
d/b/a Rydex Investments**

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

No. 20-3613421
(IRS Employer Identification No.)

9601 Blackwell Road, Suite 500
Rockville, Maryland 20850
(Address of principal executive offices) (Zip Code)

(301) 296-5100
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X 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. (Check one): Large accelerated filer X 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 Exchange Act). Yes No X.

CURRENCYSHARESSM EURO TRUST
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Item 1. FINANCIAL STATEMENTS

CurrencySharesSM Euro Trust

Statements of Financial Condition

<u>Assets</u>	July 31, 2008 (Unaudited)	October 31, 2007
Current Assets		
Euro deposits, interest bearing	\$ 1,356,243,000	\$ 976,590,000
Euro deposits, non-interest bearing	--	--
Subscription receivable	7,818,163	--

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	July 31, 2008 (Unaudited)	October 31, 2007
Receivable from accrued interest	4,636,124	3,182,231
Total Assets	\$ 1,368,697,287	\$ 979,772,231
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Euro deposits, non-interest bearing, overdrawn	\$ 46,159	\$ 94,370
Accrued Sponsor's fee	472,131	343,712
Total Liabilities	518,290	438,082
Commitments and Contingent Liabilities (note 8)	--	--
Redeemable Capital Shares, at redemption value, no par value, 17,000,000 authorized - 8,750,000 and 6,750,000 issued and outstanding, respectively	1,368,178,997	979,334,149
Shareholders' Equity - Retained Earnings and Cumulative Translation Adjustment	--	--
Total Liabilities and Shareholders' Equity	\$ 1,368,697,287	\$ 979,772,231

See Notes to Financial Statements.

CurrencySharesSM Euro Trust

Statements of Income and Comprehensive Income
(Unaudited)

	Three months ended July 31, 2008	Nine months ended July 31, 2008	Three months ended July 31, 2007	Nine months ended July 31, 2007
<u>Income</u>				
Interest Income	\$ 14,943,971	\$ 34,541,814	\$ 8,924,318	\$ 24,360,231
Total Income	14,943,971	34,541,814	8,924,318	24,360,231
<u>Expenses</u>				
Sponsor's fee	(1,564,575)	(3,634,718)	(963,274)	(2,800,324)
Total Expenses	(1,564,575)	(3,634,718)	(963,274)	(2,800,324)
Net Income	\$ 13,379,396	\$ 30,907,096	\$ 7,961,044	\$ 21,559,907
Other Comprehensive Income				
Currency translation adjustment	(39,967)	205,440	93,998	284,163

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	Three months ended July 31, 2008	Nine months ended July 31, 2008	Three months ended July 31, 2007	Nine months ended July 31, 2007
Total Comprehensive Income	\$ 13,339,429	\$ 31,112,536	\$ 8,055,042	\$ 21,844,070
Earnings per Share	\$ 1.35	\$ 3.89	\$ 1.14	\$ 3.07
Weighted-average Shares Outstanding	9,895,109	7,947,263	7,005,978	7,033,883
Cash Dividends per Share	\$ 1.32	\$ 3.85	\$ 1.11	\$ 2.97

See Notes to Financial Statements.

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CurrencySharesSM Euro Trust

Statements of Changes in Shareholders' Equity

	Nine months ended July 31, 2008 (Unaudited)	Year ended October 31, 2007
Retained Earnings Balance, Beginning of Period	\$ --	\$ --
Net Income	30,907,096	29,656,532
Distributions Paid	(30,462,665)	(28,962,503)
Adjustment of redeemable capital shares to redemption value	(444,431)	(694,029)
Retained Earnings Balance, End of Period	\$ --	\$ --
Cumulative Translation Adjustment, Beginning of Period	\$ --	\$ --
Currency translation adjustment	205,440	599,283
Adjustment of redeemable capital shares to redemption value	(205,440)	(599,283)
Cumulative Translation Adjustment, End of Period	\$ --	\$ --

See Notes to Financial Statements.

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CurrencySharesSM Euro TrustStatements of Cash Flows
(Unaudited)

	Nine months ended July 31, 2008	Nine months ended July 31, 2007
Cash flows from operating activities		
Cash received for accrued income	\$ 33,229,314	\$ 23,325,518
Cash paid for expenses	(3,522,143)	(2,744,913)
Net cash provided by operating activities	29,707,171	20,580,605
Cash flows from financing activities		
Cash received to purchase redeemable shares	1,705,859,189	259,407,947
Cash paid to redeem redeemable shares	(1,408,505,274)	(206,166,517)
Cash paid for distributions	(30,462,665)	(20,890,377)
Net cash provided by financing activities	266,891,250	32,351,053
Adjustment to period cash flows due to currency movement	83,102,790	62,686,541
Increase in cash	379,701,211	115,618,199
Cash at beginning of period	976,495,630	830,562,767
Cash at end of period	\$ 1,356,196,841	\$ 946,180,966
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 30,907,096	\$ 21,559,907
Adjustments to reconcile net income to net cash provided by operating activities		
Increase in receivable from accrued interest	(4,636,124)	(2,959,552)
Decrease in prior period receivable from accrued interest	3,182,231	1,786,451
Currency translation adjustment	125,549	119,870
Increase in accrued sponsor fee	472,131	308,133
Decrease in prior period accrued sponsor fee	(343,712)	(234,204)
Net cash provided by operating activities	\$ 29,707,171	\$ 20,580,605

*See Notes to Financial Statements.*Notes to Financial Statements
(Unaudited)

1. Organization and Description of the Trust

The CurrencySharesSM Euro Trust (the Trust) was formed under the laws of the State of New York on December 5, 2005 when Rydex Specialized Products LLC d/b/a Rydex Investments (the Sponsor) deposited 100 euro in the Trust's primary deposit account held by JPMorgan Chase Bank N.A., London Branch (the Depository). The Sponsor is a Delaware limited liability company whose sole member is PADCO Advisors II, Inc. (also d/b/a Rydex Investments). The Sponsor is responsible for, among other things, overseeing the performance of The Bank

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of New York (the Trustee) and the Trust's principal service providers, including the preparation of financial statements. The Trustee is responsible for the day-to-day administration of the Trust.

The investment objective of the Trust is for the Trust's shares (the Shares) to reflect the price of the euro plus accrued interest less the Trust's expenses and liabilities. The Shares are intended to provide investors with a simple, cost-effective means of gaining investment benefits similar to those of holding euro. The Trust's assets primarily consist of euro on demand deposit in two deposit accounts maintained by the Depository: a primary deposit account which earns interest and a secondary deposit account which does not earn interest. The secondary deposit account is used to account for interest received and paid out on creations and redemptions of blocks of 50,000 Shares (Baskets). The secondary account is also used to account for interest earned on the primary deposit account, pay Trust expenses and distribute any excess interest to holders of Shares (Shareholders) on a monthly basis.

The accompanying unaudited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q. In the opinion of management, all material adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the interim period financial statements have been made. Interim period results are not necessarily indicative of results for a full-year period. These financial statements and the notes thereto should be read in conjunction with the Trust's financial statements included in the Form 10-K as filed on December 28, 2007.

2. Significant Accounting Policies

A. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the assets, liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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B. Foreign Currency Translation

The Trustee calculates the Trust's net asset value (NAV) each business day, as described in Note 4. For NAV calculation purposes, Euro Deposits (cash) are translated at the Noon Buying Rate, which is the U.S. Dollar (USD)/euro exchange rate as determined and published by the Federal Reserve Bank of New York as of 12:00 PM (New York time) on each day that NYSE Arca is open for regular trading.

