

OPTI INC
Form 10-K
June 29, 2010
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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, 2010

.. 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 incorporated or organization)	77-0220697 (I.R.S. Employer Identification No.)
3430 W. Bayshore Road, Palo Alto, California (Address of principal executive office)	94303 (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 ☒

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

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 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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/>

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

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, 2009, as reported on the Over the Counter Bulletin Board, was approximately \$26,438,473. 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, 2010 was 11,641,903.

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OPTi Inc.

Form 10-K

For the Fiscal Year Ended March 31, 2010

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PART I

Item 1. Business

Information set forth in this report constitutes and 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 including 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 1995, 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. From 1995 through 2006, the Company's annual net sales declined from \$163.7 million in 1995 to no revenue in fiscal year 2006. During the fiscal year 2010, the Company recorded net revenue of \$650,000 relating to a license with VIA Technologies (VIA). During the fiscal years 2009 and 2007, the Company recorded net revenue of approximately \$3.8 million and \$11 million, respectively, relating to a license with NVIDIA Corporation (NVIDIA).

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.

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 PCs valuable and affordable tools for business and personal use.

The trend to higher performance, lower cost personal computers has been accompanied by a variety of changes in the market for PCs 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.

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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. Royalties will be recorded as revenue when earned and received.

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

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 is seeking payment of the additional quarterly royalty payments it is entitled to under the terms of the license agreement.

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.

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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. AMD will make five quarterly non-refundable, non-creditable fully earned payments totaling \$32 million to the Company after which there is no future performance obligation. In accordance with the Company's revenue recognition policy \$32 million will be 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.

Apple has filed a number of post-trial motions seeking to reverse the jury verdict or to secure a new trial on a variety of issues.

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.

Both parties in the case have filed for appeal and we are awaiting a date for the appellate court case.

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

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recognition policy, \$3 million will be 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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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.

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.

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.

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Outcome of Apple and NVIDIA Legal Actions

On January 16, 2007, the Company filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against 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 action between OPTi and Apple. 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 patent was patents were valid;

In the matter of Apple's defense that the patents were invalid due to anticipation, the jury ruled that 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.

Apple filed a number of post-trial motions seeking to reverse the jury verdict or to secure a new trial on a variety of issues.

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.

Both parties in the case have filed for appeal and we are awaiting a date for the appellate court case.

On December 10, 2009, the Company initiated an 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 entered into between NVIDIA and the Company dated August 3, 2006. The Company is seeking payment of the additional quarterly royalty payments it is entitled to under the terms of the license agreement.

The outcome in the Apple and NVIDIA 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.

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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 increased competition, price competition, changes in customer demand, ability to continue to sell existing products, inventory adjustments, changes in the availability of foundry capacity, and changes in the mix of products sold and litigation expenses. In the future, the Company's operating results will largely be dependent on its ability to generate revenue from its pursuit of license and patent infringement claims.

Limited Trading Volume

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

Possible Volatility of Stock Price

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

Uncertainty of Future Distributions to Shareholders

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

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 these facilities are adequate for its needs in the foreseeable future.

Item 3. Legal Proceedings

On November 15, 2006, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against AMD for infringement of a U.S. patent 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. AMD will make five non-refundable, non-creditable fully earned payments totaling \$32 million to the Company. There is no future performance obligation. In accordance with the Company's revenue recognition policy, \$32 million will be 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 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 pursuant to which 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. Royalties will be recorded as revenue when earned and received.

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

On October 17, 2007 the Company initiated an 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 payment 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 is seeking payment of the additional quarterly royalty payments it is entitled to under the terms of the license agreement.

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 for infringement of a U.S. patent. The patent at issue in the lawsuit was U.S. Patent No. 6,405,291; entitled Predictive Snooping of Cache Memory for Master-Initiated Accesses. The complaint alleges that Apple has infringed the patents by making, selling, and offering for sale desktop and portable computers and servers incorporating Predictive Snooping technology.

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 Inc 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.

Apple has filed a number of post-trial motions seeking to reverse the jury verdict or to secure a new trial on a variety of issues.

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.

Both parties in the case have filed for appeal and we are awaiting a date for the appellate court case.

On July 3, 2007, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against eight companies for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141; both entitled Compact ISA-Bus Interface. The complaint alleges that Advanced Micro Devices, Atmel Corporation, Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc., SMSC, STMicroelectronics and VIA Technologies, Inc. have infringed their patents by making, selling, and offering one or more of the following products: core logic

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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.

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The Company settled with Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc. and STMicroelectronics during the fiscal year 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 nonrefundable, 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 will be 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.

The ultimate outcomes of the Apple and NVIDIA legal actions will have significant effects on the Company's ability to realize ongoing license revenue.

Item 4. Reserved

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The following required information is filed as a part of this Report:

The Company did not issue any cash dividends on its common stock in fiscal years 2009 and 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:

	June 30,	Quarterly Period Ended		March 31,
		Sept. 30,	Dec. 31,	
<u>Common stock price per share:</u>				
<u>Fiscal 2010</u>				
High	\$ 3.30	\$ 3.90	\$ 3.85	\$ 4.16
Low	1.74	3.10	2.78	3.10
<u>Fiscal 2009</u>				
High	\$ 2.80	\$ 2.80	\$ 2.20	\$ 2.30
Low	2.32	1.92	1.45	1.52

As of June 11, 2010, there were approximately 97 holders of record of the Company's common stock.

The Company did not repurchase any of its equity securities during fiscal 2010 and does not currently intend to do so in the future.

Item 6. Selected Financial Data

Smaller reporting companies are not required to provide.

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

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

OPTi was founded in 1989 as an independent supplier of semiconductor products to the personal computer market. During fiscal 2003, the Company sold its product fabrication, distribution and sales operations to Opti Technologies, Inc., an unrelated third party. As a result of this transaction all future revenues for the Company are expected to be generated 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 the first quarter of fiscal year 2000, the Company entered into a one-time licensing arrangement for \$13,311,000 on the core logic technology that the Company had developed

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during its existence. During the first quarter of fiscal year 2004, the Company also entered into a one-time license arrangement for \$425,000 on its patented technology. The Company believes that there may be additional companies that may be infringing its patents. The Company is actively working to explore all possible arrangements to settle such infringements.

