

OPTI INC
Form 10-Q/A
August 17, 2011

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

FORM 10-Q/A
Amendment No. 1

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

For the Quarterly Period Ended June 30, 2011

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

For the Transition Period from _____ to _____

Commission File Number 0-21422
OPTi Inc.

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction of
incorporation or organization)

77-0220697
(I.R.S. Employer Identification No.)

3430 W. Bayshore Road, Suite 103, Palo
Alto, California
(Address of principal executive office)

94303
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

Edgar Filing: OPTI INC - Form 10-Q/A

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|----------------------------|--------------------------|--|-------------------------------------|
| Large-accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | (Do not check if smaller reporting company) | <input checked="" type="checkbox"/> |
| | | Smaller reporting company | <input type="checkbox"/> |

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

The number of shares outstanding of the registrant's common stock as of July 31, 2011 was 11,645,903.

INDEX

EXPLANATORY NOTE

This Amendment No. 1 on Form 10/Q-A amends our quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2011 as filed with the Securities and Exchange Commission on August 15, 2011, and is being filed solely to amend Note 6 of Item 1 of Part I, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 1A of Part II to correct typographical errors.

PAGE 2

INDEX

OPTi Inc.
INDEX

| | PAGE # |
|---|-----------|
| <u>EXPLANATORY NOTE</u> | 2 |
| <u>PART I: FINANCIAL INFORMATION</u> | 4 |
| <u>ITEM 1:</u> | |
| <u>FINANCIAL STATEMENTS (Unaudited)</u> | 4 |
| <u>Condensed Consolidated Balance Sheets</u> | 4 |
| <u>Condensed Consolidated Statements of Operations</u> | 5 |
| <u>Condensed Consolidated Statements of Cash Flows</u> | 6 |
| <u>Notes to the Condensed Consolidated Financial Statements</u> | 7 |
| <u>ITEM 2:</u> | |
| <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF</u> | |
| <u>FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 11 |
| <u>Overview</u> | 11 |
| <u>Results of Operations</u> | 13 |
| <u>Liquidity and Capital Resources</u> | 13 |
| <u>ITEM 3:</u> | |
| <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT</u> | |
| <u>MARKET RISK</u> | 14 |
| <u>ITEM 4:</u> | |
| <u>CONTROLS AND PROCEDURES</u> | 14 |
| <u>PART II: OTHER INFORMATION</u> | 16 |
| <u>ITEM 1:</u> | |
| <u>LEGAL PROCEEDINGS</u> | 16 |
| <u>ITEM 1A:</u> | |
| <u>RISK FACTORS</u> | 17 |
| <u>ITEM 2:</u> | |
| <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF</u> | |
| <u>PROCEEDS</u> | 17 |
| <u>ITEM 3:</u> | |
| <u>DEFAULTS UPON SENIOR SECURITIES</u> | 17 |
| <u>ITEM 4:</u> | |
| <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY</u> | |
| <u>HOLDERS</u> | 17 |
| <u>ITEM 5:</u> | |
| <u>OTHER INFORMATION</u> | 17 |
| <u>ITEM 6:</u> | |
| <u>EXHIBITS</u> | 18 |
| <u>SIGNATURES</u> | 20 |

INDEXPART I: FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTSOPTi INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | June 30 , 2011 (unaudited) | March 31, 2011 (audited) |
|---|----------------------------------|--------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$23,872 | \$25,779 |
| Prepaid expenses and other current assets | 72 | 105 |
| Income tax receivable | 1,370 | — |
| Deferred tax asset | 411 | 556 |
| Total current assets | 25,725 | 26,440 |
| Property and equipment, at cost | | |
| Machinery and equipment | 62 | 62 |
| Furniture and fixtures | 17 | 17 |
| | 79 | 79 |
| Accumulated depreciation | (71) | (70) |
| | 8 | 9 |
| Other assets | | |
| Non-current deferred tax assets | 579 | 783 |
| Total other assets | 579 | 783 |
| Total assets | \$26,312 | \$27,232 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$120 | \$32 |
| Accrued expenses | 461 | 211 |
| Accrued employee compensation | 1 | 684 |
| Total current liabilities | 582 | 927 |
| Other liabilities: | | |
| Non-current taxes payable | 4,098 | 4,098 |
| Total liabilities | 4,680 | 5,025 |
| Stockholders' equity: | | |
| Preferred stock, no par value | | |
| Authorized shares – 5,000 | | |
| No shares issued or outstanding | — | — |
| Common stock | | |
| Authorized shares – 50,000 | | |
| Issued and outstanding – 11,646 at June 30, 2011 and March 31, 2011 | 13,544 | 13,544 |
| Retained earnings | 8,088 | 8,663 |
| Total stockholders' equity | 21,632 | 22,207 |

| | | |
|--|----------|----------|
| Total liabilities and stockholders' equity | \$26,312 | \$27,232 |
|--|----------|----------|