The functional currency of the Trust is the euro in accordance with Financial Accounting Standard (FAS) 52, Foreign Currency Translation. For financial statement reporting purposes, the U.S. Dollar is the reporting currency. As a result, the financial statements are translated from euro to USD. The Noon Buying Rate on the last day of the period is used for translation in the statements of financial condition. The average Noon Buying Rate for the period is used for translation in the statement of income and comprehensive income and the statement of cash flows. Any currency translation adjustment is included in comprehensive income.

C. Federal Income Taxes

The Trust is treated as a grantor trust for federal income tax purposes and, therefore, no provision for federal income taxes is required. Interest, gains and losses are passed through to the Shareholders.

Shareholders generally will be treated, for U.S. federal income tax purposes, as if they directly owned a pro-rata share of the assets held in the Trust. Shareholders also will be treated as if they directly received their respective pro-rata shares of the Trust's income, if any, and as if they directly incurred their respective pro-rata shares of the Trust's expenses. The acquisition of Shares by a U.S. Shareholder as part of a creation of a Basket will not be a taxable event to the Shareholder.

The Sponsor's fee accrues daily and is payable monthly. For U.S. federal income tax purposes, an accrual-basis U.S. Shareholder generally will be required to take into account as an expense its allocable share of the USD-equivalent of the amount of the Sponsor's fee that is accrued on each day, with such USD-equivalent being determined by the currency exchange rate that is in effect on the respective day. To the extent that the currency exchange rate on the date of payment of the accrued amount of the Sponsor's fee differs from the currency exchange rate in effect on the day of accrual, the U.S. Shareholder will recognize a currency gain or loss for U.S. federal income tax purposes.

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The Trust does not expect to generate taxable income except for gain (if any) upon the sale of euro and interest income. A non-U.S. Shareholder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the sale or other disposition of Shares, or upon the sale of euro by the Trust, unless: (1) the non-U.S. Shareholder is an individual and is present in the United States for 183 days or more during the taxable year of the sale or other disposition, and the gain is treated as being from United States sources; or (2) the gain is effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

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A non-U.S. Shareholder's share of any interest income earned by the Trust generally will not be subject to U.S. federal income tax unless the Shares owned by such non-U.S. Shareholder are effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

D. Revenue Recognition

Interest on the primary deposit account accrues daily as earned and is received on a monthly basis.

E. Dividends

To the extent that the interest earned by the Trust exceeds the sum of the Sponsor's fee for the prior month plus other Trust expenses, if any, the Trust will distribute, as a dividend, the excess interest earned in euro effective on the first business day of the subsequent month. The Trustee will direct that the excess euro be converted into USD at the prevailing market rate and the Trustee will distribute the USD as promptly as practicable to Shareholders on a pro rata basis (in accordance with the number of Shares that they own). For the month of July 2008, an income distribution of \$0.47356 per share was paid on August 8, 2008.

3. Euro Deposits

Euro principal deposits are held in a euro-denominated, interest-bearing demand account. For the nine months ending July 31, 2008, there were euro principal deposits of 1,125,000,000 and euro principal redemptions of 925,000,000 resulting in an ending euro principal balance of 875,000,000. This equates to 1,364,037,500 USD. For the year ending October 31, 2007, there were euro principal deposits of 315,000,000 and euro principal redemptions of 290,000,000 resulting in an ending euro principal balance of 675,000,000. This equated to 976,590,000 USD. In addition, net interest associated with creation and redemption activity is held in a euro-denominated non-interest-bearing account, and any balance is distributed in full as part of the monthly income distributions.

4. Redeemable Capital Shares

Shares are classified as redeemable for financial statement purposes, since they are subject to redemption. Shares are issued and redeemed continuously in Baskets in exchange for euro. Individual investors cannot purchase or redeem Shares in direct transactions with the Trust. Only Authorized Participants (as defined below) may place orders to create and redeem Baskets. An Authorized Participant is a DTC participant that is a registered broker-dealer or other institution eligible to settle securities transactions through the book-entry facilities of the DTC and which has entered into a contractual arrangement with the Trust and the Sponsor governing, among other matters, the creation and redemption process. Authorized Participants may redeem their Shares at any time in Baskets.

Due to expected continuing creations and redemptions of Baskets and the three-day period for settlement of each creation or redemption, the Trust reflects Shares created as a receivable. Shares redeemed are reflected as a liability on the trade date. Outstanding Shares are reflected at a redemption value, which is the NAV per Share at the period end date. Adjustments to redeemable capital shares at redemption value are recorded against retained earnings, or, in the absence of retained earnings, by charges against the cumulative translation adjustment.

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Activity in redeemable capital Shares is as follows:

**Nine months ended
July 31, 2008**

**Year ended
October 31, 2007**

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	Nine months ended July 31, 2008		Year ended October 31, 2007	
	Shares	U.S. Dollar Amount	Shares	U.S. Dollar Amount
Opening balance	6,750,000	\$ 979,334,149	6,500,000	\$ 832,115,014
Shares issued	11,250,000	1,713,485,970	3,150,000	424,277,709
Shares redeemed	(9,250,000)	(1,408,505,274)	(2,900,000)	(390,729,902)
Adjustment to period Shares due to currency movement and other	--	83,864,152	--	113,671,328
Ending redemption balance	8,750,000	\$ 1,368,178,997	6,750,000	\$ 979,334,149

The Trustee will calculate the Trust's NAV each business day. To calculate the NAV, the Trustee will subtract the Sponsor's accrued fee through the previous day from the euro held by the Trust (including all unpaid interest accrued through the preceding day) and calculate the value of the euro in USD based upon the Noon Buying Rate. If, on a particular evaluation day, the Noon Buying Rate has not been determined and announced by 2:00 PM (New York time), then the most recent Federal Reserve Bank of New York determination of the Noon Buying Rate shall be used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for such valuation. In the event that the Trustee and the Sponsor determine that the most recent Federal Reserve Bank of New York determination of the Noon Buying Rate is not an appropriate basis for valuation of the Trust's euro, they shall determine an alternative basis for such evaluation to be employed by the Trustee. The Trustee also determines the NAV per Share, which equals the NAV of the Trust divided by the number of outstanding Shares. Shares deliverable under a purchase order are considered outstanding for purposes of determining NAV per Share; Shares deliverable under a redemption order are not considered outstanding for this purpose.

5. Sponsor's Fee

The Sponsor's fee accrues daily at an annual nominal rate of 0.40% of the euro in the Trust (including all unpaid interest but excluding unpaid fees, each as accrued through the immediately preceding day) and is paid monthly.

The Sponsor assumes and pays the following administrative and marketing expenses incurred by the Trust: the Trustee's monthly fee, NYSE Arca listing fees, SEC registration fees, typical maintenance and transaction fees of the Depository, printing and mailing costs, audit fees and expenses, up to \$100,000 per year in legal fees and expenses, and applicable license fees. The Sponsor has also paid the costs of the Trust's organization and the initial sales of the Shares, which were approximately \$1,000,000 when the Trust was formed.