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.

Results of Operation

2010 Compared to 2009 The Company recorded \$650,000 of net sales during the fiscal year ended March 31, 2010 (fiscal year 2010) as compared to \$3,750,000 of net sales (which is license fees and related revenues) during the fiscal year ended March 31, 2009 (fiscal year 2009). This decrease in net sales was attributable to lower licensing revenue as the Company entered into only the licensing agreement with VIA in fiscal year 2010 as compared to the arbitration award with NVIDIA in fiscal year 2009. 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 2010 and fiscal year 2009 was 100%. This gross margin is attributable to the Company's revenue in fiscal year 2010 and fiscal year 2009 relating entirely to license and settlement revenue, which had no associated costs.

Selling, general and administrative (SG&A) expenses for fiscal year 2010 were \$7.4 million as compared to \$10.1 million for fiscal year 2009. This represented an approximate 26% decrease in SG&A expenses year over year. This decrease was primarily related to decreased costs associated with the litigations and arbitration case against AMD, Apple, Compact ISA defendants and NVIDIA, during 2009.

Net interest and other income for fiscal year 2010 was \$2.3 million as compared to \$2.2 million in fiscal year 2009. The increase in net interest and other income in fiscal year 2010 as compared to fiscal year 2009 was primarily due to additional standstill agreements reached during fiscal year 2010, offset in part, by a decrease in interest income due to lower average cash balance and lower interest rates throughout the fiscal year 2010 as compared to fiscal year 2009.

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.

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Liquidity and Capital Resources

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 an increase in accounts payable. In fiscal year 2009, the Company used approximately \$3.9 million in operating activities primarily related to the operating loss of the Company, offset in part, by an increase in accrued expenses.

The Company had insignificant investment activities in fiscal year 2010, making only \$10,000 in purchases of property and equipment. The Company generated approximately \$4.1 million from investing activities during fiscal year 2009 which were proceeds from the Company's liquidation of its position in auction rate securities.

The Company had no financing activity during the fiscal years 2010 and 2009.

As of March 31, 2010, the Company's principal sources of liquidity included cash and cash equivalents of approximately \$3.6 million and working capital of approximately \$1.4 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, 2010. Based upon that evaluation, our Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

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

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

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

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining 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, 2010. This annual report does not include disclosure of an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the 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.

Table of Contents**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, 2010, were as follows:

Name	Age	Position with the Company
Bernard T. Marren	74	President, Chief Executive Officer and Chairman of the Board
Michael F. Mazzoni	47	Chief Financial Officer and Secretary
Stephen F. Diamond (1)(2)(4)	54	Director
Kapil K. Nanda (1)(3)(4)	64	Director
William H. Welling (1)(2)(3)(4)	76	Director

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating Committee.
- (4) Independent Director

All board members serve until the next annual meeting of shareholders when they are either re-elected or their successors are elected.

Bernard T. Marren has served as President and Chief Executive Officer of the Company since May 1998. Mr. Marren was elected as a director in May 1996. He also founded and was the first President of SIA (the Semiconductor Industry Association). Mr. Marren is currently a director at Microtune, Inc. and several privately held companies. Mr. Marren also served as a director at Infocus Corporation until its sale in 2009. We believe that Mr. Marren is qualified to sit on our Board because he is the President and Chief Executive Officer of the Company and has served in that role for the past twelve years.

Michael F. Mazzoni has served as Chief Financial Officer since December 2000. Mr. Mazzoni also served with the Company from October 1993 to December 1999. The last two years prior to his departure Mr. Mazzoni served as its Chief Financial Officer. Mr. Mazzoni also served as Chief Financial Officer of Horizon Navigation, Inc., a privately held, car navigation company, from January 2003 to June 2005. Prior to rejoining the Company, Mr. Mazzoni was Chief Financial Officer of Xpeed, Inc., a startup in the Digital Subscriber Line CPE business, from January 2000 to November 2000. Mr. Mazzoni has over twenty four years of experience in the accounting and finance area for technology companies and has been with the Company for sixteen years. In that time Mr. Mazzoni has accumulated significant knowledge of the Company's intellectual property and licensing activities.

Stephen F. Diamond was elected as a director of the Company in September 2003. He is currently an Associate Professor of Law at the Santa Clara University School of Law where he teaches securities regulation, corporation and international business transactions law. From 1995 to 1999 he was an associate at Wilson Sonsini Goodrich & Rosati where he represented high technology companies including OPTi and investment banks in corporate transactions, including debt and equity offerings, venture capital investments, and intellectual property rights. Mr. Diamond holds a B.A. from the University of California at Berkeley, a Ph.D. and M. Phil. from the University of London, and a J.D. from Yale Law School. We believe that Mr. Diamond's experience in securities regulations and business transactions provides strategic guidance to the Company and the Board.

Kapil K. Nanda was elected as a director in May 1996. Mr. Nanda is currently President of InfoGain Corporation, a software and development consulting company, which he founded in 1990. Mr. Nanda holds a B.S. in Engineering from the University of Punjab, India, an M.S. in Engineering from the University of Kansas, and an M.B.A. from the University of Southern California. Mr. Nanda's years of management experience with technology companies provide the Company and the Board demonstrated senior level management ability and critical industry and technology insights.

William H. Welling was elected as a director in August 1998. He is currently Chairman and CEO of @Comm Corporation, a telecommunications software company. In August 2001, @Comm Corporation filed for protection under Chapter 11 of the Federal Bankruptcy Code. Mr. Welling

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also serves as a director on the boards of several private companies. The Company believes that Mr. Welling's management experience with technology companies makes him an excellent candidate as a member of the Board.

There are no family relationships among any of our directors or executive officers.

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Audit Committee Financial Expert. The Company's Board has not determined whether one of the members of its audit committee qualifies as an audit committee financial expert as set forth in Item 401(h) of Regulation S-K of the rules promulgated by the Securities and Exchange Commission. Each of the members of the Company's audit committee met the standards for audit committee membership set forth in the NASDAQ Marketplace Rules when they were selected for the committee by the Board. In light of the nature of the Company's business, the Company believes that its audit committee as presently constituted possesses the skills and experience necessary to oversee the work of the Company's independent registered Public accounting firm and carry out the duties set forth in the Company's audit committee charter.