* The balance sheet as of March 31, 2011 has been derived from the audited financial statements.
The accompanying notes are an integral part of these condensed consolidated financial statements.

PAGE 4

INDEX

OPTi Inc.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except for per share data)
 (unaudited)

| | Three Months Ended June 30, | |
|--|--------------------------------|----------|
| | 2011 | 2010 |
| Sales | | |
| License and royalties | \$— | \$35,125 |
| Net sales | — | 35,125 |
| Costs and expenses | | |
| Selling, general and administrative | 873 | 1,862 |
| Total costs and expenses | 873 | 1,862 |
| Operating income (loss) | (873) | 33,263 |
| Interest and other income, net | 4 | 2 |
| Income (loss) before provision for income taxes | (869) | 33,265 |
| Income tax provision (benefit) | (294) | 13,475 |
| Net income (loss) | \$(575) | \$19,790 |
| Basic net income (loss) per share | \$(0.05) | \$1.70 |
| Shares used in computing basic per share amounts | 11,646 | 11,642 |
| Diluted net income (loss) per share | \$(0.05) | \$1.70 |
| Shares used in computing diluted per share amounts | 11,646 | 11,646 |

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

INDEX

OPTi INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)
 (unaudited)

| | Three Months Ended June 30, | |
|--|--------------------------------|-----------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$(575) | \$19,790 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 1 | 1 |
| Deferred income taxes | 349 | 11,441 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | — | (21,000) |
| Prepaid expenses and other current assets | 33 | (27) |
| Income taxes receivable | (1,370) | — |
| Accounts payable | 88 | (1,667) |
| Accrued expenses | 250 | 106 |
| Accrued employee compensation | (683) | 618 |
| Income taxes payable | — | 2,034 |
| Net cash provided by (used in) operating activities | (1,907) | 11,296 |
| Net increase (decrease) in cash and cash equivalents | (1,907) | 11,296 |
| Cash and cash equivalents, beginning of period | 25,779 | 3,578 |
| Cash and cash equivalents, end of period | \$23,872 | \$14,874 |

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

INDEX

OPTi Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

1. Basis of Presentation

The information as of June 30, 2011 and for the three month periods ended June 30, 2011 and 2010, are unaudited, but include all adjustments (consisting of normal recurring adjustments) which the Company's management believes to be necessary for the fair presentation of the financial position, results of operations and cash flows for the periods presented. Interim results are not necessarily indicative of results for a full year.

The accompanying financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2011, which are included in the annual report on Form 10-K filed by the Company with the Securities and Exchange Commission.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates under different assumptions or conditions.

Summary of Significant Accounting Policies, 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.

2. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the average number of common shares outstanding during the period.

Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares that would be outstanding if all convertible securities were converted into common stock.

INDEX

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

| | Three Months Ended June 30, | |
|--|--------------------------------|----------|
| | 2011 | 2010 |
| Net income (loss) | \$(575) | \$19,790 |
| Weighted average number of common shares outstanding | 11,646 | 11,642 |
| Basic net income (loss) per share | \$(0.05) | \$1.70 |
| Weighted average number of common shares outstanding | 11,646 | 11,642 |
| Effect of dilutive securities: | | |
| Employee stock options | — | 4 |
| Denominator for diluted net income (loss) per share | 11,646 | 11,646 |
| Diluted net income (loss) per share | \$(0.05) | \$1.70 |

The Company has excluded options for the purchase of 4,000 shares of common stock from the calculation of diluted net (loss) per share for the three month period ended June 30, 2011, because such securities were anti-dilutive.

3. Taxes

As part of the process of preparing the unaudited condensed consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves estimating the current tax liability under the most recent tax laws and assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the unaudited condensed consolidated balance sheet.