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In certain exceptional cases, the Trust will pay for some expenses in addition to the Sponsor's fee. These exceptions include expenses not assumed by the Sponsor (i.e., expenses other than those identified in the preceding paragraph), taxes and governmental charges, expenses and costs of any extraordinary services performed by the Trustee or the Sponsor on behalf of the Trust or action taken by the Trustee or the Sponsor to protect the Trust or the interests of Shareholders, indemnification of the Sponsor under the Depositary Trust Agreement, and legal expenses in excess of \$100,000 per year.

6. Related Parties

The Sponsor is a related party of the Trust. The Sponsor oversees the performance of the Trustee and the Trust's principal service providers, including the preparation of financial statements, but does not exercise day-to-day oversight over the Trustee or the Trust's service providers. The Sponsor has paid the costs of the Trust's organization and the initial sales of the Shares, as described in Note 5.

7. Concentration Risk

All of the Trust's assets are euro, which creates a concentration risk associated with fluctuations in the price of euro. Accordingly, a decline in the price of euro to USD exchange rate will have an adverse effect on the value of the Shares. Factors that may have the effect of causing a decline in the price of euro include national debt levels and trade deficits, domestic and foreign inflation rates, domestic and foreign interest rates, investment and trading activities of institutions and global or regional political, economic or financial events and situations. Substantial sales of euro by the official sector (central banks, other governmental agencies and related institutions that buy, sell and hold euro as part of their reserve

assets) could adversely affect an investment in the Shares.

All of the Trust's euro are held by the Depository. Accordingly, a risk associated with the concentration of the Trust's assets in accounts held by a single financial institution exists and increases the potential for loss by the Trust and the Trust's beneficiaries in the event that the Depository becomes insolvent.

8. Commitments and Contingencies

Under the Trust's organizational documents, the Sponsor is indemnified against any liability or expense it incurs without negligence, bad faith or willful misconduct on its part. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Information and Risk Factors

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are predictions and actual events or results may differ materially from those expressed in our forward-looking statements. Risks and uncertainties may cause our actual results to differ materially from those expressed in our forward-looking statements. These uncertainties and other factors include, but are not limited to, the following:

The value of the Shares relates directly to the value of the euro held by the Trust and fluctuations in the price of the euro could materially adversely affect an investment in the Shares. Readers are urged to review the Risk Factors section contained in the Prospectus for a description of other risks and uncertainties that may affect an investment in the Shares.

The discussion and analysis which follows may contain statements that relate to future events or future performance. In some cases, such forward-looking statements can be identified by terminology such as anticipate, expect, intend, plan, believe, seek, outlook and estimate, as similar words and phrases that signify forward-looking statements. Neither Rydex Specialized Products LLC d/b/a Rydex Investments (the Sponsor) nor any other person assumes responsibility for the accuracy or completeness of forward-looking statements. Further, these forward-looking statements are made as of the date of this report, and will not be revised or updated to reflect actual results or changes in the Sponsor's expectations or predictions.

Trust Overview

The CurrencySharesSM Euro Trust (the Trust) is a grantor trust that was formed on December 5, 2005. The Trust issues shares (the Shares) in blocks of 50,000 each (a Basket) in exchange for deposits of euro and distributes euro in connection with the redemption of Baskets.

The Trust is a passive investment vehicle. The Trust does not have any officers, directors or employees. The investment objective of the Trust is for the Shares to reflect the price of the euro plus accrued interest, less the expenses of the Trust's operations. The Trust does not engage in any activities designed to obtain profit from, or ameliorate losses caused by, changes in the price of euro.

The Shares, which began trading on December 12, 2005, trade under ticker symbol FXE on NYSE Arca. Investing in the Shares does not insulate the investor from certain risks, including price volatility.

Definition of Net Asset Value; Valuation of Euro

The net asset value (NAV) of the Trust is the aggregate value, expressed in U.S. Dollars (USD), of the Trust's assets. To calculate the NAV, The Bank of New York (the Trustee) adds to the amount of euro in the Trust at the end of the preceding business day accrued but unpaid interest, euro receivable under pending purchase orders and the value of other Trust assets, and subtracts the accrued but unpaid Sponsor's fee, euro

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payable under pending redemption orders and other Trust expenses and liabilities, if any.

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The NAV is expressed in USD based on the Noon Buying Rate as determined by the Federal Reserve Bank of New York. If, on a particular evaluation day, the Noon Buying Rate has not been determined and announced by 2:00 PM (New York time), then the most recent Federal Reserve Bank of New York determination of the Noon Buying Rate shall be used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for such valuation. The Trustee also determines the NAV per Share, which equals the NAV of the Trust divided by the number of outstanding Shares.

The Sponsor publishes the NAV and NAV per Share on each day that the NYSE Arca is open for regular trading on the Trust's website, www.currencyshares.com.

The following chart illustrates the movement in the price of the Shares based on NAV per Share and the bid and ask midpoint offered on the NYSE (prior to October 30, 2007) and NYSE Arca (on or after October 30, 2007) as of the Noon Buying Rate versus the corresponding euro (expressed as a multiple of 100 euro / Noon Buying Rate x 100):

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Liquidity

The Sponsor is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to the Trust's liquidity needs. The Trust's Depository, JPMorgan Chase, London branch, maintains two deposit accounts for the Trust, a primary deposit account that earns interest and a secondary deposit account that does not earn interest. Interest on the primary deposit account accrues daily and is paid monthly. The interest rate paid as of July 31, 2008 was an annual nominal rate of 4.11%. The following chart provides the daily rate paid by the Depository since the Shares began trading on the NYSE:

In exchange for a fee, the Sponsor bears most of the expense incurred by the Trust. As a result, the only ordinary expense of the Trust during the period covered by this report was the Sponsor's fee. Each month the Depository deposits into the secondary deposit account accrued but unpaid interest and the Trustee withdraws euro from the secondary deposit account to pay the accrued Sponsor's fee for the previous month plus other Trust expenses, if any. When the interest deposited exceeds the sum of the Sponsor's fee for the prior month plus other Trust expenses, if any, the Trustee converts the excess into USD at a prevailing market rate and distributes the USD as promptly as practicable to Shareholders on a pro rata basis (in accordance with the number of Shares that they own). Distributions paid during the current reporting period follow (annualized yield reflects the estimated annual yield an investor would receive if a monthly distribution stayed the same for the entire year going forward, and is calculated by annualizing the monthly distribution and dividing by the Trust NAV for the dates listed below):

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FXE Distribution History - Current Period

Date	Value	NAV	Yield	Annualized Yield
7/1/2008	\$0.43582	\$157.79	0.28%	3.26%
6/2/2008	\$0.44810	\$155.53	0.29%	3.51%
5/1/2008	\$0.43190	\$154.60	0.28%	3.30%

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Sponsor's management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period covered by this report.

In addition to the description below, please refer to Note 2 to the consolidated financial statements for further discussion of our accounting policies.

The Trustee calculates the Trust's NAV each business day. For NAV calculation purposes, Euro Deposits (cash) are translated at the Noon Buying Rate as determined and published by the Federal Reserve Bank of New York as of 12:00 PM (New York time) on each day that NYSE Arca is open for regular trading.

The functional currency of the Trust is the euro in accordance with Financial Accounting Standard 52, Foreign Currency Translation.

Results of Operations

The trust was formed on December 5, 2005 and the Shares commenced trading on the NYSE on December 12, 2005. The primary listing of the Shares was transferred to NYSE Arca on October 30, 2007. As of October 31, 2006, the number of euro owned by the Trust was 650,000,000 resulting in a redeemable capital share value of \$832,115,014. As of October 31, 2007, the number of euro owned by the Trust was 675,000,000 resulting in a redeemable capital share value of \$979,334,149.

