OPTI INC
Form 10-K
June 29, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended March 31, 2011

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

Commission File Number 0-21422

OPTi Inc.

(Exact name of registrant as specified in its charter)

CALIFORNIA	**77-0220697**
(State or other jurisdiction of incorporated or organization)	**(I.R.S. Employer Identification No.)**
3430 W. Bayshore Road, Palo Alto, California	**94303**
(Address of principal executive office)	**(Zip Code)**

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

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

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

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined by Rule 405 of the Securities Act Yes ¨ No x

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act Yes ¨ No x

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

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

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer ¨	Smaller Reporting Company x

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the Common Stock on September 30, 2010, as reported on the Over the Counter Bulletin Board, was approximately $17,373,152 and closing price of $2.60. Shares of Common Stock held by each executive officer, director, and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

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

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OPTi Inc.

Form 10-K

For the Fiscal Year Ended March 31, 2011

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PART I

Item 1. Business

Information set forth in this report includes forward looking statements made within the meaning of Section 27A of the Security Act of 1933, as amended and Section 21E of the Securities 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, its current litigation efforts and the uncertainty inherent in such litigation, the willingness of the parties the Company believes are infringing its patents to settle our 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 our intellectual property rights is used by other companies in the personal computer and semiconductor industries and our ability to obtain license revenues from them, changes in intellectual property law in such industries and in general and other matters. Readers are encouraged to refer to Risk Factors found below.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available on the Securities and Exchange Commission website http://www.sec.gov.

The Company will furnish a copy of this Form 10-K upon written request and without charge. All requests for the Form 10-K should be sent by mail to: OPTi Inc, 3430 W. Bayshore Road, Suite 103, Palo Alto, CA 94303 attn: Investor Relations.

Introduction

OPTi Inc. a California corporation (OPTi or the Company), was founded in 1989, as an independent supplier of semiconductor products to the personal computer (PC) and embedded marketplaces.

From inception through 1998, OPTi s principal business was its core logic products for desktop PCs and the Company employed as many as 235 employees over the years. However, in time, OPTi faced increasingly tight competition from companies with substantially greater financial, technical, distribution and marketing resources. During February 1999, the Company completely ceased further development of core logic products, although OPTi continued to ship such products to customers up to September 2002.

In September 2002, the Company sold its product fabrication, distribution and sales operations to Opti Technologies, Inc., an unrelated third party, and the Company ceased manufacturing, marketing and sales operations. However, the Company believes that certain of its patented technology is in unlicensed use and the Company has been engaged in perfecting its intellectual property position, investigating unlicensed use of its technology and developing and validating a strategy to pursue product licenses from unlicensed users.

During the fiscal year 2011, the Company recorded net revenue of $50,625,000 relating to licensing agreements on its Predictive Snooping and Compact ISA technology. The vast majority of the fiscal year 2011 revenue relates to licensing activity with Advanced Micro Devices (AMD) and Apple, Inc. (Apple). During the fiscal year 2010, the Company also recorded net revenue of $650,000 relating to a license with VIA Technologies (VIA).

OPTi holds a majority of its liquid assets in cash and cash equivalents for the purpose of financing its efforts to pursue licenses and claims relating to its intellectual property.

Industry Background

During the last decade, the PC industry has grown rapidly as increased functionality combined with lower pricing has made PC s valuable and affordable tools for business and personal use.

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The trend to higher performance, lower cost personal computers has been accompanied by a variety of changes in the market for PC s and the technologies used to address these emerging market requirements. The consumer and home office sectors have become the fastest growing sectors of the PC market, driven, in part, by the emergence of low-cost multimedia computers and peripherals.

Growth has continued in the PC market as computer and consumer electronics industries have converged, combining increased multimedia and communications capabilities. Today s systems increasingly offer more powerful microprocessors, highly integrated chipsets, integrated video, stereo sound, high-speed fax and modem communications and DVD.

OPTi believes that the existing technology used in current generations of core logic chipsets may be infringing some of the patented technology that the Company had developed.

