OPTI INC
Form 10-Q
February 14, 2008
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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 December 31, 2007

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from ______ to______

Commission File Number 0-21422

OPTi Inc.

(Exact name of registrant as specified in Its charter)

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

3430 W. Bayshore Road, Suite 103 Palo Alto, California	**94303**
(Address of principal executive office)	**(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one).

Large Accelerated Filer ¨ Accelerated Filer ¨ Non-Accelerated Filer x

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

The number of shares outstanding of the registrant s common stock as of January 31, 2008 was 11,641,903.

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OPTi Inc.

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OPTi INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31, 2007 (unaudited)	March 31, 2007* (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,498	$ 18,173
Available-for-sale investments	4,050	2,000
Prepaid expenses and other current assets	93	112
Total current assets	11,641	20,285
Property and equipment, at cost		
Machinery and equipment	48	46
Furniture and fixtures	17	17
	65	63
Accumulated depreciation	(50)	(44)
	15	19
Other assets	18	18
Total assets	$ 11,674	$ 20,322
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 226	$ 469
Accrued expenses	265	201
Accrued dividend payable		5,821
Accrued employee compensation		292
Total current liabilities	491	6,783
Stockholders equity:		
Preferred stock, no par value Authorized shares 5,000 No shares issued or outstanding Common stock Authorized shares 50,000 Issued and outstanding 11,642 at December 31, and March 31, 2007	13,539	13,539
Accumulated deficit	(2,356)	
Total stockholders equity	11,183	13,539
Total liabilities and stockholders equity	$ 11,674	$ 20,322

* The balance sheet as of March 31, 2007 has been derived from the audited financial statements.

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

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OPTi INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2007	2006	2007	2006
License and other revenue	$	$	$	$ 11,000
Total revenue				11,000
Operating expenses:				
General and administrative	942	753	2,854	3,498
Total operating expenses	942	753	2,854	3,498
Income (loss) from operations	(942)	(753)	(2,854)	7,502
Interest income and other	162	253	510	600
Income (loss) before provision for income taxes	(780)	(500)	(2,344)	8,102
Income tax provision	11	46	12	187
Net income (loss)	$ (791))	$ (546)	$ (2,356)	$ 7,915
Net income (loss) per share:				
Basic	$ (0.07)	$ (0.05)	$ (0.20)	$ 0.68
Diluted	$ (0.07)	$ (0.05)	$ (0.20)	$ 0.68
Weighted-average shares used in computing net income (loss) per common share				
Basic	11,642	11,634	11,642	11,634
Diluted	11,642	11,634	11,642	11,642

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

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OPTi INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Cash flows from operating activities:		
Net loss	$ (2,356)	$ 7,915
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6	4
Stock-based compensation		3
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	19	(86)
Accounts payable	(243)	(136)
Accrued expenses	64	122
Accrued employee compensation	(292)	(1)
Net cash used in operating activities	(2,802)	7,821
Cash flows from investing activities:		
Purchase of equipment	(2)	(11)
Purchase of available-for-sale investments	(2,050)	(2,000)
Net cash used in investing activities	(2,052)	(2,011)
Cash flows from financing activities:		
Cash dividend	(5,821)	
Net cash used in financing activities	(5,821)	
Net decrease in cash and cash equivalents	(10,675)	5,810
Cash and cash equivalents, beginning of period	18,173	12,917
Cash and cash equivalents, end of period	$ 7,498	$ 18,727

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

(Unaudited)

1. Basis of Presentation

The information at December 31, 2007 and for the three and nine-month periods ended December 31, 2007 and 2006, 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, 2007, which are included in the annual report on Form 10-K filed by the Company with the Securities and Exchange Commission.

Use of Estimates

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

Recent Accounting Pronouncements

Effective April 1, 2007 the Company adopted Financial Standards Interpretation, or FIN, No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 . FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a company s tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 utilizes a two-step approach for evaluating uncertain tax positions accounted for in accordance with SFAS No. 109, Accounting for Income Taxes (SFAS No. 109). Step one, Recognition, requires a company to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. Step two, Measurement, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement. The cumulative effect of adopting FIN No. 48 on April 1, 2007 is recognized as a change in accounting principle, recorded as an adjustment to the opening balance of retained earnings on the adoption date. As a result of the implementation of FIN No. 48, the Company did not recognize a change in the liability for unrecognized tax benefits related to tax positions taken in prior periods, and thus, did not record a change in its opening retained earnings. Additionally, FIN No. 48 specifies that tax positions for which the timing of the ultimate resolution is uncertain should be recognized as long-term liabilities. The Company did not make a reclassification between current taxes payable and long-term taxes payable upon adoption of FIN No. 48. The Company s total amount of unrecognized tax benefits as of April 1, 2007 adoption date and December 31, 2007 was approximately $1.4 million and $1.4 million, respectively. Also, the Company had no recognized tax benefits that, if recognized, would affect its effective tax rate for April 1, 2007 and December 31, 2007.