During the nine months ending July 31, 2008, an additional 11,250,000 shares had been created in exchange for 1,125,000,000 euro and 9,250,000 shares were redeemed in exchange for 925,000,000 euro. As of July 31, 2008, the number of euro owned by the Trust was 875,000,000 resulting in a redeemable capital share value of \$1,368,178,997.

Movements in the Price of Euro

The investment objective of the Trust is for the Shares to reflect the price of the euro plus accrued interest, less the expenses of the Trust's operations. The Shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding euro. Each outstanding Share represents a proportional interest in the euro held by the Trust. The following chart provides recent trends on the price of euro. The chart illustrates movements in the price of euro in USD and is based on the Noon Buying Rate as determined by the Federal Reserve Bank of New York.

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Historical values of the Noon Buying Rate can be obtained at <http://www.ny.frb.org/markets/fxrates/noon.cfm>.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

The Trust maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) designed to ensure that material information relating to the Trust is recorded, processed and disclosed on a timely basis. The Trust's disclosure controls and procedures are designed by or under the supervision of the Sponsor's chief executive officer and chief financial officer who exercise oversight over the Trust as the Trust has no officers. The chief executive officer and chief financial officer of the Sponsor have evaluated the effectiveness of the Trust's disclosure controls and procedures as of July 31, 2008. Based on that evaluation, the chief executive officer and chief financial officer of the Sponsor have concluded that the disclosure controls and procedures of the Trust were effective as of the end of the period covered by this report. There were no changes in the Trust's internal control over financial reporting that occurred during the Trust's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

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There were no changes in the Trust's internal control over financial reporting that occurred during the Trust's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the Risk Factors section of the Trust's Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 28, 2007.

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

(a) None.

(b) Not applicable.

(c) During the quarter ended July 31, 2008, 148 Baskets (7,400,000 Shares registered pursuant to Section 12 of the Securities Exchange Act of 1934) were redeemed by the Trust, as follows:

<u>Period</u>	<u>Total Number of Registered Shares Redeemed</u>	<u>Average Price Per Share</u>
05/01/2008 - 05/31/2008	500,000	\$154.52
06/01/2008 - 06/30/2008	1,350,000	\$156.87
07/01/2008 - 07/31/2008	5,550,000	\$157.21

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

<u>Number</u>	<u>Description of Exhibit</u>
31.1	Certification of Principal Executive Officer Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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.

CURRENCYSHARESSM EURO TRUST

By: Rydex Specialized Products LLC
Sponsor of the CurrencySharesSM Euro Trust

Date: September 8, 2008

By: /s/ Nick Bonos
Nick Bonos
Chief Financial Officer
(principal financial officer)

es

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

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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.

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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;
- (2) 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
- (3) 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.

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
Chief Executive Officer

Mike Mazzoni
Chief Financial Officer

Item 9B. Other Information

None

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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 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

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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.

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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.

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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.

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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 and Principal Position	Year	Salary	Bonus(1)	Stock Awards	Option Awards (2)	Incentive Plan Comp.(3)	Non-Equity Change in Compensation- Pension Value and NQ Deferred Comp.	All Other Compensation	Total
Bernard T. Marren Chief Executive Officer - CEO	2012	\$166,911	-	-	-	4,320	-	\$11,155(4)	\$182,386
Michael F. Mazzoni Chief Financial Officer - CFO	2011	\$158,963	-	-	-	1,032,401	-	\$10,899(4)	\$1,202,263
	2012	\$116,944	-	-	-	2,880	-	-(4)	\$119,824
	2011	\$111,375	-	-	-	688,268	-	\$8,250(4)	\$807,893

- (1) Column (d) is used to record non-equity discretionary (non-performance based) bonuses made to our officers.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2012 fiscal year for the fair value of stock options granted to each of the named executives, in 2012, as well as prior fiscal years, in accordance with FASB ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (3) The amounts in column (g) reflect the cash awards under the Shareholder Return Bonus, which is discussed in further detail in the Compensation Discussion and Analysis under the heading "Shareholder Return Bonus".
- (4) All Other Compensation consisted of the 50% Company match on 401(K) contributions.

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Grants of Plan-Based Awards

There were no grants of stock or option awards to our Named Executive Officers during fiscal 2012. Mr. Marren and Mr. Mazzoni are participants in the Company's Shareholder Return Bonus program which is a multi-year non-equity incentive plan. The Company established the plan and made Mr. Marren and Mr. Mazzoni participants in 2005 and the plan covered their performance during fiscal 2012 during which they earned payments under the plan which are reflected in the Summary Compensation Table above. However, no new awards were granted under the plan during fiscal 2012.

Outstanding Equity Awards at Fiscal Year-End

The Company had no outstanding equity awards with our Named Executive Officers as of March 31, 2012.

Option Exercises and Stock Vested

No options were exercised or shares of common stock acquired upon vesting by our Named Executive Officers during the fiscal year ended March 31, 2012.

Pension Benefits

We did not have any plans providing for payments or other benefits at, following, or in connection with retirement to our Named Executive Officers (or any other employees) during fiscal 2012.

Nonqualified Deferred Compensation

We did not permit compensation deferral by our Named Executive Officers (or any other employees) during fiscal 2012.

Potential Payments Upon Termination or Change in Control

Severance and change-in-control arrangements for Mr. Marren and Mr. Mazzoni are included in the employment agreements approved by the shareholders at the November 27, 2007, annual meeting.

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Director Compensation

The following table summarizes director compensation during fiscal year 2012:

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Director	Fees	Stock	Option	Non-Equity	Change in Pension Value and Nonqualified Deferred	All Other	
Name(1)	or Paid in Cash(2)	Awards (\$)	Awards (3) (4)	Incentive Plan Compensation (\$)	Earnings (\$)	Compensation (\$)	Total (\$)
Stephen							
Diamond(5)	\$34,500	—	—	—	—	—	\$34,500
Kapil Nanda	\$46,500	—	—	—	—	—	\$46,500
William							
Welling	\$48,000	—	—	—	—	—	\$48,000

- (1) Mr. Marren is not included in this table as he is an employee of the Company and receives no extra compensation for his services as a Director. The compensation received by Mr. Marren, as an employee of the Company, is shown in the Summary Compensation Table and the Outstanding Equity Awards at Fiscal Year-End Table above.
- (2) As of March 31, 2012, each non-employee Director received a \$15,000 yearly retainer and a fee of \$1,500 per board or committee meeting attended.
- (3) Column (d) represents the dollar amount recognized for financial statement reporting purposes with respect to the 2012 fiscal year for the fair value of stock options previously granted to the directors in prior fiscal years, in accordance with FASB ASC Topic 72. Pursuant to the SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service based vesting conditions.
- (4) As of March 31, 2012, Mr. Nanda and William Welling had no options outstanding. There were no options granted during fiscal year 2012.
- (5) Mr. Diamond resigned as a member of the Board of Directors effective November 11, 2011.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Messrs. Nanda and Welling, each of whom is an independent director and neither of whom is a current or former employee of the Company. During 2012, none of our executive officers served as a director or member of the Compensation Committee or any Board committee performing equivalent functions for another entity that has one or more executive officers serving on our Board of Directors.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee provided the following statement:

“The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on these reviews and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company’s annual report on Form 10-K and in the annual meeting proxy statement on Schedule 14A.”