Strategy

Pursue Infringement Claims for Proprietary Chipset Technologies

The Company s current strategy is to pursue licensing opportunities to resolve potential infringement of its proprietary intellectual property in the core logic area. During 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 developed during its existence. During the first quarter of fiscal year 2004, the Company entered into another 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. The Company is actively working to explore all possible arrangements to settle such infringements.

On October 19, 2004, the Company announced that it filed a complaint against NVIDIA, in the Eastern District of Texas, for infringement of five U.S. patents relating to its Predictive Snooping chipset technology.

On August 3, 2006, the Company entered into a license and settlement agreement with NVIDIA. Under the license agreement 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 that an agreement existed, delivery had occurred and there were no future performance obligations, fees were fixed or determinable and collectability was reasonably assured.

The license agreement also provides that the Company 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.

On October 17, 2007 the Company initiated arbitration against NVIDIA because the Company believed that NVIDIA breached the terms of the license agreement. The Company sought payment for the past due quarters that OPTi believed NVIDIA continued to use the Pre-Snoop technology. The arbitrator in September 2008 ruled in OPTi s favor and awarded the Company a total of five quarterly royalty payments of $750,000 each for a total of $3,750,000. This amount was recognized as revenue in the fiscal year 2009 in accordance with the Company s revenue recognition policy.

On December 10, 2009, the Company initiated another arbitration against NVIDIA because the Company believes that NVIDIA continues to use the Pre-Snoop technology in breach of the terms of the license agreement. The Company was seeking payment of the additional quarterly royalty payments it is entitled to under the terms of the license agreement.

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On September 29, 2010, the Company announced that it had entered into a patent licensing and arbitration agreement with NVIDIA. Under the terms of the agreement, the Company received one lump sum of $2,000,000 for granting NVIDIA a fully paid-up license to the Company s Pre-Snoop patents under the terms of the license agreement. This amount was recognized as revenue in fiscal year 2011 in accordance with the company s revenue recognition policy

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.

On April 30, 2010, the Company entered into a litigation settlement and license agreement with AMD. Under the license agreement the Company agreed to dismiss its patent infringement lawsuit against AMD and licensed certain patents to AMD. In accordance with the Company s revenue recognition policy $32 million was recorded as revenue during the quarter ending June 30, 2010 as persuasive evidence that an agreement existed, delivery had occurred and there were no future performance obligations, fees were fixed or determinable and collectability was reasonably assured.

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, which are all entitled Predictive Snooping of Cache Memory for Master-Initiated Accesses . The Company alleged that Apple infringed the patents by making, selling, and offering for sale desktop and portable computers and servers incorporating Predictive Snooping technology.

On April 23, 2009 a jury from the United States District Court for the Eastern District of Texas ruled in OPTi s favor in the patent infringement trial between OPTi and Apple Inc. The jury ruled on the following four issues:

- In the matter of willful infringement, the jury ruled that Apple willfully infringed OPTi s patents;
- In the matter of Apple s defense that OPTi s patents were invalid due to obviousness, the jury ruled that OPTi s patents were valid;
- In the matter of Apple s defense that the patents were invalid due to anticipation, the jury ruled that the OPTi s patents were valid;
- In the matter of damages, the jury awarded OPTi $19 million for Apple s infringement of OPTi s patents.

The court had ruled previously that Apple had infringed the OPTi patents at issue on April 3, 2009.

On December 3, 2009, the court issued the final judgment in the patent infringement action between OPTi and Apple. The court ordered that OPTi recover from Apple a reasonable royalty of $19.0 million in actual damages. The court also awarded an additional $2.7 million in pre-judgment interest for a total award of $21.7 million. The court also found that there was no willful infringement in the case and denied any request for reimbursement of attorney fees.

