

OPTI INC
Form 10-Q
November 14, 2012
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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 September 30, 2012

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

For the Transition Period from to

Commission File Number 0-21422

OPTi Inc.

(Exact name of registrant as specified in its charter)

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CALIFORNIA
(State or other jurisdiction of
incorporation or organization)

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

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

94022
(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 No

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

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

Large-accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

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 October 31, 2012 was 11,645,903.

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OPTi Inc.

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Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****OPTi INC.****CONDENSED CONSOLIDATED BALANCE SHEET****(Going Concern Basis)****(in thousands)**

| | March 31, 2012 (audited) |
|--|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 21,922 |
| Income tax receivable | 1,392 |
| Prepaid expenses and other current assets | 24 |
| Total current assets | 23,338 |
| Property and equipment, at cost | |
| Machinery and equipment | 32 |
| Furniture and fixtures | 17 |
| | 49 |
| Accumulated depreciation | (41) |
| | 8 |
| Other assets | |
| Deposits | 5 |
| Total other assets | 5 |
| Total assets | \$ 23,351 |
| LIABILITIES AND STOCKHOLDERS EQUITY | |
| Current liabilities: | |
| Accounts payable | \$ 163 |
| Accrued expenses | 204 |
| Accrued employee compensation | 10 |
| Total current liabilities | 377 |
| Other liabilities: | |
| Non-current taxes payable | 3,816 |
| Total liabilities | 4,193 |
| Stockholders' equity: | |
| Preferred stock, no par value | |
| Authorized shares 5,000 | |

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| | | |
|--|--------|-----------|
| No shares issued or outstanding | | |
| Common stock | | |
| Authorized shares | 50,000 | |
| Issued and outstanding | 11,646 | 13,544 |
| Retained earnings | | 5,614 |
| Total stockholders' equity | | 19,158 |
| Total liabilities and stockholders' equity | | \$ 23,351 |

* The balance sheet as of March 31, 2012 has been derived from the audited financial statements.

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

Table of Contents**OPTi INC.****CONDENSED CONSOLIDATED STATEMENT OF NET ASSETS IN LIQUIDATION****(Liquidation Basis)****(in thousands)****(Unaudited)**

| | September 30, 2012 |
|---|-------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 7,909 |
| Income tax receivable | 1,761 |
| Prepaid expenses and other current assets | 39 |
| Property and equipment | 5 |
| Deposits | 5 |
| Total assets | \$ 9,719 |
| Liabilities: | |
| Accounts payable | \$ 165 |
| Accrued expenses | 193 |
| Accrued employee compensation | 1 |
| Non-current taxes payable | 3,984 |
| Other accrued liabilities | 4,858 |
| Total liabilities | 9,201 |
| Net assets in liquidation | \$ 518 |

Because of the unpredictability of any settlement amount and of a ruling in favor of the Company, the Company is currently unable to estimate the net realizable value of any proceeds for the ongoing litigation against VIA. Accordingly, the Company has not recorded any receivables for such litigation. If the Company is successful in its litigation efforts, it will record the amount of any settlement or final judgment at the time thereof, resulting in an increase to the net assets.

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

Table of Contents**OPTi Inc.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION****(Liquidation Basis)****(In thousands)****(Unaudited)**

| | For the Four Month |
|---|--|
| | Period ended September 30, 2012 |
| Stockholders' equity at May 31, 2012 | \$ 18,928 |
| Accrued liquidation cost | (5,680) |
| Net assets in liquidation as of June 1, 2012 | 13,248 |
| Liquidating distribution | (12,810) |
| Net assets in liquidation as of June 30, 2012 | 438 |
| Adjustments to accrued liquidation costs during the three months ended September 30, 2012 | 80 |
| Net assets in Liquidation as of September 30, 2012 | \$ 518 |

Because of the unpredictability of any settlement amount and of a ruling in favor of the Company, the Company is currently unable to estimate the net realizable value of any proceeds for the ongoing litigation against VIA. Accordingly, the Company has not recorded any receivables for such litigation. If the Company is successful in its litigation efforts, it will record the amount of any settlement or final judgment at the time thereof, resulting in an increase to the net assets.