Respectfully
submitted,
Compensation
Committee of the
Board of Directors

William Welling,
Chair
Kapil Nanda

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding ownership of our Common Stock as of March 31, 2012 (or earlier date for information based on filings with the SEC) by (a) each person known to us to own more than 5% of the outstanding shares of the Common Stock, (b) each director and nominee for director, (c) our Chief Executive Officer and Chief Financial Officer (who are our only executive officers) and (d) all directors and executive officers as a group. The information in this table is based solely on statements in filings with the Securities and Exchange Commission (the “SEC”) or other reliable information. A total of 11,645,903 shares of our common stock were issued and outstanding as of March 31, 2012.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock Owned (2)	Number of Shares of Common Stock Subject to Options Exercisable Within 60 Days (3)	Total Number of Shares of Common Stock Beneficially Owned (4)	Percent Ownership
S. Muoio & Co. LLC(5) 509 Madison Ave, Ste 406 New York, NY 10022	4,097,088	—	4,097,088	35.2%
Raffles Associates LP (6) 450 Seventh Ave, Ste. 509 New York, NY 10123	716,834	—	716,834	6.2%

Weiss Asset Management
LP (7)
222 Berkeley Street, 16th
Floor

Boston,, MA 02116	682,927	—	682,927	5.9%
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Dimension Fund Advisors
Inc. (8)

1299 Ocean Avenue, 11th
Floor

Santa Monica, CA 940401	581,210	—	581,210	5.0%
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Bernard T. Marren	15,788	—	15,788	*
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Michael F. Mazzoni	—	—	—	*
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Kapil Nanda	4,000	—	4,000	*
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William Welling	21,333	—	21,333	*
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All executive officers and
directors as a group (4
persons)

41,121	—	41,121	*
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- * Represents beneficial ownership of less than one percent (1%) of the outstanding shares as of March 31, 2012.
- (1) Unless otherwise indicated, the address of each of the named individuals is c/o OPTi Inc, One First Street, Suite 14, Los Altos, CA 94022.
 - (2) Represents shares of outstanding common stock owned by the named parties as of March 31, 2012.
 - (3) Shares of common stock subject to stock options currently exercisable or exercisable within 60 days of March 31, 2012 are deemed to be outstanding for computing the percentage ownership of the person holding such options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.
 - (4) The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of beneficial ownership of securities. Under the rules of the Commission, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities for which that person has a right to acquire beneficial ownership within 60 days.
 - (5) Information on holdings of S. Muoio & Co LLC ("SMC") is taken from a Form 4 filed on February 8, 2012. The shares listed are held in the accounts of several investment partnerships and investment funds (collectively, the "Investment Vehicles") for which SMC serves as either general partner or investment manager. Salvatore Muoio is the managing member of SMC. SMC and Mr. Muoio may be deemed to beneficially own the securities held by the Investment Vehicles by virtue of SMC's position as general partner or investment manager of the Investment Vehicles and Mr. Muoio's status as the managing member of SMC.
 - (6) Information on holdings of Raffles Associates L.P. is taken from a Schedule 13G/A filed on February 14, 2012. Raffles Capital Advisors LLC is the General Partner of Raffles Associates, L.P. and Paul H. O'Leary is the Managing Member of Raffles Capital Advisors LLC.
 - (7) Information on holdings of Weiss Asset Management LP is taken from a form 13G filed on February 14, 2012. Shares reported are beneficially owned by a private investment partnership. BIP GP is the sole general partner of the Partnership, Weiss Asset Management is the sole investment manager to the Partnership, WAM GP is the sole general partner of Weiss Asset Management, and Andrew Weiss is the managing member of WAM GP and BIP GP.
 - (8) Information on holdings of Dimensional Fund Advisors is taken from a Schedule 13G/A filed on February 9, 2009. The shares listed are owned by advisory clients of Dimensional Fund Advisors. Dimensional Fund Advisors disclaims beneficial ownership of the shares listed. Katherine Newell is Vice President and Secretary of Dimension Fund.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

No options are outstanding or authorized for issuance under the Company's equity compensation plans.

Item 13. Certain Relationships and Related Transactions and Director Independence

Compensation Committee Interlocks and Insider Participation

During the last fiscal year the members of the Compensation Committee were Messrs. Diamond, Nanda and Welling. Mr. Diamond resigned from the Board and Compensation Committee effective November 11, 2011. There was no reportable compensation committee, director interlocks, or insider participation during that period.

Related Party Transactions

The Company's policy is that it will not make loans to, or enter into other transactions with directors, officers or affiliates unless such loans or transactions are (i) approved by the majority of the Company's independent disinterested directors, (ii) may reasonably be expected to benefit the Company, and (iii) will be on terms no less favorable to the Company than could be obtained in arms-length transactions with unaffiliated third parties.

Procedures for Approval of Related Person Transactions

The Board of Directors is responsible for reviewing and approving all material transactions with any related party. "Related Party" means any of the following:

- A director (which term, when used, includes any director nominee),
- an executive officer,
- a person known by the Company to be the beneficial owner of more than 5% of the Company's common stock,
- or a person known by the Company to be an immediate family member of any of the foregoing.

"Immediate family member" means a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer, nominee for director or beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee for director or beneficial owner.

We expect our directors, officers and employees to act and make decisions that are in the Company's best interests and encourage them to avoid situations which present a conflict between our interests and their own personal interests. Our directors, officers and employees are prohibited from taking any action that may make it difficult for them to perform their duties, responsibilities and services to the Company in an objective and fair manner. Exceptions are only permitted in the reasonable discretion of the Board of Directors. In addition, we are strictly prohibited from extending personal loans to, or guaranteeing the personal obligations of, any director or officer.

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Since the beginning of the Company's last fiscal year, there have been no transactions in which the Company was or is to be a participant and in which any related person had or will have a direct or indirect material interest, and no such transactions are currently proposed.

Director Independence

The Board of Directors has determined that Messrs. Diamond, Nanda and Welling are "independent" under the rules of the NASDAQ Stock Market, and Mr. Marren is not. Under applicable SEC and NASDAQ rules, the existence of certain "related party" transactions above certain thresholds between a director and the Company are required to be disclosed and preclude a finding by the Board that the director is independent. Although the Board also has the power to consider whether transactions of those types but below the thresholds render a director not "independent," and to consider whether any other types of transactions, relationships or arrangements (i.e., not specified in the SEC and NASDAQ rules) render a director not "independent", the Board did not consider any such items in making its independence determination as to these four directors.

The Audit Committee, Nominating Committee and Compensation Committee are each comprised solely of independent directors, as that term is defined by Rule 4200 of the NASDAQ Marketplace Rules. 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.

Item 14. Principal Accountant Fees and Services

The following table shows the fees paid or accrued by OPTi Inc. for the audit and other services provided by our auditors Armanino McKenna LLP for fiscal years 2012 and 2011.

	2012	2011
Audit Fees (1)	\$120,535	\$115,653
Audit Related Fees	—	—
Tax Fees (2)	17,639	17,580
All Other Fees	97,705	19,600
Total	\$235,879	\$152,833

- (1) Audit fees represent fees for professional services provided in connection with the audit of our annual financial statements and review of our quarterly financial statements, and advice on accounting matters that arose during the audit.
- (2) Tax fees consisted primarily of income tax compliance and related services.

During fiscal 2012 and 2011, all services provided by Armanino McKenna LLP were pre-approved by the Audit Committee.