Upon adoption of FIN No. 48, the Company s policy to include interest and penalties related to unrecognized tax benefits within the Company s provision for (benefit from) income taxes, did not change. As of December 31, 2007, the Company did not have any interest and penalties related to unrecognized tax benefits. For the three-month and nine-month periods ended December 31, 2007, the Company did not recognize interest and penalties related to unrecognized tax benefits in its provision for income taxes.

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The Company s major tax jurisdictions are the United States and California. The tax years 2003 through 2007 remain open and subject to examination by the appropriate governmental agencies in the US.

In September 2006, the FASB issued SFAS No. 157 (SFAS 157), Fair Value Measurements. SFAS 157 provides guidance for using fair value to measure assets and liabilities. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Accordingly, the Company must adopt SFAS 157 in the first quarter of fiscal 2009. The Company is currently evaluating the effect that the adoption of SFAS 157 will have on its consolidated results of operations and financial condition.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 gives the Company the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Accordingly, the Company must adopt SFAS 159 in the first quarter of fiscal 2009, although early adoption is permitted. The Company is currently evaluating the effect that the adoption of SFAS 159 will have on its consolidated results of operations and financial condition.

2. Net Income (Loss) Per Share

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

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 December 31,		Nine Months ended December 31,	
	2007	**2006**	**2007**	**2006**
Net income (loss)	$ (791)	$ (546)	$ (2,356)	$ 7,915
Weighted average number of common shares outstanding	11,642	11,634	11,642	11,634
Basic and diluted net income (loss) per share	$ (0.07)	$ (0.05)	$ (0.20)	$ 0.68
Weighted average number of common shares outstanding	11,642	11,634	11,642	11,634
Effect of dilutive securities:				
Employee stock options				8
Denominator for diluted net income (loss) per share	11,642	11,634	11,642	11,642
Diluted net income (loss) per share	$ (0.07)	$ (0.05)	$ (0.20)	$ 0.68

3. Taxes

The Company recorded tax provisions of $11,000 and $46,000 for the three-month periods ended December 31, 2007 and 2006, respectively. For the nine-month periods ended December 31, 2007 and 2006, the Company recorded tax provisions of $12,000 and $187,000, respectively. The Company s effective tax rate differed from the federal and state statutory rates during the nine-months ended December 31, 2006 due to the use of prior year net operating losses. The Company s effective tax rate differed from the federal and state statutory rate during the other periods presented as there is no basis to record tax benefit due to history of losses and unpredictable earnings. The Company s tax rate for all periods presented is calculated using alternative minimum taxes based on the net income (loss) for the periods.

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Due to uncertainty associated with the Company s prospective ability to realize the benefits of its tax assets, the Company has fully reserved the value of its deferred tax assets. In addition, utilization of the net operating loss and credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitations may result in the expiration of net operating loss carryforwards before utilization.

4. Comprehensive Income (Loss)

Total comprehensive income (loss) includes net income (loss) and other comprehensive income or loss. There was no other comprehensive income or loss for all the periods presented. Accordingly, total comprehensive income (loss) for the three and nine-months ended December 31, 2007 and 2006 was $(0.8) million, $(2.4) million, $(0.5) million and $7.9 million, respectively.

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

Information set forth in this report constitutes and includes forward looking information made within the meaning of Section 27A of the Security Act of 1933, as amended and Section 21E of the Securities and Exchange Act of 1934, as amended, that involve risks and uncertainties. The Company s actual results may differ significantly from the results discussed in the forward looking statements as a result of a number of factors, including the Company s ongoing efforts to enforce its intellectual property rights including its current litigation efforts, the willingness of the parties it believes are infringing its patents to settle its claims against them, the amount of litigation costs the Company must incur in pursuing its patent infringement claims, the degree to which technology subject to the Company s intellectual property rights is used by other companies in the personal computer and semiconductor industries and our ability to obtain license revenues from them, changes in intellectual property law in such industries and in general and other matters. Readers are encouraged to refer to Part II, Item 1A. 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 the Company s future revenues are expected to be generated from the licensing of the Company s intellectual property. The Company does not expect to receive additional significant revenue other than through the pursuit of its patent infringement cases and associated licensing efforts.