On December 9, 2010, the Company announced that it had entered into a Settlement and License Agreement with Apple. Under the terms of the agreement, OPTi received one lump sum payment, in December 2010, for granting Apple a fully paid up, royalty free license to OPTi patents. This amount was recognized as revenue in fiscal year 2011 in accordance with the company s revenue recognition policy

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 were U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141; both entitled Compact ISA-Bus Interface . The Company alleged that Advanced Micro Devices, Atmel Corporation,

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Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc., SMSC, STMicroelectronics and VIA Technologies, Inc. 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. The Company settled with Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc. and STMicroelectronics during the fiscal year ended March 31, 2009. During fiscal year 2010, the Company settled with Atmel Corporation, SMSC and VIA. The settlement amount received from Atmel Corporation of $125,000 is included in other income for the quarter ended June 30, 2009. The settlement amount received from SMSC of $1,900,000 is included in other income for the quarter ended September 30, 2009. The settlement amount received from VIA of $650,000 was included in revenue for the quarter ended December 31, 2009.

On April 30, 2010, the Company entered into a settlement and license agreement with AMD. Under the license agreement the Company agreed to dismiss its patent infringement lawsuit against AMD and licensed certain patents to AMD. AMD has made a non-refundable, non-creditable fully earned payment totaling $3 million to the Company. There is no future performance obligation. In accordance with the Company s revenue recognition policy, $3 million was recorded as revenue during the quarter ending June 30, 2010, as persuasive evidence that an agreement existed, delivery had occurred and there were no future performance obligations, fees were fixed or determinable and collectability was reasonably assured.

Intellectual Property

The Company had sought to protect its proprietary technology by the filing of patents. The Company currently has thirty four issued U.S. patents based on certain aspects of the Company s designs.

The Company entered into license agreements in the past regarding certain alleged infringement claims asserted by third parties. There can be no assurance that additional infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims will be asserted in the future. If any other claims or actions are asserted against the Company, the Company may seek to obtain a license under a third party s intellectual property rights. There can be no assurance, however, that a license will be available under reasonable terms or at all. The failure to obtain a license under a patent or intellectual property right from a third party for technology used by the Company could cause the Company to incur substantial liabilities and adversely affect the Company s pursuit of its own patent infringement claims. In addition, should the Company decide to litigate the claims, such litigation could be extremely expensive, time consuming and could materially and adversely affect the Company s business, financial condition and results of operations, regardless of the outcome of the litigation.

Employees

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

Item 1A. Risk Factors

Trading of OPTi Common Stock on the OTC Bulletin Board

Our 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.

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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. 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.

The Company s Pre-Snoop patented technology was originally filed with the United States Patent and Trademark Office (USPTO) in July 1995 and all three patents in this technology will expire in July 2015. The Company s Compact ISA technology was originally filed in February 1996 with the USPTO and the three patents relating to this technology will expire in February 2016.

The Company continues to explore potential new infringers of its patented technology in both the Pre-Snoop and Compact ISA technology but can make no assurances that it will be successful in finding additional infringers.

Uncertain Revenue Stream

Although the Company has commenced legal action and 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 and counterclaims with NVIDIA that included, among other things, a one-time cash payment to the Company. Under the terms of the settlement, the Company was to receive future payments from NVIDIA if they continued to use the patented technology. 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 VIA and SIS Legal Actions

On July 30, 2010, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against VIA and System 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, which are all entitled Predictive Snooping of Cache Memory for Master-Initiated Accesses . The Company alleged that VIA and SIS infringed the patents by making, selling, and offering for sale desktop and portable computers and servers incorporating Predictive Snooping technology.

The outcome in the VIA and SIS legal actions will have significant effects on the Company s ability to realize ongoing license revenue.

Third Party Intellectual Property Infringement Claims

The PC industry is characterized by vigorous protection and pursuit of intellectual property rights or positions, which may result in significant protracted expensive litigation. There can be no assurance that additional infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims will be asserted in the future. If any other claims or actions are asserted against the Company, the Company may seek to obtain a license under a third party s intellectual property rights. There can be no assurance, however, that a license will be available under reasonable terms or at all. The failure to obtain a license under a patent or intellectual property right from a third party for technology used by the

Company could cause the Company to incur substantial liabilities and adversely affect the Company s pursuit of its own patent infringement claims. In addition, should the Company decide to litigate the claims, such litigation could be extremely expensive and time consuming and could materially and adversely affect the Company s business, financial condition and results of operations, regardless of the outcome of the litigation.