Code of Ethics. The Company has adopted a code of ethics that applies to its chief executive officer and its chief financial officer in accordance with Item 406 of Regulation S-K of the SEC rules. A copy of the code of ethics was included in the exhibit list to the Company's Form 10-K filed for the year ended March 31, 2004 and is incorporated herein by reference.

Section 16(a) Beneficial Ownership Reporting Compliance of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file certain reports regarding ownership of, and transactions in, the Company's securities with the Securities and Exchange Commission (the "SEC") and with NASDAQ. Such officers, directors and 10% shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on its review of copies of Forms 3 and 4 and amendments thereto furnished to the Company pursuant to Rule 16a-3(e) and Forms 5 and amendments thereto furnished to the Company with respect to the last fiscal year, the Company believes that, during the last fiscal year, all Section 16(a) filing requirements applicable to the Company's officers, directors and 10% shareholders were complied with.

Item 11. Executive Compensation ***Compensation Discussion and Analysis***

Introduction

The primary objectives of our executive compensation plan are to:

align the financial interests of our executives with those of our shareholders;

motivate and retain the executive talent required to successfully implement our business strategy; and

provide incentives for achieving our short-term and long-term goals.

To achieve these objectives, our Compensation Committee establishes and reviews compensation packages for our executive officers on an annual basis, consisting of a combination of salary and cash bonus.

The Compensation Committee meets outside the presence of all of our executive officers to consider appropriate compensation for our CEO. For our other executive officer, the Compensation Committee meets outside the presence of all executive officers except our CEO.

The Compensation Committee considers the recommendations of management when establishing compensation for our executive officers, but relies upon its own judgment to determine each individual's compensation. Factors that affect the Compensation Committee's judgment include each individual's performance and scope of responsibilities, as well as overall Company performance.

Elements of Executive Compensation

Executive compensation consists of the following elements:

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Base Salary. Base salaries for our executives are established based on the scope of their responsibilities, and taking into account the Company's budget guidelines, labor market conditions, and competitive market compensation paid by other companies for similar positions. Base salaries are reviewed and adjusted annually, to realign salaries with the market after taking into account individual responsibilities, performance and experience.

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Discretionary Bonus. Bonus targets are based on a percentage of the executive's base salary. The bonus plan allows the payment of up to 20% of the executive salary as a target bonus amount. The bonus is ordinarily paid in a single installment following the completion of a given fiscal year. The individual performance objectives tend to be keyed to the company's goals in regards to licensing its intellectual property. The Compensation Committee did not recommend any discretionary bonuses for Mr. Marren and Mr. Mazzoni during fiscal year 2010.

Change of Control Bonus. Mr. Marren's and Mr. Mazzoni's employment agreements provide for a change of control bonus (which is defined in their respective agreements) to be paid to them in the event of a change of control transaction while each executive is employed by the Company, provided that the executive signs an irrevocable general release of all claims against the Company. Upon such a change of control, the Shareholder Return Bonus program would immediately cease, and Mr. Marren and Mr. Mazzoni would instead be entitled to receive a change of control bonus.

Shareholder Return Bonus. Currently, the Company has a Shareholder Return Bonus program under which Mr. Marren and Mr. Mazzoni receive a percentage of all monies returned to the shareholders of the Company or if the Company determines not to distribute any third party payments from its intellectual property strategy within six months of receiving that payment. The compensation ranges from 1% to 5% of the amount received from third party payments from the intellectual property strategy. During fiscal 2010, the Company awarded Mr. Marren and Mr. Mazzoni \$89,250 and \$59,500 respectively under the Shareholder Return Bonus plan, equal to 3% and 2% of the amounts received from third party payments which were not distributed to shareholders.

Stock Options. The Company does not currently grant stock options to its Executive Officers, as it believes that the bonus programs better align the goals of management and the shareholders of the Company.

Other Compensation. All of our executives are eligible to participate in our employee benefit plans, including medical, dental and 401(k) plans. These plans are available to all full-time employees and do not discriminate in favor of executive officers.

Employment Agreements. During fiscal 2007 the Compensation Committee determined that it would be appropriate to enter into employment agreements with Mr. Marren and Mr. Mazzoni, primarily in order to document the provisions of the Shareholder Return Bonus program, adjust certain of the payment thresholds and address program award payments under particular circumstances. The shareholders of the Company at the November 27, 2007 annual meeting approved the employment agreements for Mr. Marren and Mr. Mazzoni.

Final Analysis. Our current strategic objectives for executive compensation are to compensate our executives fairly and competitively in return for their devoted efforts, and to avoid having the compensation program interfere with what the Company considers (a) an ongoing trend of meaningful progress toward achievement of the OPTi's business objectives and (b) its incentivized, dedicated, collaborative management environment that is already in place.

Table of Contents**Summary Compensation Table**

The following table sets forth information concerning compensation earned for services rendered to us by the Chief Executive Officer and the Chief Financial Officer for fiscal years 2010 and 2009. Collectively, these are the Named Executive Officers :

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary	Bonus ⁽¹⁾	Stock Awards	Option Awards ⁽²⁾	Non-Equity Compensation Incentive Plan Comp. ⁽³⁾	Change in Pension Value and NQ Deferred Comp.	All Other Compensation	Total
Bernard T. Marren	2010	\$ 157,000				\$ 89,250		\$ 11,000 ⁽⁴⁾	\$ 257,250
Chief Executive Officer CEO	2009	\$ 157,000	\$ 28,000			\$ 142,500		\$ 10,250 ⁽³⁾	\$ 338,750
Michael F. Mazzoni	2010	\$ 110,000				\$ 59,500		\$ 2,873 ⁽⁴⁾	\$ 172,373
Chief Financial Officer CFO	2009	\$ 110,000	\$ 20,000			\$ 95,000		\$ 6,694 ⁽³⁾	\$ 231,694

(1) Column (d) is used to record non-equity discretionary (non-performance based) bonuses made to our officers.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2010 fiscal year for the fair value of stock options granted to each of the named executives, in 2010 as well as prior fiscal years, in accordance with FASB ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

(3) The amounts in column (g) reflect the cash awards under the Shareholder Return Bonus, which is discussed in further detail in the Compensation Discussion and Analysis under the heading Shareholder Return Bonus .