Income tax expense (benefit) for the three months ended June 30, 2011, was (\$0.3) million, or 33.9% of pre-tax income, compared to \$13.5 million, or 40.5% of pre-tax income for the three months ended June 30, 2010. The effective tax rate for the three months ended June 30, 2011 approximates the U.S. Federal statutory rate of 34%. The effective tax rate for the three months ended June 30, 2010 differs from the U.S. Federal statutory rate of 34% primarily due to current state income taxes.

As of June 30, 2011, the Company's total gross unrecognized tax benefit did not materially change with the balance as of March 31, 2011. The Company has recorded a liability of approximately \$4.1 million representing unrecognized tax benefits relating to Federal and State R&D credits. All of this amount would impact the Company's effective tax rate, if recognized. No interest or penalties are recorded in this balance.

4. Cash and Cash Equivalents

The following is a summary as of June 30 and March 31, 2011 (in thousands):

| June 30, 2011 | March 31, 2011 |
|------------------|-------------------|
|------------------|-------------------|

| | | |
|---------------------|----------|----------|
| Cash | \$100 | \$100 |
| Money markets funds | 23,772 | 25,679 |
| | \$23,872 | \$25,779 |

PAGE 8

INDEX

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 June 30, 2011 and March 31, 2011, the Company had investments in money market funds of \$23.8 million and \$25.7 million, respectively, in cash equivalents classified as Level I of the fair market hierarchy and no Level II or Level III investments.

5. Commitments

The Company leases its facility under a non-cancelable operating lease that expires in December 2011.

Rental expense for the operating lease amounted to \$29,000 and \$29,000, respectively, for the three months ended June 30, 2011 and June 30, 2010.

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

| | |
|------------------------|----------|
| March 31, 2012 | \$58,593 |
| Total lease commitment | \$58,593 |

6. Subsequent Events

On June 9, 2011, S. Muoio & Co. LLC (“SMC”) filed a Complaint to Determine Validity of Election of Corporate Directors and for Ancillary Injunctive Relief (the “Complaint”) in the Superior Court of the State of California for the County of Santa Clara.

The Complaint challenged the validity of the election of corporate directors conducted by OPTi at its annual meeting of shareholders held May 23, 2011 (“Annual Meeting”) in Palo Alto, CA. SMC specifically sought a determination that

its proposed candidate, Robert H. Edelman, was elected by having the most votes of any candidate at the annual meeting, and related relief. The Company believes that Mr. Edelman was not properly nominated and contested the allegations in the Complaint.

On June 10, 2011, the Court set an expedited hearing as required by California Corporations Code Section 709. The hearing was held on July 18, 2011, in the Santa Clara County Superior Court.

On July 28, 2011, the Court ruled in favor of the Company. The Company will report the Court's formal Statement of Decision when the decision has been finalized in approximately thirty to sixty days.

PAGE 9

INDEX

The Company's largest shareholder has recently increased its ownership from 28% to 34% of the Company's outstanding common stock and has attempted to obtain representation on the Board of Directors. See Item 1 Legal Proceedings. Such shareholder has indicated in its public filings with the Securities and Exchange Commission that it may engage in discussions with the Company regarding the timing and characterization of cash distributions to shareholders and the potential orderly liquidation of the Company. The shareholder has also reserved the right to take any and all actions that it deems appropriate to maximize the value of its investment in the Company.

PAGE 10

INDEX

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

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

OPTi was founded in 1989 as an independent supplier of semiconductor products to the personal computer market. During fiscal 2003, the Company sold its product fabrication, distribution and sales operations to Opti Technologies, Inc., an unrelated third party. As a result of this transaction all future revenues for the Company are expected to be generated from the licensing of the Company's intellectual property.

The Company's current strategy is to pursue licensing opportunities to resolve potential infringement of its proprietary intellectual property in the core logic area. During fiscal year 2011, the Company entered into several settlement and licensing agreements totaling approximately \$50.6 million on the core logic technology that the Company had developed.

The Company's largest shareholder has recently increased its ownership from 28% to 34% of the Company's outstanding common stock and has attempted to obtain representation on the Board of Directors. See Item 1 Legal Proceedings. Such shareholder has indicated in its public filings with the Securities and Exchange Commission that it may engage in discussions with the Company regarding the timing and characterization of cash distributions to shareholders and the potential orderly liquidation of the Company. The shareholder has also reserved the right to take any and all actions that it deems appropriate to maximize the value of its investment in the Company.

See Part II. Item 1. "Legal Proceedings" below.