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

Table of Contents**OPTi Inc.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Going Concern Basis)****(in thousands, except for per share data)****(unaudited)**

| | Three Months Ended September 30, 2011 | Two Months Ended May 31, 2012 | Six Months Ended September 30, 2011 |
|--|--|--|--|
| Sales | | | |
| License and royalties | \$ | \$ | \$ |
| Net sales | | | |
| Costs and expenses | | | |
| Selling, general and administrative | 793 | 265 | 1,667 |
| Total costs and expenses | 793 | 265 | 1,667 |
| Operating loss | (793) | (265) | (1,667) |
| Interest and other income, net | 2 | 2 | 7 |
| Loss before provision for income taxes | (791) | (263) | (1,660) |
| Income tax benefit | (211) | (34) | (506) |
| Net loss | \$ (580) | \$ (229) | \$ (1,154) |
| Basic net loss per share | \$ (0.05) | \$ (0.02) | \$ (0.10) |
| Shares used in computing basic per share amounts | 11,646 | 11,646 | 11,646 |
| Diluted net loss per share | \$ (0.05) | \$ (0.02) | \$ (0.10) |
| Shares used in computing diluted per share amounts | 11,646 | 11,646 | 11,646 |

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

Table of Contents**OPTi INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Going Concern Basis)****(in thousands)****(unaudited)**

| | Two Months Ended May 31, 2012 | Six Months Ended September 30, 2011 |
|---|--|--|
| Cash flows from operating activities: | | |
| Net loss | \$ (229) | \$ (1,154) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 1 | 6 |
| Deferred income taxes | | 643 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other current assets | (40) | 41 |
| Income taxes receivable | (92) | (1,932) |
| Accounts payable | 44 | 5 |
| Accrued expenses | (75) | 273 |
| Accrued employee compensation | (7) | (682) |
| Income taxes payable | 59 | 56 |
| Net cash used in operating activities | (339) | (2,744) |
| Cash flows from investing activities: | | |
| Purchase of equipment | | (8) |
| Net cash used in investing activities | | (8) |
| Net decrease in cash and cash equivalents | (339) | (2,752) |
| Cash and cash equivalents, beginning of period | 21,922 | 25,779 |
| Cash and cash equivalents, end of period | \$ 21,583 | \$ 23,027 |

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

Table of Contents**OPTi Inc. (In Liquidation)****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2012**

(Unaudited)

Since May 31, 2012, the Company has been in liquidation pursuant to a Plan of Liquidation approved by its shareholders on that date.

1. Basis of Presentation

The information, as of September 30, 2012 and for the three month periods ended September 30, 2012 and 2011, are unaudited, but includes all adjustments (consisting of normal recurring adjustments) which the Company's management believes to be necessary for the fair presentation of the financial position, results of operations and cash flows for the periods presented. Interim results are not necessarily indicative of results for a full year.

The accompanying financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2012, which are included in the annual report on Form 10-K filed by the Company with the Securities and Exchange Commission.

Liquidating Basis of Accounting

Basis of Consolidation As a result of the shareholders' approval of the Plan of Liquidation, the Company adopted the liquidation basis of accounting effective May 31, 2012. This basis of accounting is considered appropriate when liquidation of a company is imminent. Under the liquidation basis of accounting, assets are valued at their net realizable value, which is the non-discounted amount of cash, or its equivalent, into which an asset is expected to be converted in the due course of business less direct costs. Liabilities are stated at their estimated settlement amount, which is the non-discounted amount of cash, or its equivalent, expected to be paid to liquidate an obligation in the due course of business, including direct costs.