(4) All Other Compensation consisted of the 50% Company match on 401(K) contributions.

Grants of Plan-Based Awards

There were no grants of stock or option awards to our Named Executive Officers during fiscal 2010. Mr. Marren and Mr. Mazzoni are participants in the Company's Shareholder Return Bonus program which is a multi-year non-equity incentive plan. The Company established the plan and made Mr. Marren and Mr. Mazzoni participants in 2005 and the plan covered their performance during fiscal 2010 during which they earned payments under the plan which are reflected in the Summary Compensation Table above. However, no new awards were granted under the plan during fiscal 2010.

Outstanding Equity Awards at Fiscal Year-End

The Company had no outstanding equity awards with our Named Executive Officers as of March 31, 2010.

Table of Contents***Option Exercises and Stock Vested***

No options were exercised or shares of common stock acquired upon vesting by our Named Executive Officers during the fiscal year ended March 31, 2010.

Pension Benefits

We did not have any plans providing for payments or other benefits at, following, or in connection with retirement to our Named Executive Officers (or any other employees) during fiscal 2010.

Nonqualified Deferred Compensation

We did not permit compensation deferral by our Named Executive Officers (or any other employees) during fiscal 2010.

Potential Payments Upon Termination or Change in Control

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

Director Compensation

The following table summarizes director compensation during fiscal year 2010:

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Fees Earned or Paid in Cash⁽²⁾	Stock Awards	Option Awards⁽³⁾⁽⁴⁾	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Director Name⁽¹⁾	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Stephen Diamond	\$ 19,000						\$ 19,000
Kapil Nanda	\$ 19,000						\$ 19,000
William Welling	\$ 19,000						\$ 19,000

- (1) Mr. Marren is not included in this table as he is an employee of the Company and receives no extra compensation for his services as a Director. The compensation received by Mr. Marren, as an employee of the Company, is shown in the Summary Compensation Table and the Outstanding Equity Awards at Fiscal Year-End Table above.
- (2) In fiscal 2010 each non-employee director received a \$10,000 yearly retainer and a fee of \$1,000 per board or committee meeting attended.
- (3) Column (d) represents the dollar amount recognized for financial statement reporting purposes with respect to the 2010 fiscal year for the fair value of stock options previously granted to the directors in prior fiscal years, in accordance with FASB ASC Topic 718. Pursuant to the SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (4) As of March 31, 2010, Mr. Nanda held options to purchase 8,000 shares of our common stock. Stephen Diamond and William Welling had no options outstanding. There were no options granted during fiscal year 2010.

Table of Contents***Compensation Committee Interlocks and Insider Participation***

The Compensation Committee consists of Messrs. Diamond and Welling, each of whom is an independent director and neither of whom is a current or former employee of the Company. During 2010, none of our executive officers served as a director or member of the Compensation Committee or any Board committee performing equivalent functions for another entity that has one or more executive officers serving on our Board of Directors.

COMPENSATION COMMITTEE REPORT

The Compensation Committee provided the following statement:

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

Respectfully submitted,

Compensation Committee of the Board of Directors

Stephen Diamond, Chair
William Welling

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

The following table sets forth information regarding ownership of our Common Stock as of March 31, 2009 (or earlier date for information based on filings with the Securities and Exchange Commission) by (a) each person known to us to own more than 5% of the outstanding shares of the Common Stock, (b) each director and nominee for director, (c) our Chief Executive Officer and Chief Financial Officer (who are our only executive officers) and (d) all directors and executive officers as a group. The information in this table is based solely on statements in filings with the Securities and Exchange Commission (the "SEC") or other reliable information. A total of 11,641,903 shares of our common stock were issued and outstanding as of June 1, 2010.

Name and Address of Beneficial Owner ⁽¹⁾	Number of Shares of Common Stock Owned ⁽²⁾	Number of Shares of Common Stock Subject to Options Exercisable Within 60 Days ⁽³⁾	Total Number of Shares of Common Stock Beneficially Owned ⁽⁴⁾	Percent Ownership
S. Muoio & Co. LLC ⁽⁵⁾ 509 Madison Ave, Ste 406 New York, NY 10022	2,681,734		2,681,734	23.0%
Whitaker Group ⁽⁶⁾ 23 Beachwood Irvine, CA 92604	1,004,750		1,004,750	8.6%
Raffles Associates LP ⁽⁷⁾ 450 Seventh Ave, Ste. 509	796,515		796,515	6.8%

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New York, NY 10123				
Lusman Capital Management LLC ⁽⁸⁾	720,250		720,250	6.2%
717 Fifth Ave, 14 th Floor				
New York, NY 10022				
Dimension Fund Advisors Inc. ⁽⁹⁾	581,210		581,210	5.0%
1299 Ocean Avenue, 11 th Floor				
Santa Monica, CA 940401				
Bernard T. Marren	10,000		10,000	*
Michael F. Mazzoni				*
Stephen Diamond				*
Kapil Nanda	4,000	8,000	12,000	*
William Welling	21,333		21,333	*
All executive officers and Directors as a group (5 persons)	35,333	8,000	43,333	1.2%

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares as of March 31, 2010.