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Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services

It is the responsibility of the Audit Committee to approve, in accordance with Sections 10A(h) and (i) of the Exchange Act and the Rules and Regulations of the SEC, all professional services, to be provided to the Company by its independent registered public accounting firm, provided that the Audit Committee shall not approve any non-audit services proscribed by Section 10A(g) of the Exchange Act in the absence of an applicable exemption.

It is the policy of the Company that the Audit Committee pre-approves all audit and permissible non-audit services provided by the Company's independent registered public accounting firm, consistent with the criteria set forth in the Audit Committee Charter and applicable laws and regulations. The Committee has delegated to the Chair of the Committee the authority to pre-approve such services, provided that the Chair shall report any decision on his part to pre-approve such services to the full Audit Committee at its next regular meeting. These services may include audit services, audit-related services, tax services, and other services. The independent registered public accounting firm and Company management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm pursuant to any such pre-approval.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The following financial statements are filed as part of this Report:

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Report of Armanino McKenna LLP, Independent Registered Public Accounting Firm.....	F-1
Consolidated Balance Sheets, March 31, 2012 and 2011.....	F-2
Consolidated Statements of Operations for the years ended March 31, 2012 and 2011.....	F-3
Consolidated Statements of Shareholders' Equity for the years ended March 31, 2012 and 2011.....	F-4
Consolidated Statements of Cash Flows for the years ended March 31, 2012 and 2011.....	F-5
Notes to Consolidated Financial Statements.....	F-6

(a)(2) Financial Statement Schedules

Schedule Number	Description
None	

All other schedules not applicable.

(a)(3) Exhibits Listing

Exhibit Number	Description
3.1	Registrant's Articles of Incorporation, as amended. (1)
3.2	Registrant's Bylaws. (1)
10.1	1993 Stock Option Plan, as amended. (1)
10.2	1993 Director Stock Option Plan. (1)
10.3	Form of Indemnification Agreement between Registrant and its officers and directors.(1)
10.4	1996 Employee Stock Purchase Plan. (2)
10.5	1995 Employee Stock Option Plan, as amended. (3)
10.6	Patent License Agreement between Intel Corporation and OPTi Inc. (4)
10.7	OPTi Inc. Technology License Agreement between OPTi Inc. and Opti Technologies Inc., dated as of September 30, 2002. (5)
10.8	Lease Agreement with John Arrillaga, Trustee, or his Successor Trustee UTA, dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST) as amended, dated as of November 21, 2006 (6)
10.9	Employment Agreement with Bernard T. Marren, dated as of November 27, 2007 (7)
10.10	Employment Agreement with Michael M. Mazzoni, dated as of November 27, 2007 (7)

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- 10.11 Dismissal and License Option Agreement with Broadcom, dated December 23, 2008 (8)
- 10.12 Standstill and Option Agreement with Renesas Technology Corp. and Renesas Technology America, Inc., dated as of January 23, 2009 (9)
- 10.13 Settlement and License Agreement with VIA Technologies, Inc., dated as of October 1, 2009 (10)
- 10.14 Amendment No. 1 to Lease Agreement with John Arrillaga, Trustee, or his Successor Trustee UTA, dated 7/20/77 (JOHN ARRILLAGA SURVIVOR'S TRUST), as amended, dated as of December 11, 2009 (11)
- 10.15 Litigation Settlement and License Agreement with Advanced Micro Devices, Inc., dated as of April 30, 2010 (12)
- 10.16 Settlement and License Agreement with Advanced Micro Devices, Inc., dated as of April 30, 2010 (13)

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- 10.17 Pre-Snoop Patent License and Arbitration Settlement Agreement with NVIDIA Corporation, dated as of September 28, 2010 (13)
- 10.18 Settlement and License Agreement with Apple Inc., dated as of December 6, 2010 (14)
- 10.19 Patent License Agreement with Exar Corporation, dated March 14, 2011
- 14.1 Code of Ethics (16)
- 24.1 Power of Attorney (see page 24, signature page).
- 31.1 Section 302 Certification of Chief Executive Officer
- 31.2 Section 302 Certification of Chief Financial Officer
- 32.1 Section 906 Certification of Chief Executive Officer
- 32.2 Section 906 Certification of Chief Financial Officer

- (1) Incorporated by reference to Registrants Statement on Form S-1 (File No. 33-59978) as declared effective by the Securities and Exchange Commission on May 11, 1993.
- (2) Incorporated by reference to Registration Statement on Form S-8 (File No. 333-15181) as filed with the Securities and Exchange Commission on October 31, 1996.
- (3) Incorporated by reference to Registration Statement on Form S-8 (File No. 333-17299) as filed with the Securities and Exchange Commission on December 5, 1996.
- (4) Incorporated by reference to the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1999, of OPTi Inc., (File No. 000-21422).
- (5) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 18, 2002. (File No. 000-21422).
- (6) Incorporated by reference to the Quarterly Report on Form 10-Q for the Quarter Ended December 31, 2006, of OPTi Inc., (File No. 000-21422).
- (7) Incorporated by reference to the Definitive Proxy Statement Filed Pursuant to Section 14(a) of the Securities Exchange Act of 1934 on October 29, 2007, (File No. 000-21422).
- (8) Incorporated by reference to the Quarterly Report on Form 10-Q for the Quarter Ended December 31, 2008, of OPTi Inc., (File No. 000-21422).
- (9) Incorporated by reference to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, of OPTi Inc., (File No. 000-21422).
- (10) Incorporated by reference to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2009, of OPTi Inc., as amended, (File No. 000-21422).
- (11) Incorporated by reference to the Quarterly Report on Form 10-Q for the Quarter Ended December 31, 2009, of OPTi Inc., as amended, (File No. 000-21422).
- (12) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2010, (File No. 000-21422).
- (13) Incorporated by reference to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2010, of OPTi Inc., (File No. 000-21422).
- Incorporated by reference to the Current Report on Form 8-K filed with the securities and Exchange Commission on December 9, 2010, (File No. 000-21422).
- (15) Incorporated by reference to the Annual Report on Form 10-K for the Fiscal Year Ended March 31, 2005, of OPTi Inc., (File No. 000-21422).

(b)Exhibits. See Item 15 (a)(3) above.

(c)Financial Statements Schedules. See Item 15 (a)(2) above.

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Palo Alto, State of California on the day of June 29, 2012.

OPTi Inc.

By: /s/ Bernard
Marren
Bernard
Marren
Chief
Executive
Officer and
Chairman
of the
Board

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Bernard Marren and Michael Mazzoni and each of them, jointly and severally, his true and lawful attorney-in-fact, each with full power of substitution and resubstitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each said attorneys-in-fact and agents, or their substitute or substitutes, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signatures	Title	Date
/s/ BERNARD MARREN		June 29, 2012

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Bernard Marren	President and Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	
/s/ MICHAEL MAZZONI Michael Mazzoni	Chief Financial Officer (Principal Financial and Accounting Officer)	June 29, 2012
/s/ KAPIL K NANDA Kapil K. Nanda	Director	June 29, 2012
/s/ WILLIAM WELLING William Welling	Director	June 29, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
OPTi Inc.
Los Altos, CA

We have audited the accompanying consolidated balance sheets of OPTi Inc. (the "Company") as of March 31, 2012 and 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for the two years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of OPTi Inc., as of March 31, 2012 and 2011, and the results of its operations and cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the financial statements, the shareholders of OPTi Inc. approved a Plan of Liquidation on May 31, 2012, and the Company commenced liquidation shortly thereafter.