Accrued Cost of Liquidation

The Company accrued the estimated costs expected to be incurred during the dissolution period, as of June 1, 2012. The dissolution period estimated provides time for the Company to complete the remaining litigation, make final distributions (if any), and file its certificate of dissolution. In determining its total estimated costs to liquidate, the Company estimated that it would incur costs through March 31, 2016 as follows (in thousands):

| | |
|--|-----------------|
| Salaries, wages and benefits | \$ 1,117 |
| Lease expense | 205 |
| Legal, accounting, board and other professional fees | 1,407 |
| Litigation related expenses | 2,100 |
| Outside services and other expenses | 538 |
| Insurance | 313 |
| Total liquidation accrual | \$ 5,680 |

The estimates were based on prior history, known future events, contractual obligations and the estimated time to complete liquidation. The Company has recorded total accrued liabilities of \$4.8 million on the statement of net assets as of September 30, 2012. The actual costs associated with carrying out the Plan of Liquidation may depend on factors beyond the control of the Company and differ materially from the accrued amounts because of the Plan's inherent uncertainty. See *Risk Factors* below. Because of the unpredictability of any settlement amounts or a ruling in favor of the Company, the Company is currently unable to estimate the net realizable value of any proceeds.

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for the ongoing litigation against VIA. Accordingly, the Company has not recorded any receivables for such litigation. If the Company is successful in its litigation efforts, it will record the amount of any settlement or of any final judgment, at the time thereof, resulting in an increase to the net assets.

| | Original Liquidation Accrual | Less: Expenses Incurred in Liquidation | Balance of Accrual |
|--|------------------------------------|---|--------------------------|
| Salaries, wages and benefits | \$ 1,117 | \$ 142 | \$ 975 |
| Lease expense | 205 | 21 | 184 |
| Legal, accounting, board and other professional fees | 1,407 | 350 | 1,057 |
| Litigation related expenses | 2,100 | 245 | 1,855 |
| Outside services and other expenses | 538 | 120 | 418 |
| Insurance | 313 | 22 | 291 |
| Totals | \$ 5,680 | 900 | \$ 4,780 |

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. These differences may be material. See **Risk Factors** below.

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

Earnings Per Share is not presented for periods beginning after June 1, 2012 as the Company adopted the Liquidation Basis of Accounting on that date.

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.

The Company had no stock options outstanding as of March 31, 2012. 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 September 30, 2011, because such securities were anti-dilutive.

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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 benefit for the two months ended May 31, 2012 was \$34,000, or 13% of pre-tax income as compared to a benefit of \$0.3 million, or 34% of pre-tax income for the quarter ended June 30, 2011. The effective tax rate for the two months ended May 31, 2012 differs from the U.S. federal statutory rate of 34% primarily due to the unfavorable impact of current federal and state income taxes.

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As of September 30, 2012, the Company's total gross unrecognized tax benefit did not materially change compared with the balance as of March 31, 2012. The Company has provided a liability of approximately \$3.5 million representing unrecognized tax benefits relating to federal and state R&D credit. All of this amount would impact the Company's effective rate, if recognized. Penalty and interest of approximately \$0.5 million has been accrued in income tax expense.

4. Cash and Cash Equivalents

The following is a summary as of September 30 and March 31, 2012 (in thousands):

| | September 30, 2012 | March 31, 2012 |
|--------------------|-----------------------|-------------------|
| Cash | \$ 100 | \$ 100 |
| Money market funds | 7,809 | 21,822 |
| | \$ 7,909 | \$ 21,922 |

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 September 30, 2012, and March 31, 2012, the Company had investments in money market funds of \$7.8 million and \$21.8 million, respectively, in cash equivalents classified as Level I of the fair market hierarchy and no Level II or Level III investments.

Table of Contents**5. Commitments**

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

Rental expense for the operating lease amounted to \$29,000 for the three months ended September 30, 2011.