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- (1) Unless otherwise indicated, the address of each of the named individuals is c/o OPTi Inc, 3430 W. Bayshore Road, Ste 103 Palo Alto, CA 94303
- (2) Represents shares of outstanding common stock owned by the named parties as of March 31, 2010.
- (3) Shares of common stock subject to stock options currently exercisable or exercisable within 60 days of March 31, 2010 are deemed to be outstanding for computing the percentage ownership of the person holding such options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.
- (4) The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of beneficial ownership of securities. Under the rules of the Commission, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities for which that person has a right to acquire beneficial ownership within 60 days.
- (5) Information on holdings of S. Muoio & Co LLC is taken from a Form SC 13D/A filed on May 7, 2010. The shares listed are held in the accounts of several investment partnerships and investment funds (collectively, the Investment Vehicles) for which S. Muoio & Co. LLC (SMC) serves as either general partner or investment manager. Salvatore Muoio is the managing member of SMC. SMC and Mr. Muoio may be deemed to beneficially own the securities held by the Investment Vehicles by virtue of SMC 's position as general partner or investment manager of the Investment Vehicles and Mr. Muoio 's status as the managing member of SMC.
- (6) Information on holdings of Whitaker group is taken from a Schedule 13D filed on August 11, 2003. Of the shares listed, 842,750 are held by Don C. Whitaker, 87,000 are held by Don C. Whitaker, Jr., and 75,000 are held by Don C. Whitaker, Inc.
- (7) Information on holdings of Raffles Associates L.P. is taken from a Schedule 13G/A filed on February 14, 2008. Raffles Capital Advisors LLC is the General Partner of Raffles Associates, L.P. and Paul H. O 'Leary is the Managing Member of Raffles Capital Advisors LLC.
- (8) Information on holdings of Lusman Capital Management, LLC. is taken from a Schedule 13G filed on April 13, 2010. All of the shares listed are held by Joel Lusman.
- (9) Information on holdings of Dimensional Fund Advisors is taken from a Schedule 13G filed on February 9, 2009. The shares listed are owned by advisory clients of Dimensional Fund Advisors. Dimensional Fund Advisors disclaims beneficial ownership of the shares listed. Katherine Newell is Vice President and Secretary of Dimension Fund.

Table of Contents**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table summarizes information, as of March 31, 2010, relating to our equity compensation plans pursuant to which grants of options, restricted stock or other rights to acquire shares may be granted from time to time.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	8,000	\$ 2.01	
Equity compensation plans not approved by security holders			
Total	8,000	\$ 2.01	

Item 13. Certain Relationships and Related Transactions and Director Independence
Compensation Committee Interlocks and Insider Participation

During the last fiscal year the members of the Compensation Committee were Messrs. Nanda and Welling. There was no reportable compensation committee, director interlocks, or insider participation during that period.

Related Party Transactions

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

Procedures for Approval of Related Person Transactions

The Board of Directors is responsible for reviewing and approving all material transactions with any related party. Related parties include any of our directors or executive officers, certain of our shareholders and their immediate family members.

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

Since the beginning of the Company's last fiscal year, there have been no transactions in which the Company was or is to be a participant and the amount involved exceeds the lesser of \$120,000 or one percent of the average of the Company's total assets at year end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest, and no such transactions are currently proposed.

Table of Contents***Director Independence***

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

The Audit Committee, Nominating Committee and Compensation Committee are each comprised solely of independent directors, as that term is defined by Rule 4200 of the NASDAQ Marketplace Rules. Each of the members of the Company's audit committee met the standards for audit committee membership set forth in the NASDAQ Marketplace Rules when they were selected for the committee by the Board.

Item 14. Principal Accountant Fees and Services

The following table shows the fees paid or accrued by OPTi Inc. for the audit and other services provided by our auditors Armanino McKenna LLP for fiscal year 2010 and 2009.

	2010	2009
Audit Fees (1)	\$ 84,000	\$ 50,000
Audit Related Fees		
Tax Fees (2)	12,000	11,000
All Other Fees	17,000	
Total	\$ 113,000	\$ 61,000

(1) Audit fees represent fees for professional services provided in connection with the audit of our annual financial statements and review of our quarterly financial statements, and advice on accounting matters that arose during the audit.

(2) Tax fees consisted primarily of income tax compliance and related services.

During fiscal 2010 and 2009, all services provided by Armanino McKenna LLP were pre-approved by the Audit Committee.

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

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

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

Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules*****(a)(1) Financial Statements***

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

Page

Report of Armanino McKenna LLP, Independent Registered Public Accounting Firm

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Consolidated Balance Sheets, March 31, 2010 and 2009

F-2

Consolidated Statements of Operations for the years ended March 31, 2010 and 2009

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Consolidated Statements of Shareholders' Equity for the years ended March 31, 2010 and 2009

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Consolidated Statements of Cash Flows for the years ended March 31, 2010 and 2009

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Notes to Consolidated Financial Statements

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(a)(2) Financial Statement Schedules**Page
Number****Schedule Number****Description**

None

All other schedules not applicable.

(a)(3) Exhibits Listing

Exhibit Number	Description
3.1	Registrant's Articles of Incorporation, as amended. (1)
3.2	Registrant's Bylaws. (1)
10.1	1993 Stock Option Plan, as amended. (1)
10.2	1993 Director Stock Option Plan. (1)
10.3	Form of Indemnification Agreement between Registrant and its officers and directors. (1)
10.4	1996 Employee Stock Purchase Plan. (2)
10.5	1995 Employee Stock Option Plan, as amended. (3)
10.6	Patent license agreement between Intel Corporation and OPTi Inc. (4)
10.7	OPTi Inc. Technology License Agreement between OPTi Inc. and Opti Technologies Inc. dated as of September 30, 2002. (5)
14.1	Code of Ethics (6)
21.1	Subsidiaries of Registrant
23.1	Consent of Armanino McKenna LLP, Independent Auditors.
24.1	Power of Attorney (see page 24, signature page).
31.1	Section 302 Certification of Chief Executive Officer

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- 31.2 Section 302 Certification of Chief Financial Officer
- 32.1 Section 906 Certification of Chief Executive Officer
- 32.2 Section 906 Certification of Chief Financial Officer

- (1) Incorporated by reference to Registrants Statement on Form S-1 (File No. 33-59978) as declared effective by the Securities and Exchange Commission on May 11, 1993.
- (2) Incorporated by reference to Registration Statement on Form S-8 (File No. 333-15181) as filed with the Securities and Exchange Commission on October 31, 1996.
- (3) Incorporated by reference to Registration Statement on Form S-8 (File No. 333-17299) as filed with the Securities and Exchange Commission on December 5, 1996.
- (4) Incorporated by reference to the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1999, of OPTi Inc.
- (5) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 18, 2002.
- (6) Incorporated by reference to the Annual Report on Form 10-K for the Fiscal Year Ended March 31, 2005, of OPTi Inc.

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(b) Reports on Form 8-K.

None.

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

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

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Palo Alto, State of California on the day of June 28, 2010.

OPTi Inc.