Critical Accounting Policies

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

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

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

PAGE 11

INDEX

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

PAGE 12

INDEX

Results of Operations for the Three Months Ended June 30, 2011
Compared to the Three Ended June 30, 2010

Revenues

The Company had no license revenue for the three-month period ended June 30, 2011 and \$35,125,000 for the three-month period ended June 30, 2010. The license revenue for the three-month period ended June 30, 2010 relates to the Company entering into a litigation settlement license agreement with Advanced Micro Devices, Inc. (“AMD”). The Company’s future revenues depend on the success of our strategy of pursuing license claims on our intellectual property position.

General and Administrative

General and administrative expenses for the quarter ended June 30, 2011 were \$873,000 as compared to \$1,862,000 for the quarter ended June 30, 2010. The decrease in general and administrative costs for the three-month period ended June 30, 2011, as compared to the comparable period ended June 30, 2010, was mainly attributable to a decrease in litigation costs and employee costs relating to the executive bonus plan.

Interest and Other Income, Net

Net interest and other income for the three-month period ending June 30, 2011 was \$4,000 as compared to \$2,000 for the three-months ended June 30, 2010. The increase in net interest and other income in the three-month period ended June 30, 2011 as compared to the comparable period in 2010 was due to higher cash balances.

Income Taxes

As part of the process of preparing the unaudited condensed consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves estimating the current tax liability under the most recent tax laws and assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the unaudited condensed consolidated balance sheet.

Income tax expense (benefit) for the three months ended June 30, 2011, was (\$0.3) million, or 33.9% of pre-tax income, compared to \$13.5 million, or 40.5% of pre-tax income for the three months ended June 30, 2010. The effective tax rate for the three months ended June 30, 2011 approximates the U.S. Federal statutory rate of 34%. The effective tax rate for the three months ended June 30, 2010 differs from the U.S. Federal statutory rate of 34% primarily due to current income taxes.

As of June 30, 2011, the Company’s total gross unrecognized tax benefit did not materially change with the balance as of March 31, 2011. The Company has recorded a liability of approximately \$4.1 million representing unrecognized tax benefits relating to Federal and State R&D credits. All of this amount would impact the Company’s effective tax rate, if recognized. No interest or penalties are recorded in this balance.

Liquidity and Capital Resources

Cash and cash equivalents decreased to \$23.9 million at June 30, 2011 from \$25.8 million at March 31, 2011. The decrease in cash and cash equivalents of approximately \$1.9 million from March 31, 2011, to June 30, 2011, primarily relates to the net loss for the period and a decrease in accrued employee compensation

PAGE 13

INDEX

and an increase in income taxes receivable offset, in part, by an increase in accounts payable and accrued expenses. Working capital as of June 30, 2011, decreased to \$25.1 million from \$25.5 million at March 31, 2011. The Company had no investing or financing activities for the three month periods ended June 30, 2011 and 2010.

As of June 30, 2011, the Company's principal sources of liquidity included cash, cash equivalents of approximately \$23.9 million, and net working capital of approximately \$25.1 million. The Company believes that the existing sources of liquidity will satisfy the Company's projected working capital and other cash requirements through at least the next twelve months.

The Company's current building lease agreement is scheduled to end on December 31, 2011. The total remaining commitment under the lease at June 30, 2011 is approximately \$59,000.

Contractual Obligations

There was no material change as of June 30, 2011, to our contractual obligations as compared to those at March 31, 2011 as disclosed in our Annual Report on Form 10-K for the year ended March 31, 2011.

Off Balance Sheet Arrangements

None

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

We maintain our cash and cash equivalents primarily in money market funds. We do not have any derivative financial instruments. As of June 30, 2011, all of our investments mature in less than one month. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

Item 4. Controls and Procedures

(a) We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the Company's quarter ended June 30, 2011. Based upon that evaluation, our Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

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

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis and to improve our controls and procedures over time and to correct any deficiencies that we may

discover in the future. Our goal is to ensure that our senior management has timely

PAGE 14

INDEX

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.

PAGE 15

INDEX

OPTi Inc.

Part II. Other Information

Item 1. Legal Proceedings

On July 30, 2010, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against 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, all 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 of OPTi’s attorney fees.

On June 9, 2011, S. Muoio & Co. LLC (“SMC”) filed a Complaint to Determine Validity of Election of Corporate Directors and for Ancillary Injunctive Relief (the “Complaint”) in the Superior Court of the State of California for the County of Santa Clara.