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

| | |
|-------------------------------|------------------|
| March 31, 2013 | \$ 23,940 |
| March 31, 2014 | 40,950 |
| Total lease commitment | \$ 64,890 |

6. Subsequent Events

On October 5, 2012, the Company entered into a Settlement and License Agreement with Silicon Integrated Systems Corp. ("SIS") in regards to the patent infringement lawsuit filed on July 30, 2010, in the United States District Court for the Eastern District of Texas against SIS for infringement of two U.S. patents. The two patents at issue in the lawsuit were 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 alleged that SIS infringed 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.

In exchange for the Order of Dismissal with Prejudice, the Company received \$150,000 as full settlement of the litigation, in October 2012.

This amount will be recorded as an increase to net assets in liquidation during the December 31, 2012 quarter ended.

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

Information set forth in this report may include forward-looking statements made within the meaning of Section 27A of the Security Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which 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. Readers are encouraged to review "Risk Factors" set forth below.

On May 31, 2012, the shareholders of OPTi approved a Plan of Liquidation pursuant to which the Company is winding up and dissolving. The Company anticipates that its liquidation will be complete by March 31, 2016. During the winding up period, the Company has ceased to carry on business except to the extent necessary for the beneficial winding up thereof. Please see Part 1, Item 1 of Form 10-K for the fiscal year ended March 31, 2012, for background regarding the Plan of Liquidation.

The Company intends to continue to conduct its ongoing litigation against VIA Technologies, Inc. during the Liquidation Period. A trial date has been set for May 2013. See "Legal Proceedings" below. As noted above in footnote 6 to the Company's Consolidated Financial Statements, the litigation with SIS has been settled.

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

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.

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.

Accrual for Costs of Liquidation We expect it will take approximately forty-six months to complete the Plan of Liquidation. Accordingly, we had to estimate expenses for the liquidation period based on historical information and known future events. The actual costs associated with carrying out the Plan of Liquidation may depend on factors beyond the control of the Company and may differ materially from the accrued amounts because of the Plan's inherent uncertainty. See "Risk Factors" below.

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Results of Operations for the Two Months Ended May 31, 2012

and the Three and Six Months Ended September 30, 2011

The following comparisons cover periods during which the Company used the going concern basis of accounting. As noted above, the Company adopted the liquidation basis of accounting effective June 1, 2012, so the only comparable period is the two months ended May 31, 2012.

Revenues

The Company had no license revenue for the two-month period ended May 31, 2012 and the three and six -month periods ended September 30, 2011.

General and Administrative

General and administrative expenses for the two months ended May 31, 2012 were \$265,000. General and administrative expenses for the three and six-month periods ended September 30, 2011 were \$793,000 and \$1,667,000, respectively.

Interest and Other Income, Net

Net interest and other income for the two-month period ending May 31, 2012 was \$2,000. Net interest and other income for the three and six-month periods ended September 30, 2011 were \$2,000 and \$7,000, respectively.

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 benefit for the two months ended May 31, 2012 was \$34,000, or 13% of pre-tax income. Income tax benefit for the three and six-month periods ended September 30, 2011 were \$211,000 and \$506,000, respectively. The effective tax rate for the two months ended May 31, 2012 differs from the U.S. federal statutory rate of 34% primarily due to the unfavorable impact of current federal and state income taxes.

As of September 30, 2012, the Company's total gross unrecognized tax benefit did not materially change compared with the balance as of March 31, 2012. The Company has provided a liability of approximately \$3.5 million representing unrecognized tax benefits relating to federal and state R&D credit. All of this amount would impact the Company's effective rate, if recognized. Penalty and interest of approximately \$0.5 million has been accrued in income tax expense.