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

POWER OF ATTORNEY

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

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

Signatures	Title	Date
<u>/s/ BERNARD MARREN</u> Bernard Marren	President and Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	June 28, 2010
<u>/s/ MICHAEL MAZZONI</u> Michael Mazzoni	Chief Financial Officer (Principal Financial and Accounting Officer)	June 28, 2010
<u>/s/ STEPHEN DIAMOND</u> Stephen Diamond	Director	June 28, 2010
<u>/s/ KAPIL K NANDA</u> Kapil K. Nanda	Director	June 28, 2010
<u>/s/ WILLIAM WELLING</u> William Welling	Director	June 28, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

OPTi, Inc.

Palo Alto, CA

We have audited the accompanying consolidated balance sheet of OPTi, Inc. (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of OPTi, Inc. as of March 31, 2010 and 2009, and the results of its operations and cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

San Ramon, California

/s/ ARMANINO McKENNA, LLP

June 29, 2010

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Table of Contents**OPTi Inc.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share amounts)**

	March 31	
	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,578	\$ 7,032
Accounts receivable	450	750
Prepaid expenses and other current assets	24	46
Deferred tax asset	11,385	
Total current assets	15,437	7,828
Equipment and furniture		
Office equipment	58	48
Furniture and fixtures	17	17
	75	65
Accumulated depreciation	(66)	(60)
	9	5
Other assets		
Deposits	18	
Non-current deferred tax asset	56	
Total other assets	74	
Total assets	\$ 15,520	\$ 7,833
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,173	\$ 1,107
Accrued expenses	448	569
Accrued employee compensation	12	238
Total current liabilities	2,633	1,914
Shareholders' equity		
Preferred stock, no par value:		
Authorized shares - 5,000,000		
No shares issued or outstanding		
Common stock, no par value:		
Authorized shares - 50,000,000		
Issued and outstanding shares - 11,641,903 at March 31, 2010 and 2009	13,539	13,539
Accumulated deficit	(652)	(7,620)
Total shareholders' equity	12,887	5,919

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Total liabilities and shareholders' equity

\$ 15,520 \$ 7,833

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

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

	Year Ended March 31, 2010	Year Ended March 31, 2009
Sales		
License sales	\$ 650	\$ 3,750
Net sales	650	3,750
Costs and expenses		
General and administrative	7,440	10,054
Total costs and expenses	7,440	10,054
Operating loss	(6,790)	(6,304)
Interest income and other	2,319	2,163
Loss before provision for income taxes	(4,471)	(4,141)
Income tax provision (benefit)	(11,439)	2
Net income (loss)	\$ 6,968	\$ (4,143)
Basic net income (loss) per share	\$ 0.60	\$ (0.36)
Shares used in computing basic per share amounts	11,642	11,642
Diluted net income (loss) per share	\$ 0.60	\$ (0.36)
Shares used in computing diluted per share amounts	11,645	11,642

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

Table of Contents**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(In thousands, except share amounts)

	Common Stock		Retained Earnings/ (Accumulated Deficit)	Other Comprehensive Income/(Loss)	Total Shareholders Equity
	Shares	Amount			
Balance at March 31, 2008	11,641,903	\$ 13,539	\$ (3,477)	\$ (250)	\$ 9,812
Other comprehensive income				250	250
Net loss			(4,143)		(4,143)
Total comprehensive loss					(3,893)
Balance at March 31, 2009	11,641,903	13,539	(7,620)		5,919
Net Income			6,968		6,968
Balance at March 31, 2010	11,641,903	\$ 13,539	\$ (652)	\$	\$ 12,887

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Table of Contents**OPTi Inc.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	Year Ended March 31, 2010	Year Ended March 31, 2009
Operating activities		
Net income (loss)	\$ 6,968	\$ (4,143)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	6	8
Release of tax valuation allowance	(11,439)	
Changes in operating assets and liabilities:		
Accounts receivable	300	(750)
Prepaid expenses and other current assets	4	40
Accounts payable	1,066	705
Accrued expenses	(121)	(9)
Accrued employee compensation	(226)	238
Net cash used in operating activities	(3,444)	(3,911)
Investing activities		
Purchases of property and equipment	(10)	
Proceeds from sale of auction rate securities		4,100
Net cash provided by (used in) investing activities	(10)	4,100
Net increase (decrease) in cash and cash equivalents	(3,454)	189
Cash and cash equivalents at beginning of year	7,032	6,843
Cash and cash equivalents at end of year	\$ 3,578	\$ 7,032
Supplemental cash flow information		
Cash paid for income taxes	\$ 2	\$ 3

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

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OPTi Inc.

NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Company - OPTi Inc., a California corporation, is engaged in licensing its intellectual property for use principally by personal computer manufacturers and semiconductor device manufacturers.

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

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

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. At March 31, 2010 and 2009 substantially all cash and cash equivalents consisted of money market accounts.

Marketable Securities - The Company historically invested portions of its excess cash in high quality, auction rate preferred securities with reset dates every twenty-eight days. Since 2009, the Company has only invested in money market accounts. Interest on the investments is included in interest income.

Income Taxes - Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. The Company records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be recognized.

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

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

Comprehensive Income (Loss) - Other comprehensive income (loss) consists of unrealized gains and losses on available-for-sale securities and long-term investments. Comprehensive income (loss) has been disclosed in the statement of stockholders' equity for all periods presented.

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

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the authoritative guidance to eliminate the historical GAAP hierarchy and establish only two levels of U.S. GAAP, authoritative and non-authoritative. When launched on July 1, 2009, the FASB Accounting Standards Codification (ASC) became the single source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the ASC. This authoritative guidance was effective for financial statements for interim or annual reporting periods ended after September 15, 2009. The Company adopted the new codification in the second quarter of fiscal 2010 and it did not have any impact on the Company's condensed consolidated financial statements.

Table of Contents**OPTi Inc.****NOTES TO CONSOLIDATED****FINANCIAL STATEMENTS (Continued)****Note 2 - Shareholders' Equity*****Preferred Stock***

The Board of Directors has authority to issue up to 5,000,000 shares of Preferred Stock in one or more series and to fix the rights, preferences, privileges, qualifications, limitations and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without any further vote or action by the shareholders.

Stock Option Plans

No options were granted to employees during fiscal years 2010 and 2009.