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 the ability to license its technology, cost of infringement analysis 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 August 12 and December 15, 2010, the Company paid cash dividends of $0.75 and $0.65 per share, respectively, on each share of the Company s common stock. Its most recent previous cash distribution had occurred in 2007. The amount and frequency of future distributions to shareholders depends upon a number of factors including the Company s ability to achieve future revenues from its patent infringement claims, the amount of the Company s legal, operating and compensation costs, tax treatment of such dividends and changes to the Company s intellectual property position or strategy. Accordingly, there can be no assurance regarding the amount or frequency of future distributions or whether they may occur at all.

Item 2. Properties

The Company is headquartered in Palo Alto, California, where it leases administrative facilities in one location consisting of an aggregate of approximately, 2,800 square feet. The lease on this building expires in December 2011. The Company believes that it will have the ability to either renew the lease in its existing facility or find alternative space once the lease expires.

Item 3. Legal Proceedings

On October 19, 2004, the Company announced that it filed a complaint against NVIDIA, in the Eastern District of Texas, for infringement of five U.S. patents relating to its Predictive Snooping chipset technology.

On August 3, 2006, the Company entered into a license and settlement agreement with NVIDIA. Under the license agreement 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 that an agreement existed, delivery had occurred and there were no future performance obligations, fees were fixed or determinable and collectability was reasonably assured.

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The license agreement also provides that the Company 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.

On October 17, 2007 the Company initiated arbitration against NVIDIA because the Company believed that NVIDIA breached the terms of the license agreement. The Company sought payment for the past due quarters that OPTi believed NVIDIA continued to use the Pre-Snoop technology. The arbitrator in September 2008 ruled in OPTi s favor and awarded the Company a total of five quarterly royalty payments of $750,000 each for a total of $3,750,000. This amount was recognized as revenue in the fiscal year 2009 in accordance with the Company s revenue recognition policy.

On December 10, 2009, the Company initiated another arbitration against NVIDIA because the Company believes that NVIDIA continues to use the Pre-Snoop technology in breach of the terms of the license agreement. The Company was seeking payment of the additional quarterly royalty payments it is entitled to under the terms of the license agreement.

On September 29, 2010, the Company announced that it had entered into a patent licensing and arbitration agreement with NVIDIA. Under the terms of the agreement, the Company received one lump sum of $2,000,000 for granting NVIDIA a fully paid-up license to the Company s Pre-Snoop patents under the terms of the license agreement. This amount was recognized as revenue in fiscal year 2011 in accordance with the company s revenue recognition policy

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.

On April 30, 2010, the Company entered into a litigation settlement and license agreement with AMD. Under the license agreement the Company agreed to dismiss its patent infringement lawsuit against AMD and licensed certain patents to AMD. In accordance with the Company s revenue recognition policy $32 million was recorded as revenue during the quarter ending June 30, 2010 as persuasive evidence that an agreement existed, delivery had occurred and there were no future performance obligations, fees were fixed or determinable and collectability was reasonably assured.

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On April 23, 2009 a jury from the United States District Court for the Eastern District of Texas ruled in OPTi s favor in the patent infringement trial between OPTi and Apple Inc. The jury ruled on the following four issues:

- In the matter of willful infringement, the jury ruled that Apple willfully infringed OPTi s patents;
- In the matter of Apple s defense that OPTi s patents were invalid due to obviousness, the jury ruled that OPTi s patents were valid;
- In the matter of Apple s defense that the patents were invalid due to anticipation, the jury ruled that the OPTi s patents were valid;
- In the matter of damages, the jury awarded OPTi $19 million for Apple s infringement of OPTi s patents.

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The court had ruled previously that Apple had infringed the OPTi patents at issue on April 3, 2009.