Liquidity and Capital Resources

Cash and cash equivalents decreased to \$7.9 million at September 30, 2012 from \$21.9 million at March 31, 2012. The decrease in cash and cash equivalents of approximately \$14.0 million from March 31, 2012, to September 30, 2012, primarily relates to the liquidating distribution of approximately \$12.8 million paid in July 2012 and the net loss for the period. Working capital as of March 31, 2012 was \$23.0 million. The Company had no investing activity for the three and six-month periods ended September 30, 2011. The Company had no financing activities for the three and six-month periods ended September 30, 2012 and 2011.

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As of September 30, 2012, the Company's principal sources of liquidity included cash and cash equivalents of approximately \$7.9 million. The Company believes that the existing sources of liquidity will satisfy the Company's projected working capital and other cash requirements during the Plan of Liquidation.

The Company's current building lease agreement is scheduled to end in January 2014. The total remaining commitment under the lease at September 30, 2012 is approximately \$65,000.

Contractual Obligations

There was no material change as of September 30, 2012, to our contractual obligations as compared to those at March 31, 2012, as disclosed in our Annual Report on Form 10-K for the year ended March 31, 2012.

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 September 30, 2012, 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 Securities Exchange Act Rules 13a-15 and 15d-15 as of the end of the Company's quarter ended September 30, 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 material changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above.

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

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

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OPTi Inc.

Part II. Other Information

Item 1. Legal Proceedings

On 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 infringed 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.

On October 5, 2012, the Company entered into a Settlement and License Agreement with SIS in regards to the patent infringement lawsuit. In exchange for the Order of Dismissal with Prejudice, the Company received \$150,000 as full settlement of the litigation, in October 2012.

The Company, in its case against VIA, is seeking damages or other monetary relief, including pre-judgment interest and awarding OPTi s attorney fees. OPTi has requested a jury trial in this matter. A trial date has been set for May 2013.

The outcome in the VIA legal action could have significant effects on the Company s distributions to its shareholders which cannot be predicted.

Item 1A. Risk Factors

Please see Part I, Item 1A of Form 10-K for the fiscal year ended March 31, 2012, for previously disclosed risk factors.

Shareholder and Third Party Actions

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

Challenges to Plan of Liquidation

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

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Uncertainty of Future Distributions to Shareholders

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

Since the Company must maintain adequate reserves in order to pursue the pending litigation and defend itself and its directors against new litigation, the Company may not be able to make further distributions to shareholders.

Takeover Attempts

Since the Company's only assets are cash and the pending litigation, the Company may become a target for potential takeover attempts. However, the Company believes that pursuant to applicable California law, any attempt to reverse the Company's election to wind up and dissolve after payment of the liquidating distribution on July 3, 2012 would be very difficult, if not impossible, to achieve.

Change of Control

As previously disclosed, S. Muoio & Co. LLC and certain private investment vehicles and managed accounts for which SMC acts as general partner and/or investment manager (collectively, "SMC") have acquired a controlling interest in the Company. The Board of Directors of the Company increased the Board's size from four (4) to five (5) directors and is reviewing three candidates for the Board submitted by SMC, including Mr. Salvatore Muoio, the managing member of S. Muoio & Co. LLC. It is anticipated that the three candidates proposed by SMC will be included in the Company's proxy statement for its annual shareholders' meeting to be held on December 13, 2012, and that such candidates will be elected to the Board. As a result of its share ownership and Board representation, SMC, and Mr. Muoio as a result of his status as the managing member of SMC, may have the capacity to influence or control decisions of the Board of Directors of the Company. The Shareholder Return Bonus set forth in the employment Agreements of Messrs. Marren and Mazzoni terminated effective on the Change of Control of the Company as defined therein.

Lengthy Winding-Up Period

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

Possible Extension of Winding-Up Period

The Company anticipates that dissolution will be complete on or about March 31, 2016. The duration of the liquidation period was determined in light of the Company's ongoing litigation against VIA, as the Board was concerned with the Company having sufficient time to prosecute currently pending litigation. However, it is possible that appeals could delay the conclusion of the pending litigation beyond March 31, 2016, necessitating the extension of the liquidation period.