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

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

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

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

On October 17, 2007, the Company announced that it had initiated arbitration against NVIDIA because OPTi believes that NVIDIA has breached the terms of the license agreement. OPTi is seeking payment of all past due quarterly royalty payments along with interest.

On November 15, 2006, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against Advanced Micro Devices, Inc. (AMD) for infringement of three U.S. patents relating to its Predictive Snooping technology. The AMD case is a continuing part of the Company s strategy for pursuing its patent infringement claims and the Company believes its outcome will have a significant effect on the Company s ability to realize ongoing licensing revenue through its intellectual property licensing efforts. The Company has requested a jury trial in this matter. The markman hearing in this matter is scheduled for early summer 2008.

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

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

Critical Accounting Policies

Our critical accounting policies, which incorporate our more significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements, are the same as those described in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended March 31, 2007.

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported periods. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form our 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 those estimates under different assumptions or conditions.

Fiscal 2008 Compared to Fiscal 2007

Revenues

The Company had no revenue for the three-month periods ended December 31, 2007 and 2006. The Company had no revenue for the nine-month period ended December 31, 2007 and $11,000,000 in net revenue for the nine-month period ended December 31, 2006. The decrease in net revenue from the prior nine-month period relates to the licensing and settlement agreements with NVIDIA in August 2006. The Company s future revenues depend on the success of our strategy of pursuing license claims and infringement suits on our intellectual property position.

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General and Administrative

General and administrative expenses for the quarter ended December 31, 2007 were $942,000 as compared to $753,000 for the quarter ended December 31, 2006. The increase in general and administrative costs for the three-month period ended December 31, 2007 as compared to the comparable period ended December 31, 2006 was mainly attributable to increased employee expenses relating to bonuses paid to the executives in accordance with terms of their employment agreements. General and administrative expenses for the nine-month period ended December 31, 2007 were $2,854,000 as compared to $3,498,000 for the nine-month period ended December 31, 2006. The decrease in general and administrative costs for the nine-month period ended December 31, 2007 as compared to the nine-month period ended December 31, 2006 was mainly attributable to lower legal costs due to the timing of execution of the license and settlement agreements with NVIDIA, offset in part by, higher costs relating to infringement analysis and employee expenses.

Interest and Other Income, Net

Net interest and other income for the three-month period ended December 31, 2007 was $162,000 as compared to $253,000 for the three-month period ended December 31, 2006. Interest and other income, net were $510,000 and $600,000 for the nine-month periods ended December 31, 2007 and 2006, respectively. The decrease in net interest and other income in the three and nine-month periods ended December 31, 2007 as compared to the comparable periods in 2006 was primarily due to lower average cash balances during the periods due to the cash dividend that was paid to the shareholders in April 2007.

Income Taxes

The Company recorded tax provisions of $11,000 and $46,000 for the three-month periods ended December 31, 2007 and 2006, respectively. For the nine-month periods ended December 31, 2007 and 2006, the Company recorded tax provisions of $12,000 and $187,000, respectively. The Company s effective tax rate differed from the federal and state statutory rates during the nine-months ended December 31, 2006 due to the use of prior year net operating losses. The Company s effective tax rate differed from the federal and state statutory rate during the other periods presented as there is no basis to record tax benefit due to history of losses and unpredictable earnings. The Company s tax rate for all periods presented is calculated using alternative minimum taxes based on the net income (loss) for the periods.

Due to uncertainty associated with the Company s prospective ability to realize the benefits of its tax assets, the Company has fully reserved the value of its deferred tax assets. In addition, utilization of the net operating loss and credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitations may result in the expiration of net operating loss carryforwards before utilization.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157 (SFAS 157), Fair Value Measurements. SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and accordingly, we must adopt SFAS 157 in the first quarter of fiscal 2009. We are currently evaluating the effect that the adoption of SFAS 157 will have on our consolidated results of operations and financial condition.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 gives us the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective for financial statements issued for fiscal years beginning

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after November 15, 2007, and accordingly, we must adopt SFAS 159 in the first quarter of fiscal 2009, although early adoption is permitted. We are currently evaluating the effect that the adoption of SFAS 159 will have on our consolidated results of operations and financial condition.