On December 3, 2009, the court issued the final judgment in the patent infringement action between OPTi and Apple. The court ordered that OPTi recover from Apple a reasonable royalty of $19.0 million in actual damages. The court also awarded an additional $2.7 million in pre-judgment interest for a total award of $21.7 million. The court also found that there was no willful infringement in the case and denied any request for reimbursement of attorney fees.

On December 9, 2010, the Company announced that it had entered into a Settlement and License Agreement with Apple. Under the terms of the agreement, OPTi received one lump sum payment, in December 2010, for granting Apple a fully paid up, royalty free license to OPTi patents. This amount was recognized as revenue in fiscal year 2011 in accordance with the company s revenue recognition policy

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 were U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141; both entitled Compact ISA-Bus Interface . The Company alleged that Advanced Micro Devices, Atmel Corporation, Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc., SMSC, STMicroelectronics and VIA Technologies, Inc. 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. The Company settled with Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc. and STMicroelectronics during the fiscal year ended March 31, 2009. During fiscal year 2010, the Company settled with Atmel Corporation, SMSC and VIA. The settlement amount received from Atmel Corporation of $125,000 is included in other income for the quarter ended June 30, 2009. The settlement amount received from SMSC of $1,900,000 is included in other income for the quarter ended September 30, 2009. The settlement amount received from VIA of $650,000 is included in revenue for the quarter ended December 31, 2009.

On April 30, 2010, the Company entered into a settlement and license agreement with AMD. Under the license agreement the Company agreed to dismiss its patent infringement lawsuit against AMD and licensed certain patents to AMD. AMD has made a non-refundable, non-creditable fully earned payment totaling $3 million to the Company. There is no future performance obligation. In accordance with the Company s revenue recognition policy, $3 million was recorded as revenue during the quarter ending June 30, 2010, as persuasive evidence that an agreement existed, delivery had occurred and there were no future performance obligations, fees were fixed or determinable and collectability was reasonably assured.

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

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

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

Item 4. Reserved

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PART II

Item 5. Market for Registrant s Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities
The following required information is filed as a part of this Report:

During fiscal year 2011 the Company paid cash dividends of $0.75 and $0.65 per share, respectively, on each share of the Company s common stock, equal to approximately $16.3 million. The Company did not issue any cash dividends on its common stock in fiscal year 2010.

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

	Quarterly Period Ended			
	June 30	September 30	December 31	March 31
Common stock price per share:				
Fiscal 2011				
High	$ 4.20	$ 3.92	$ 3.17	$ 2.35
Low	$ 3.34	$ 2.55	$ 2.17	$ 2.02
Fiscal 2010				
High	$ 3.30	$ 3.90	$ 3.85	$ 4.16
Low	$ 1.74	$ 3.10	$ 2.78	$ 3.10

As of June 14, 2011, there were approximately 94 holders of record of the Company s common stock.

The Company did not repurchase any of its equity securities during fiscal 2011 and does not currently intend to do so in the future.

Item 6. Selected Financial Data
Smaller reporting companies are not required to provide.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

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

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

The Company s current strategy is to pursue licensing opportunities to resolve potential infringement of its proprietary intellectual property in the core logic area. During fiscal year 2011, the Company entered into a several settlement and licensing arrangements totaling approximately $52,625,000 on the core logic technology that the Company had developed. The Company believes that there may be additional companies that may be infringing its patents.

See Item 3. Legal Proceedings above.

Critical Accounting Policies

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

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

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

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

Income Taxes. Uncertain income tax positions recognized must meet a more-likely-than-not recognition threshold. Any potential accrued interest and penalties related to unrecognized tax benefits within operations are recorded as income tax expense. To date, there have been no interest or penalties charged to us related to the underpayment of income taxes. At March 31, 2011, we have a liability for unrecognized tax benefits of $4.1 million, all of which, if recognized, would affect our effective tax rate.

The Company files income tax returns in the U.S. federal jurisdiction and the state of California. The Company is subject to U.S. federal and California income tax examinations by tax authorities for years 1996 - 2010 and 1994 - 2010, respectively.