/s/ Armanino McKenna, LLP

San Ramon, California
June 29, 2012

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OPTi Inc.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 21,922	\$ 25,779
Income tax receivable	1,392	–
Prepaid expenses and other current assets	24	105
Deferred tax asset	–	556
Total current assets	23,338	26,440
Equipment and furniture		
Office equipment	32	62
Furniture and fixtures	17	17
	49	79
Accumulated depreciation	(41)	(70)
Equipment and furniture, net	8	9
Other assets		
Deposits	5	–
Non-current deferred tax asset	–	783
Total other assets	5	783
Total assets	\$ 23,351	\$ 27,232
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 163	\$ 32
Accrued expenses	204	211
Accrued employee compensation	10	684
Total current liabilities	377	927
Other liabilities		
Non-current taxes payable	3,816	4,098
Total current and other liabilities	4,193	5,025
Shareholders' equity		
Preferred stock, no par value:		
Authorized shares - 5,000,000		
No shares issued or outstanding	–	–
Common stock, no par value:		
Authorized shares - 50,000,000		
Issued and outstanding shares - 11,645,903 at March 31, 2012 and March 31, 2011	13,544	13,544
Retained earnings	5,614	8,663
Total shareholders' equity	19,158	22,207

Total liabilities and shareholders' equity	\$ 23,351	\$ 27,232
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The accompanying notes are an integral part of these consolidated financial statements.

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OPTi Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Sales		
License sales	\$240	\$50,625
Net sales	240	50,625
Costs and expenses		
General and administrative	2,856	5,094
Total costs and expenses	2,856	5,094
Operating income (loss)	(2,616)	45,531
Interest income and other	13	12
Income (loss) before provision for income taxes	(2,603)	45,543
Provision for income taxes	446	19,923
Net income (loss)	\$(3,049)	\$25,620
Basic net income (loss) per share	\$(0.26)	\$2.20
Shares used in computing basic per share amounts	11,646	11,645
Diluted net income (loss) per share	\$(0.26)	\$2.20
Shares used in computing diluted per share amounts	11,646	11,645

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

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OPTi Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share amounts)

	Common Stock		Retained	Total
	Shares	Amount	Earnings/ (Accumulated Deficit)	Shareholders' Equity
Balance at March 31, 2010	11,641,903	\$ 13,539	\$(652)	\$ 12,887
Issuance of common stock under stock plans	4,000	5		5
Cash dividends			(16,305)	(16,305)
Net income			25,620	25,620
Balance at March 31, 2011	11,645,903	13,544	8,663	22,207
Net loss			(3,049)	(3,049)
Balance at March 31, 2012	11,645,903	\$ 13,544	\$ 5,614	\$ 19,158

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

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OPTi Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Operating activities		
Net income (loss)	\$(3,049)	\$25,620
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	9	4
Change in deferred tax assets and non-current taxes payable	1,057	14,200
Changes in operating assets and liabilities:		
Accounts receivable		450
Prepaid expenses and other current assets	76	(63)
Taxes receivable	(1,392)	-
Accounts payable	131	(2,141)
Accrued expenses	(7)	(237)
Accrued employee expenses	(674)	672
Net cash provided by (used in) operating activities	(3,849)	38,505
Investing activities		
Purchases of property and equipment	(8)	(4)
Net cash used in investing activities	(8)	(4)
Financing activities		
Cash dividends		(16,305)
Sale of common stock		5
Net cash used in financing activities		(16,300)
Net increase (decrease) in cash and cash equivalents	(3,857)	22,201
Cash and cash equivalents at beginning of year	25,779	3,578
Cash and cash equivalents at end of year	\$21,922	\$25,779
Supplemental cash flow information		
Cash paid for income taxes	\$714	\$5,792

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

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OPTi Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Company - OPTi Inc., a California corporation, has been engaged in licensing its intellectual property for use principally by personal computer manufacturers and semiconductor device manufacturers. On May 31, 2012, the Company's shareholders adopted a Plan of Liquidation pursuant to which it will cease doing business (see Note 10 – Subsequent Events).

Principles of Consolidation - The consolidated financial statements include the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

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.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. At March 31, 2012 and 2011 substantially all cash and cash equivalents consisted of money market accounts.

Income Taxes - Income taxes are calculated under Accounting Standard Codification Topic 740 "Accounting for Income Taxes". Under ASC 740, the liability method is used in accounting for income taxes, which includes the effects of deferred tax assets or liabilities. Deferred tax assets or liabilities are recognized for the expected tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities using the enacted tax rates that will be in effect when these differences reverse. The Company provides a valuation allowance to reduce deferred tax assets to the amount that is expected, based on whether such assets are more likely than not to be utilized.

Property and Equipment - Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from two to five years.

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.

Net Income Per Share - Basic net income per share is computed on the basis of the weighted-average number of shares outstanding for the reporting period. The Company has computed weighted-average shares outstanding for all of the periods presented. Diluted income per share is computed on the basis of the weighted-average number of shares plus dilutive potential common shares outstanding using the treasury method.

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Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, "Improving Disclosures About Fair Value Measurements" (ASU 2010-06), which amends the Fair Value Measurements and Disclosures Topic of the ASC (ASC Topic 820). ASU No. 2010-06 provides additional disclosure requirements on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons for and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). This standard is effective for interim and annual reporting periods beginning after December 15, 2009 with the exception of disclosures regarding the purchase, sale, issuance, and settlement of Level 3 fair value measures which are effective for fiscal years beginning after December 15, 2010. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

Note 2 - Shareholders' Equity

Preferred Stock

The Board of Directors has authority to issue up to 5,000,000 shares of Preferred Stock in one or more series and to fix the rights, preferences, privileges, qualifications, limitations and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without any further vote or action by the shareholders. The Company has never issued preferred stock nor does it anticipate doing so.

Stock Option Plans

No options were granted during fiscal years 2012 and 2011.

1993 Director Stock Option Plan

In February 1993, the Company adopted the 1993 Director Stock Option Plan (the "Director Plan") and reserved 50,000 shares of common stock for issuance thereunder. Under this plan, non-employee directors are granted options to purchase common stock at 100% of fair market value on dates specified in the plan. The options generally vest over four years from the date of grant and expire ten years from the date of grant. In May 1996, the Company's shareholders authorized an additional 50,000 shares for grant under the plan.

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The activity under the 1993 Director Plan is as follows:

	Shares	Outstanding Weighted Ave. Exercise Price Per Share
Outstanding at March 31, 2010	8,000	\$2.01
Exercised in 2011	(4,000)	\$1.27
Outstanding at March 31, 2011	4,000	\$2.74
Options cancelled in 2012	(4,000)	\$2.74
Outstanding at March 31, 2012		\$

As of March 31, 2012 no stock options were outstanding. As of March 31, 2011, there were 4,000 options outstanding and exercisable. The weighted average exercise price for the exercisable shares as of March 31, 2011 was \$2.74.

Stock Options Outstanding and Stock Options Exercisable:

No options were outstanding or exercisable as of March 31, 2012.

Activity under our Stock Option Plans is summarized as follows:

	Number of Shares	Weighted Average Per Share Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at April 1, 2011	4,000	\$2.74		
Outstanding at March 31, 2012				
Exercisable at March 31, 2012				

There were no options granted during the fiscal years ended March 31, 2012 and 2011.