Liquidity and Capital Resources

Cash and cash equivalents decreased to $7.5 million at December 31, 2007 from $18.2 million at March 31, 2007. The decrease in cash and cash equivalents of approximately $10.7 million from March 31, 2007 to December 31, 2007, primarily relates to the cash dividend paid on April 9, 2007, net loss for the period, purchase of additional available-for-sale investments and a decrease in accounts payable and accrued employee compensation. Working capital as of December 31, 2007 decreased to $11.2 million from $13.5 million at March 31, 2007. During the first nine-months of fiscal 2008, operating activities used approximately $2.8 million of cash. Cash used in operating activities was primarily due to the net loss during the nine-month period of $2.4 million and a decrease in accounts payable and accrued employee compensation. During the first nine-months of fiscal 2007, operating activities provided approximately $7.8 million of cash. Cash provided from operating activities was primarily due to net income of $7.9 million during the period, offset, in part; by a decrease in accounts payable and an increase in accrued expenses and prepaid expenses. The Company had investing activity of $2.1 million and $2.0 million for the nine-month periods ended December 31, 2007 and 2006. The investing activities relate to the purchase of available-for-sale investments. The Company used approximately $5.8 million in financing activities during the nine-month period ended December 31, 2007, relating to a $0.50 per share cash dividend paid on April 9, 2007. The Company had no financing activities during the nine-month period ended December 31, 2006.

As of December 31, 2007, the Company s principal sources of liquidity included cash, cash equivalents and available-for-sale investments of approximately $11.5 million and working capital of approximately $11.2 million. The Company believes that the existing sources of liquidity will satisfy the Company s projected working capital and other cash requirements through at least the next twelve months.

The Company s current building lease agreement is scheduled to end on December 31, 2009. The total remaining commitment under the lease at December 31, 2007 is approximately $211,000.

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 December 31, 2007, all of our investments have a reset date, where the Company can liquidate the investment, of 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-14 and 13a-15 as of the end of the Company s fiscal quarter ended December 31, 2007. 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 were no changes in our internal controls during the Company s fiscal quarter ended December 31, 2007 that have materially affected, or are likely to materially affect these controls.

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.

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OPTi Inc.

Part II. Other Information

Item 1. Legal Proceedings

On November 15, 2006, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against Advanced Micro Devices, Inc. (AMD) for infringement of three U.S. patents relating to its Predictive Snooping technology. The AMD case is a continuing part of the Company s strategy for pursuing its patent infringement claims and the Company believes its outcome will have a significant effect on the Company s ability to realize ongoing licensing revenue through its intellectual property licensing efforts. The Company has requested a jury trial in this matter. The markman hearing in this matter is scheduled for early summer 2008. The Company in its case against AMD is seeking an injunction and damages or other monetary relief, including pre-judgment interest and awarding OPTi s attorney fees.

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

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

On October 17, 2007, the Company announced that it had initiated arbitration, with the American Arbitration Association, against NVIDIA because OPTi believes that NVIDIA has breached the terms of the license agreement between NVIDIA and OPTi, dated August 3, 2006. The parties had entered into the license agreement as settlement of patent infringement claims that OPTi had brought against NVIDIA. The license agreement provided that OPTi was to receive quarterly royalty payments of $750,000 commencing in February 2007 and continuing as long as NVIDIA continued to use OPTi s Predictive Snooping technology, up to a maximum of 12 such payments. OPTi has determined that NVIDIA has continued to use the Predictive Snooping technology, but has not made any of the required quarterly payments. OPTi is seeking payment of all past due quarterly royalty payments along with interest.

Item 1A. Risk Factors

The following risk factors have been updated from the risk factors set forth in our Form 10-K for the year ended March 31, 2007 to reflect the Company s filing of the patent infringement suit on July 3, 2007.

Trading of OPTi Common Stock on the OTC Bulletin Board

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

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Dependence on Intellectual Property Position

The success of the Company s current strategy of resolving potential infringement of its patented core logic technology can be affected by new developments in intellectual property law generally and with respect to semiconductor patents in particular and upon the Company s success in defending its patent position. Even though the Markman hearing in relation to the NVIDIA settlement and license agreements largely supported the Company s patent positions, other parties against whom OPTi may pursue infringement claims may challenge the Company s intellectual property position on other grounds and the Company may not have similar success in asserting its position with respect to other patents such as those relating to core logic chipsets, Super I/O devices, Trusted Platform Modules, certain flash memory devices, certain I/O controllers and other semiconductor products incorporating Compact ISA-Bus Interface technology which are the subject of the Company s patent infringement suit filed on July 3, 2007.

Additionally, it is difficult to predict developments and changes in intellectual property law. However, such changes could have an adverse impact on the Company s ability to pursue infringement claims on its previously developed technology.

Uncertain Revenue Stream

The Company no longer receives revenues from product sales and the Company s future revenues, if any, depends on the success of our strategy of pursuing license claims to our intellectual property position.