1993 Stock Option Plan

The Company's 1993 Stock Option Plan (the "1993 Plan"), which was adopted in February 1993, provides for the granting of 8,066,478 incentive stock options to employees or for the granting of nonstatutory stock options to employees and consultants of the Company. The Board of Directors determines the term of each option, the option price and the condition under which the option becomes exercisable. The options generally vest over four years from the date of grant and expire ten years from the date of grant.

The activity under the 1993 Plan (including the Evergreen Plan) is as follows:

	Shares	Outstanding Weighted Average Exercise Price Per Share
Outstanding at March 31, 2008	100,000	\$ 4.63
Cancelled in 2009	(100,000)	4.63
Outstanding at March 31, 2009 and 2010		\$

There were no shares outstanding as of March 31, 2010 and 2009 under the 1993 Stock Option Plan.

1993 Director Stock Option Plan

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

The activity under the 1993 Director Plan is as follows:

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	Shares	Outstanding Weighted Ave. Exercise Price Per Share
Outstanding at March 31, 2008	8,000	\$ 2.01
Outstanding at March 31, 2009	8,000	\$ 2.01
Outstanding at March 31, 2010	8,000	\$ 2.01

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Table of Contents**OPTi Inc.****NOTES TO CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

As of March 31, 2010 and 2009, there were 8,000 options outstanding and exercisable. The weighted average exercise price for the exercisable shares as of March 31, 2010 was \$2.01.

Stock Options Outstanding and Stock Options Exercisable:

The following table summarizes information about options outstanding at March 31, 2010:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted Average Contractual Life (in years)	Weighted Average Per Share Exercise Price	Number of Shares	Average Weighted Exercise Price Per Share
\$ 1.27	4,000	2.76	\$ 1.27	4,000	\$ 1.27
\$ 2.74	4,000	1.76	\$ 2.74	4,000	\$ 2.74

Activity under our Stock Option Plans is summarized as follows:

	Number of Shares	Weighted Average Per Share Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at April 1, 2009	8,000	\$ 2.01		
Outstanding at March 31, 2010	8,000	\$ 2.01	2.26	\$ 16
Exercisable at March 31, 2010	8,000	\$ 2.01	2.26	\$ 16

There were no options granted during the fiscal years ended March 31, 2010 and 2009.

Common Stock Reserved

At March 31, 2010, the Company has reserved shares of common stock for future issuance as follows:

1993 Director Stock Option Plan	8,000
Totals	8,000

As of March 31, 2010, the Company has no option available for future issuance.

Table of Contents**OPTi Inc.****NOTES TO CONSOLIDATED****FINANCIAL STATEMENTS (Continued)****3. Net Income (Loss) Per Share**

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

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

	Year Ended March 31,	
	2010	2009
Net income (loss)	\$ 6,968	\$ (4,143)
Weighted average number of common shares outstanding	11,642	11,642
Basic and diluted net income (loss) per share	\$ 0.60	\$ (0.36)
Weighted average number of common shares outstanding	11,642	11,642
Effect of dilutive securities:		
Employee stock options	3	
Denominator for diluted net loss per share	11,645	11,642
Diluted net income (loss) per share	\$ 0.60	\$ (0.36)

The Company has excluded options for the purchase of 8,000 shares of common stock from the calculation of diluted net loss per share in 2009 because all such securities are anti-dilutive for the periods.

Note 4 - Cash and Equivalents

The following is a summary as of March 31, 2010 and 2009 (in thousands):

	March 31, 2010	March 31, 2009
Cash	\$ 100	\$ 100
Money Market	3,478	6,932
Total	\$ 3,578	\$ 7,032

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:

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- 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.

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Table of Contents**OPTi Inc.****NOTES TO CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

As of March 31, 2010 and March 31, 2009, the Company had cash and investments in money market funds of \$3.6 million and \$7.0 million, respectively, in cash equivalents classified as Level I in the fair value hierarchy and no Level II or Level III investments.

Note 5 - Commitments

The Company leases its facility under a noncancelable operating lease that expires in December 2011.

Rental expense for operating leases amounted to \$107,000 and \$102,000, respectively, for the years ended March 31, 2010 and 2009.

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

March 31, 2011	\$ 114,662
March 31, 2012	87,890
Total lease commitment	\$ 202,552

Note 6 - Concentrations***Major Customer***

During fiscal year 2010 the Company recorded \$650,000 as revenue. All of the revenue in fiscal year 2010 was from a licensing agreement with VIA. The Company received all of its revenue in fiscal year 2009 from a settlement of an intellectual property dispute with NVIDIA.

Note 7 - Income Taxes

The provision (benefit) for income taxes consists of the following (**in thousands**):

	2010	2009
Federal:		
Current	\$	\$
Deferred	(9,602)	
	(9,602)	
State:		
Current	2	2
Deferred	(1,838)	
	(1,836)	2
Total	\$ (11,439)	\$ 2

Reconciliations of the provisions for income taxes at the statutory rate to the Company's provision for income tax are as follows (**in thousands**):

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	2010	2009
Expected benefit at federal statutory rates	\$ (1,520)	\$ (1,408)
State income tax (benefit), net of federal effect	(260)	(240)
Valuation allowance	(11,853)	1,035
Tax credit reserves and expiration	2,366	611
Other	(172)	4
Provisions for (Benefit from) Income Taxes	\$ (11,439)	\$ 2

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Table of Contents**OPTi Inc.****NOTES TO CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

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

	2010	2009
Deferred tax assets:		
Net operating loss carry forward	\$ 10,702	\$ 8,711
Tax credit carry forwards	824	3,190
Depreciation and amortization	14	35
Reserves and accruals	4	21
Total deferred tax assets	\$ 11,545	\$ 11,957
Valuation allowance	(104)	(11,957)
Net deferred tax assets	\$ 11,441	\$

During fiscal year 2010, the Company recorded an income tax benefit of approximately \$11.4 million related to reduction in the Company's valuation allowance against its deferred tax assets that will more likely than not be realized.

In evaluating its ability to recover its deferred tax assets, the Company considers all available positive and negative evidence including its past operating results, the existence of cumulative losses and its forecast of future taxable income. In determining future taxable income, the Company is responsible for assumptions utilized including the amount of state, federal and international pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying businesses. Based on known sources of future taxable income related to legal settlements consummated during fiscal year 2010, the Company has determined that it is more-likely-than-not that \$11.4 million of deferred tax asset will be realized.