The Complaint challenged the validity of the election of corporate directors conducted by OPTi at its annual meeting of shareholders held May 23, 2011 (“Annual Meeting”) in Palo Alto, CA. SMC specifically sought a determination that its proposed candidate, Robert H. Edelman, was elected by having the most votes of any candidate at the annual meeting, and related relief. The Company believes that Mr. Edelman was not properly nominated and contested the allegations in the Complaint.

On June 10, 2011, the Court set an expedited hearing as required by California Corporations Code Section 709. The hearing was held on July 18, 2011 in the Santa Clara County Superior Court.

On July 28, 2011, the Court ruled in favor of the Company. The Company will report the Court’s formal Statement of Decision when the decision has been finalized in approximately thirty to sixty days.

INDEX

Item 1A. Risk Factors

Please see Part I, Item 1A of Form 10-K for the fiscal year ended March 31, 2011, for previously disclosed risk factors.

Potential Reduction of Number of Infringement Claims

While the Company continues to evaluate whether there are additional companies infringing its patents, there is no assurance that there will continue to be a significant number of parties from whom to seek licensing arrangements. As technology in the PC industry evolves, the ability of the Company to pursue infringement claims on its previously developed technology becomes increasingly limited. If the number of infringing parties decreases, the Company's pursuit of infringement claims (and, correspondingly, licensing revenue) will decline. As noted above, the Company has only one legal action pending.

Uncertainty of Future Distributions to Shareholders

From time to time, the Company has made distributions to its shareholders of funds that it believed unlikely to be required for the pursuit of its legal strategy. On July 6, 2010, the Company announced that its Board of Directors had declared a cash dividend of \$0.75 per share on each share of the Company's common stock. The dividend was paid on August 12, 2010. On October 14, 2010, the Company announced that its Board of Directors had declared a cash dividend of \$0.65 per share on each share of the Company's common stock. The dividend was paid on December 15, 2010. The Company had set the record date for the dividend as of November 24, 2010. Prior to these two recent dividends, the Company's last cash distribution had occurred in May 2007. The amount and frequency of future distributions to shareholders depends upon a number of factors including the Company's ability to achieve future revenues from its patent infringement claims, the amount of the Company's legal, operating and compensation costs, tax treatment of such dividends and changes to the Company's intellectual property position or strategy. Accordingly, there can be no assurance regarding the amount or frequency of future distributions or whether they may occur at all.

Uncertainty of Control of the Company's Future

The Company's largest shareholder has recently increased its ownership from 28% to 34% of the Company's outstanding common stock and has attempted to obtain representation on the Board of Directors. See Item 1 Legal Proceedings above. Such shareholder has indicated in its public filings with the Securities and Exchange Commission that it may engage in discussions with the Company regarding the timing and characterization of cash distributions to shareholders and the potential orderly liquidation of the Company. The shareholder has also reserved the right to take any and all actions that it deems appropriate to maximize the value of its investment in the Company.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds
Not applicable and has been omitted.

Item 3. Defaults Upon Senior Securities
Not applicable and has been omitted.

Item 4. Submission of Matters to a Vote of Shareholders

Not applicable and has been omitted.

Item 5. Other Information
Not applicable and has been omitted

PAGE 17

INDEX

Item 6. Exhibits

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
- 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
- 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 7, 2007 (7)
- 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 (13)
- 10.16 Settlement and License Agreement with Advanced Micro Devices, Inc., dated as of April 30, 2010 (13)
- 10.17 Pre-Snoop Patent License and Arbitration Settlement Agreement with NVIDIA Corporation, dated as of September 28, 2010 (14)
- 10.18 Settlement and License Agreement with Apple Inc., dated as December 6, 2010 (15)
- 10.19 Patent License Agreement with Exar Corporation, dated March 14, 2011 (16)
- 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)

Edgar Filing: OPTI INC - Form 10-Q/A

- 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 the Registration Statement on Form S-8 (File No. 333-15181) as filed with the Securities and Exchange Commission on October 1, 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).

PAGE 18

INDEX

- (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. (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).
- (14) 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).
- (15) 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).
- (16) Incorporated by reference to the Annual Report on Form 10-K for the Fiscal Year Ended March 31, 2011, of OPTi Inc. (File No. 000-21422).

INDEX

OPTi Inc.

Signatures

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

Date: August 15, 2011

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

PAGE 20