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

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

Outcome of AMD, Apple and Compact ISA Legal Actions

On November 15, 2006 and January 16, 2007, the Company announced that it had filed patent infringement lawsuits in the United States District Court for the Eastern District of Texas against Advanced Micro Devices, Inc. (AMD) and Apple Inc. (Apple), respectively, for infringement of three U.S. patents relating to its Predictive Snooping technology. On July 3, 2007, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against eight companies for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141, both entitled Compact ISA-Bus Interface . See *Item 1 Legal Proceedings* above. The AMD, Apple and the Compact ISA cases are a continuing part of the Company s strategy for pursuing its patent infringement claims and their outcomes will have a significant effect on the Company s ability to realize ongoing licensing revenue through its intellectual property licensing efforts.

Outcome of Future Royalties from NVIDIA

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

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

On February 5, 2007, the Company announced that it had received a letter from NVIDIA Corporation stating that NVIDIA has discontinued the use of the Predictive Snooping technology that it had licensed from the Company pursuant to the terms of the license agreement between NVIDIA Corporation and OPTi Inc., dated August 3, 2006. The letter from NVIDIA also states that NVIDIA will not be remitting to the Company the quarterly royalty payment originally scheduled for February 2007.

On October 17, 2007, the Company announced that it had initiated arbitration against NVIDIA because OPTi believes that NVIDIA has breached the terms of the license agreement between NVIDIA and OPTi.

There can be no assurance that the Company will receive any further payments from NVIDIA. Consequently, the Company may not generate any additional revenue from its license agreement with NVIDIA.

Fluctuations in Operating Results

The Company has experienced significant fluctuations in its operating results in the past and expects that it will experience such fluctuations in the future. In the past, these fluctuations have been caused by a variety of factors including settlement and licensing agreements and litigation expenses. In the future, the Company s operating results will largely be dependent on its ability to generate revenue from its pursuit of license and patent infringement claims.

Limited Trading Volume

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

Possible Volatility of Stock Price

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

Uncertainty of Future Distributions to Shareholders

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

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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

OPTi shareholders voted on four proposals at the Company s Annual Meeting of shareholders, which was held on November 27, 2007.

Proposal 1 was to re-elect all four of the Company s directors to serve as members of the OPTi Board of Directors for the ensuing year and until their successors are duly elected; and

Proposal 2 was to ratify and approve the appointment of Ernst & Young LLP as independent registered public accounting firm of OPTi Inc. for the fiscal year ending March 31, 2008; and

Proposal 3 was to approve the form and use of indemnification agreements for OPTi s directors and officers; and

Proposal 4 was to approve employment agreements for Bernard T. Marren, OPTi s President, Chief Executive Officer and Chairman of the Board, and Michael Mazzoni, OPTi s Chief Financial Officer and Secretary.

Each nominee for the Board of Directors was re-elected at the 2007 Annual Meeting. The following number of votes was cast for and against each nominee:

	For	**Against**
Bernard T. Marren	11,004,227	30,454
Stephen F. Diamond	11,013,511	21,170
Kapil K Nanda	10,861,311	173,370
William H. Welling	10,861,211	173,470

The shareholders also approved the second proposal, to ratify Ernst & Young LLP as independent registered public accounting firm of OPTi Inc. for the fiscal year ending March 31, 2008. The following votes were tabulated:

	For	**Against**	**Abstain**	**Broker Non-Votes**
Appointment of Ernst & Young LLP	11,024,185	9,701	795	0

The shareholders also approved the third proposal, to approve the form and use of indemnification agreements for OPTi s directors and officers. The following votes were tabulated:

	For	**Against**	**Abstain**	**Broker Non-Votes**
Form and use of Indemnification Agreements	10,922,238	97,810	14,633	0

The shareholders also approved the fourth proposal, to approve employment agreements for Bernard T. Marren, OPTi s President, Chief Executive Officer and Chairman of the Board, and Michael Mazzoni, OPTi s Chief Financial Officer and Secretary. The following votes were tabulated:

	For	**Against**	**Abstain**	**Broker Non-Votes**
Approval of Employment Agreements	5,967,859	36,525	2,900	5,027,397

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Item 5. Other Information

Not applicable and has been omitted

Item 6. Exhibits

31.1 and 31.2 Certification of the Chief Executive Officer and Chief Financial Officer in accordance with 8 U.S. 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

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OPTi Inc.

Signatures

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

OPTi Inc.

Date: February 14, 2008	By: /s/ Michael Mazzoni Michael Mazzoni Signed on behalf of the Registrant and as Chief Financial Officer