The Company's valuation allowance decreased by \$11.9 million and increased by \$1.6 million in the twelve months ended March 31, 2010 and 2009, respectively.

As of March 31, 2010, the Company has U.S. federal and state net operating losses of approximately \$25.9 million and \$32.3 million, respectively. The U.S. federal net operating loss carryforwards will expire at various dates beginning in 2019 through 2030 if not utilized. State net operating loss carryforwards will expire at various dates beginning in 2013 through 2030.

As of March 31, 2010, the Company has U.S. federal and state minimum tax credit carryforwards of approximately \$767,000 and \$86,000, respectively. These credits can be carried forward indefinitely.

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

Effective April 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). This interpretation clarifies the criteria for recognizing income tax benefits under SFAS 109 and requires additional disclosures about uncertain tax positions. Under FIN 48, the financial statement recognition of the benefit for a tax position is dependent upon the benefit being more likely than not to be sustainable upon audit by the applicable taxing authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than fifty percent likely of being realized upon ultimate settlement. Upon adoption of FIN 48 on April 1, 2007, the Company recognized \$1.4 million of unrecognized tax benefits and no adjustment to the opening balance in retained earnings.

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As of March 31, 2010 the Company did not accrue any interest related to uncertain tax positions. If any future accrual is required, the Company will account for interest related to uncertain tax positions as part of its provision for federal and state income taxes. The Company does not expect its unrecognized tax benefits to materially change over the next twelve months.

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Table of Contents**OPTi Inc.****NOTES TO CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

A reconciliation of the beginning and ending balance of the consolidated liability for unrecognized income tax benefits during the year ended March 31, 2010 is as follows (in thousands):

	2010	2009
Balance at April 1	\$ 1,025	\$ 1,228
Additions for tax positions of prior years	2,934	0
Reductions for tax positions of prior years	(47)	(203)
Balance at March 31	\$ 3,912	\$ 1,025

The amount of unrecognized tax benefit which would impact the effective tax rate, if realized is \$482,000.

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 1997 – 2010 and 1994 – 2010, respectively.

Note 8 - Employee Benefit Plan

Savings Plan The Company has a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. Under the plan, participating U.S. employees may defer up to 15% of their pre-tax salary, but not more than the statutory limits. The Company currently matches fifty percent of employee contributions made to the savings plan. During 2010 and 2009, the amount of the Company contribution to the 401k plan was approximately \$14,000 and \$17,000, respectively. Administrative costs of the plan are immaterial.

Note 9 - Contingencies

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 AMD for infringement of a U.S. patent relating to its Predictive Snooping technology.

On April 30, 2010, the Company entered into a litigation settlement and license agreement with AMD pursuant to which the Company agreed to dismiss its patent infringement lawsuit against AMD and licensed certain patents to AMD. AMD will make five quarterly non-refundable, non-creditable fully earned payments totaling \$32 million to the Company. There is no future performance obligation. In accordance with the Company's revenue recognition policy \$32 million will be 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 for infringement of a U.S. patent. The patent at issue in the lawsuit was U.S. Patent No. 6,405,291; entitled Predictive Snooping of Cache Memory for Master-Initiated Accesses. The complaint alleges 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 Inc and Apple Inc. The jury ruled on the following four issues:

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In the matter of willful infringement, the jury rules 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 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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FINANCIAL STATEMENTS (Continued)

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

Apple has filed a number of post-trial motions seeking to reverse the jury verdict or to secure a new trial on a variety of issues.

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.

Both parties in the case have filed for appeal and are awaiting a date from the appellate court case.

On July 3, 2007, the Company announced that it had filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against eight companies for infringement of two U.S. patents. The two patents at issue in the lawsuit are U.S. Patent No. 5,944,807 and U.S. Patent No. 6,098,141; both entitled Compact ISA-Bus Interface. The complaint alleges that Advanced Micro Devices, Atmel Corporation, Broadcom Corporation, Renesas Technology America, Inc., Silicon Storage Technology, Inc., SMSC, STMicroelectronics and VIA Technologies, Inc. have infringed that 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 fiscal year 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 pursuant to which 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 will be 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 December 10, 2009, the Company initiated an 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 entered into between NVIDIA and the Company dated August 3, 2006. The Company is seeking payment of the additional quarterly royalty payments it is entitled to under the terms of the license agreement.

The ultimate outcomes of the Apple and NVIDIA legal actions will have significant effects on the Company's ability to realize ongoing license revenue.

Note 10 - Subsequent Events

On April 30, 2010, the Company entered into a litigation settlement and license agreement and a settlement and license agreement with AMD (the License Agreements). Under the terms of the License Agreements the Company agreed to dismiss its patent infringement lawsuits against AMD and licensed certain patents to AMD. AMD will make five quarterly non-refundable, non-creditable fully earned payments totaling \$35 million to the Company. There is no future performance obligation. In accordance with the Company's revenue recognition policy \$35 million will be 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.

The Company has evaluated all events that occurred after March 31, 2010 through the issuance of these financial statements.

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

Year Ended March 31, 2010	Jun 30	Sep 30	Dec 31	Mar 31
Net revenues	\$	\$	\$ 650	\$
Gross profit	\$	\$	\$ 650	\$
Operating profit (loss)	\$ (2,275)	\$ (1,164)	\$ (802)	\$ (2,548)
Net income (loss)	\$ 9,298	\$ 738	\$ (519)	\$ (2,549)
Basic and diluted net income (loss) per share	\$ 0.80	\$ 0.06	\$ (0.04)	\$ (0.22)
Year Ended March 31, 2009	Jun 30	Sep 30	Dec 31	Mar 31
Net revenues	\$	\$ 3,750	\$	\$
Gross profit	\$	\$ 3,750	\$	\$
Operating profit (loss)	\$ (1,691)	\$ 952	\$ (3,159)	\$ (2,406)
Net income (loss)	\$ (1,596)	\$ 1,201	\$ (2,110)	\$ (1,638)
Basic and diluted net income (loss) per share	\$ (0.14)	\$ 0.10	\$ (0.18)	\$ (0.14)