Common Stock Reserved

At March 31, 2012, the Company has no reserved shares of common stock for future issuance.

Note 3 - Net Income Per Share

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Basic net income per share per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of common shares if all convertible securities were converted into common stock.

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

	Year Ended March 31,	
	2012	2011
Net income (loss)	\$(3,049)	\$25,589
Weighted average number of common shares outstanding	11,646	11,645
Basic net income (loss) per share	\$(0.26)	\$2.20
Weighted average number of common shares outstanding	11,646	11,645
Effect of dilutive securities:		
Employee stock options	–	–
Denominator for diluted net income (loss) per share	11,646	11,645
Diluted net income (loss) per share	\$(0.26)	\$2.20

Note 4 – Cash and Equivalents

The following is a summary as of March 31, 2012 and 2011 (in thousands):

	March 31, 2012	March 31, 2011
Cash	\$100	\$100
Money Market	21,822	25,679
Total	\$21,922	\$25,779

The accounting standard for fair value establishes a framework for measuring fair value and requires disclosures about fair value measurements by establishing a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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 March 31, 2012 and March 31, 2011, the Company had cash and investments in money market funds of \$21.9 million and \$25.7 million, respectively, in cash equivalents classified as Level I in the fair value hierarchy and no Level II or Level III investments.

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Note 5 – Commitments

The Company leases its facility under a non-cancellable operating lease that expires in January 2014.

Rental expense for operating leases amounted to \$104,000 and \$116,000, respectively, for the years ended March 31, 2012 and 2011.

Future minimum lease commitments by fiscal year for all facility leases are as follows:

March 31, 2013	\$47,565
March 31, 2014	40,950
Total lease commitment	\$88,515

Note 6 - Concentrations

The Company received all of its revenue in fiscal year 2012 from a licensing agreement with Allied Security Trust. During fiscal year 2011 the Company recorded \$50,625,000 as revenue. The vast majority of the revenue in fiscal year 2011 was due to licensing agreements with AMD for \$35,000,000 and Apple for \$12,250,000.

Note 7 – Income Taxes

The components of the provision for income taxes are as follows (in thousands):

	2012	2011
Federal:		
Current \$	(1,092)	\$ 5,886
Deferred	1,340	8,263
	\$ 248	\$ 14,149
State:		
Current \$	198	\$ 3,936
Deferred		1,838
	\$ 198	\$ 5,774
Total	\$ 446	\$ 19,923

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Reconciliation of the provision for income taxes at the statutory rate to the Company's provision for income tax is as follows (in thousands):

	2012	2011
Expected provision for (benefit from) income taxes at federal statutory rate	\$(911)	\$15,485
State income tax benefit, net of federal effect	(148)	2,657
Valuation allowance	1,006	1,780
Uncertain tax positions	273	—
Impact of filed tax returns	194	—
Other	32	1
Provision for (Benefit from) Income Taxes	\$446	\$19,923

Significant components of the Company's net deferred tax assets are as follows (in thousands):

	2012	2011
Deferred tax assets:		
Net operating loss carryforwards	\$2,005	\$1,884
Depreciation and amortization	—	2
Reserves and accruals	896	1,340
Other	39	—
Total deferred tax assets	\$2,940	\$3,226
Valuation allowance	(2,940)	(1,867)
Net deferred tax assets	\$—	\$1,339

During fiscal year 2012, the Company recorded an income tax benefit of approximately \$0.5 million related to both current and deferred tax expense.

In evaluating its ability to recover its deferred tax assets, the Company considers all available positive and negative evidence including its past operating results, the existence of cumulative losses and its forecast of future taxable income. In determining future taxable income, the Company is responsible for assumptions utilized including the amount of state, federal and international pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying businesses. Based on expected future losses, the Company has determined that on a more likely than not basis, it will be unable to realize its deferred tax assets. In recognition of this risk, we have provided a valuation allowance of \$3.0 million on the deferred tax assets. If or when recognized, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets as of March 31, 2012, will be accounted for as a reduction of income tax expense.

The Company's valuation allowance increased by \$1.0 million and \$1.8 million in the twelve months ended March 31, 2012 and 2011, respectively.

As of March 31, 2012, the Company has state net operating losses of approximately \$34.9 million. State net operating loss carryforwards will expire at various dates beginning in 2014 through 2032.

Net operating loss carryforwards reflected above may be limited due to ownership changes as provided in the Internal Revenue Code and similar state provisions.

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The Company accrued \$0.3 million in income tax expense relating to interest and penalties related to uncertain tax positions in the twelve months ended March 31, 2012. The Company accrued no interest and penalties related to uncertain tax positions in the twelve months ended March 31, 2011. If any future accrual is required, the Company will account for interest related to uncertain tax positions as part of its provision for federal and state income taxes. The Company does not expect its unrecognized tax benefits to materially change over the next twelve months.

A reconciliation of the beginning and ending balance of the consolidated liability for unrecognized income tax benefits during the year ended March 31, 2012, is as follows (in thousands):

	2012	2011
Balance at April 1	\$ 4,097	\$ 3,911
Additions for tax positions of prior years		186
Reductions for tax positions of prior years	(554)	
Balance at March 31	\$ 3,543	\$ 4,097

The amount of unrecognized tax benefit which would impact the effective tax rate, if realized, is \$3.5 million. The realization of additional unrecognized tax benefits would increase corresponding valuation allowance, thereby offsetting the related rate impact.

The Company files income tax returns in the U.S. and the state of California. The Company is subject to U.S. federal and California income tax examinations by tax authorities for years 1996 – 2011 and 1994 – 2011, respectively.

Note 8 - Employee Benefit Plan

Savings Plan The Company has a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. Under the plan, participating U.S. employees may defer up to 15% of their pre-tax salary, but not more than the statutory limits. The Company currently matches fifty percent of employee contributions made to the savings plan. During 2012 and 2011, the amount of the Company contribution to the 401k plan was approximately \$16,000 and \$21,000, respectively. Administrative costs of the plan are immaterial.

Note 9 – Contingencies

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 ultimate outcomes of the VIA and SIS legal actions could have significant effects on the Company’s distributions to its shareholders which cannot be predicted.

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Note 10 – Subsequent Events

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 Amendment No. 1 to the Company's Consent Solicitation Statement on Schedule 14A filed with the SEC 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.

Note 11 – Quarterly Results of Operations (unaudited)

Summarized quarterly financial information is as follows (in thousands, except per share data):

Year Ended March 31, 2012	June 30	September 30	December 31	March 31
Net revenues	\$—	\$—	\$240	\$—
Gross profit	\$—	\$—	\$240	\$—
Operating loss	\$(873)	\$(793)	\$(255)	\$(695)
Net loss	\$(574)	\$(580)	\$(1,389)	\$(506)
Basic and diluted net loss per share	\$(0.05)	\$(0.05)	\$(0.12)	\$(0.04)

Year Ended March 31, 2011	June 30	September 30	December 31	March 31
Net revenues	\$35,125	\$3,250	\$12,250	\$—
Gross profit	\$35,125	\$3,250	\$12,250	\$—
Operating profit (loss)	\$33,265	\$2,052	\$10,868	\$(639)
Net income (loss)	\$19,790	\$1,346	\$4,823	\$(340)
Basic and diluted net income (loss) per share	\$1.70	\$0.12	\$0.65	\$(0.03)