Results of Operation

2011 Compared to 2010 The Company recorded $50,625,000 of net sales during the fiscal year ended March 31, 2011 (fiscal year 2011) as compared to $650,000 of net sales (which is license fees and related revenues) during the fiscal year ended March 31, 2010 (fiscal year 2010). This increase in net sales was attributable to higher licensing revenue as the Company entered into licensing agreement with AMD, Apple and additional companies during the fiscal year ended March 31, 2011 versus only the licensing agreement with VIA in fiscal year 2010. The Company s future revenues depend on the success of our strategy of pursuing license claims on our intellectual property position.

Gross margin for fiscal year 2011 and fiscal year 2010 was 100%. This gross margin is attributable to the Company s revenue in fiscal year 2011 and fiscal year 2010 relating entirely to license and settlement revenue, which had no associated costs.

Selling, general and administrative (SG&A) expenses for fiscal year 2011 were $5.1 million as compared to $7.4 million for fiscal year 2010. This represented an approximate 31% decrease in SG&A expenses year over year. This decrease was primarily related to decreased costs associated with the litigations and arbitration cases against AMD, Apple, Compact ISA defendants and NVIDIA, during 2011.

Net interest and other income for fiscal year 2011 was $12,000 as compared to $2.3 million in fiscal year 2010. The decrease in net interest and other income in fiscal year 2011, as compared to fiscal year 2010, was primarily due to standstill agreements, which were recorded as other income, reached during fiscal year 2010.

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

Income tax expense for fiscal year 2011 was approximately $19.9 million, an effect tax rate of 43.8%, as compared to a benefit of $11.4 million during fiscal year 2010. During the fiscal year ended March 31, 2011, the Company booked the statutory federal and state tax rates. During fiscal year 2010, the Company based on known sources of future taxable income related to legal settlements consummated during fiscal year 2011 determined that it was more likely than not that $11.4 million of deferred tax assets would be realized.

Liquidity and Capital Resources

In fiscal year 2011, the Company generated approximately $38.5 million in operating activities primarily related to the operating profit of the Company, offset in part, by an increase in accounts payable. In fiscal year 2010, the Company used approximately $3.4 million in operating activities primarily related to the operating loss of the Company, offset in part, by a decrease in accounts payable.

The Company had insignificant investment activities in fiscal year 2011 and 2010, making only $4,000 and $10,000 in purchases of property and equipment, respectively.

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The Company used approximately $16.3 million in financing activities in fiscal year 2011, related to cash dividends. The Company had no financing activity during the fiscal year ended March 31, 2010.

As of March 31, 2011, the Company s principal sources of liquidity included cash and cash equivalents of approximately $25.8 million and working capital of approximately $25.5 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.
Smaller reporting companies are not required to provide.

Item 8. Financial Statements and Supplementary Data
The Company s financial statements and the report of the independent registered public accounting firm appear on pages F-1 through F-14 of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures
None.

Item 9A. Controls and Procedures
(a) We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-14 and 13a-15 as of the end of the Company s fiscal year ended March 31, 2011. Based upon that evaluation, our Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

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

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

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

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework set forth in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of March 31, 2011. This annual report does not include disclosure of an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management s annual report.

Bernard Marren *Chief Executive Officer*	Mike Mazzoni *Chief Financial Officer*

Item 9B. Other Information

None.

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PART III

Item 10. Directors and Executive Officers and Corporate Governance

Directors and Executive Officers of the Registrant

The directors and executive officers of the Company, as of June 15, 2011, were as follows:

Name	Age	Position with the Company
Bernard T. Marren	75	President, Chief Executive Officer and Chairman of the Board
Michael F. Mazzoni	48	Chief Financial Officer and Secretary
Stephen F. Diamond (1)(2)(4)	55	Director
Kapil K. Nanda (1)(3)(4)	65	Director
William H. Welling (1)(2)(3)(4)	77	Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating Committee.