Shareholders Liability for Debts Not Paid or Provided For

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

Uncertain Outcome of VIA legal Action

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 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 infringes the patents by making, selling, and offering for sale CPUs and core logic products based on and incorporating

Predictive Snooping technology and

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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, is seeking damages or other monetary relief, including pre-judgment interest and awarding OPTi's attorney fees. A trial date has been set for May 2013. The outcome in the VIA legal actions could have significant effects on the Company's distributions to its shareholders which cannot be predicted.

No Additional Infringement Claims Likely

As noted above, the Company has only one legal action pending, and the Company does not anticipate initiating any other infringement claims in the future. As noted above in footnote 6 to the Company's Consolidated Financial Statements the Company's litigation against SIS was settled on October 5, 2012 for \$150,000.

Success of Litigation Cannot be Predicted

It is possible that the Company's pending litigation against VIA may be unsuccessful, and the Company's remaining assets could be substantially depleted in pursuing such litigation.

Uncertain Revenue Stream

Although the Company has commenced legal action against VIA relating to the unauthorized use of its intellectual property, there can be no assurances whether or when revenues will result from the pursuit of such claims. It is possible the Company's announced liquidation could negatively affect the amount and timing of recovery on such claims.

OTC Bulletin Board

The Company's common stock is currently traded on the OTC Bulletin Board. Some investors may be less likely to invest in stocks that are not traded on recognized national markets and listing services such as NASDAQ. Therefore, investors in our common stock may experience reduced liquidity when attempting to trade shares of our common stock. Implementation of the Plan of Liquidation could also reduce liquidity in the Company's common stock because investors may not be interested in buying shares of a company in liquidation with limited future prospects.

Limited Trading Volume

Daily trading volume in our shares has varied from zero to over one hundred thousand shares during the last two years. Therefore, investors in our stock may find liquidity in our shares to be limited and difficult to predict. Liquidity in the Company's shares may be further reduced due to the Company's announcement of its liquidation, payment of the initial liquidating distribution, and recent acquisition of control of the Company by one of its shareholders.

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. For example, the Company's recent liquidating distribution resulted in a significant reduction in the trading price of its common stock.

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.

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Item 4. Mine Safety Disclosures
Not applicable and has been omitted.

Item 5. Other Information
Not applicable and has been omitted.

Table of Contents**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 (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 | Employment Agreement with Bernard T. Marren, dated as of November 27, 2007 (7) |
| 10.9 | Employment Agreement with Michael M. Mazzoni, dated as of November 7, 2007 (7) |
| 10.10 | Dismissal and License Option Agreement with Broadcom, dated December 23, 2008 (8) |
| 10.11 | Standstill and Option Agreement with Renesas Technology Corp. and Renesas Technology America, Inc., dated as of January 23, 2009 (9) |
| 10.12 | Settlement and License Agreement with VIA Technologies, Inc., dated as of October 1, 2009 (10) |
| 10.13 | Litigation Settlement and License Agreement with Advanced Micro Devices, Inc., dated as of April 30, 2010 (13) |
| 10.14 | Settlement and License Agreement with Advanced Micro Devices, Inc., dated as of April 30, 2010 (13) |
| 10.15 | Pre-Snoop Patent License and Arbitration Settlement Agreement with NVIDIA Corporation, dated as of September 28, 2010 (14) |
| 10.16 | Settlement and License Agreement with Apple Inc., dated as December 6, 2010 (15) |
| 10.17 | Patent License Agreement with Exar Corporation, dated March 14, 2011 (16) |
| 10.18 | Settlement and License Agreement with SIS, dated October 5, 2012. |
| 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 Registrant's 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)

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- 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).

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- (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).

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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.

Date: November 14, 2012

OPTi Inc.

/s/ Michael Mazzoni
Michael Mazzoni
Signed on behalf of the Registrant and as
Chief Financial Officer