

OPTI INC
Form 10-Q
November 15, 2004
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2004

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

For the Transition Period from:

Commission File Number 0-21422

OPTi Inc.

(exact name of registrant as specified in this charter)

California

77-0220697

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(State or other jurisdiction of

(I.R.S. Employer

incorporated or organization)

Identification No.)

880 Maude Avenue, Suite A, Mountain View, CA
(Address of principal executive offices)

94043
(Zip Code)

Registrant's telephone number, including area code (650) 625-8787

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 proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares outstanding of the registrant's common stock as of October 31, 2004 was 11,633,903.

Table of Contents

OPTi Inc.

Form 10-Q

For the Quarterly Period Ended September 30, 2004

INDEX

| | Page |
|--|-------------|
| Part I. Financial Information | |
| Item 1. Financial Statements (Unaudited) | |
| a) <u>Condensed Consolidated Statements of Operations for the three and six-months ended September 30, 2004 and 2003</u> | 3 |
| b) <u>Condensed Consolidated Balance Sheets as of September 30, 2004 and March 31, 2004</u> | 4 |
| c) <u>Condensed Consolidated Statements of Cash Flows for the three and six-months ended September 30, 2004 and 2003</u> | 5 |
| d) <u>Notes to Condensed Consolidated Financial Statements</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 10 |
| Item 3. <u>Quantitative and Qualitative Disclosure about Market Risks</u> | 13 |
| Item 4. <u>Controls and Procedures</u> | 14 |
| Part II. Other information | 15 |
| Item 1. <u>Legal Proceedings</u> | 15 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 15 |
| Item 3. <u>Defaults Upon Senior Securities</u> | 15 |
| Item 4. <u>Submission of Matters to a Vote of Shareholders</u> | 15 |
| Item 5. <u>Other Information</u> | 15 |
| Item 6. <u>Exhibits</u> | 15 |
| <u>Signatures</u> | 16 |

Table of Contents

OPTi Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(000 s omitted, except per share data)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|-------------------------------------|-----------|-----------------------------------|---------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenue | | | | |
| License and royalties | \$ | \$ 152 | \$ 52 | \$ 736 |
| Net Sales | | 152 | 52 | 736 |
| Costs and expenses | | | | |
| Selling, general and administrative | 337 | 233 | 685 | 489 |
| Total costs and expenses | 337 | 233 | 685 | 489 |
| Operating income (loss) | (337) | (81) | (633) | 247 |
| Interest and other income, net | 42 | 32 | 70 | 67 |
| Income (loss) before income tax provision (benefit) | (295) | (49) | (563) | 314 |
| Income tax provision (benefit) | (75) | | (75) | |
| Net income (loss) | \$ (220) | \$ (49) | \$ (488) | \$ 314 |
| Basic net income (loss) per share | \$ (0.02) | \$ (0.00) | \$ (0.04) | \$ 0.03 |
| Diluted net income (loss) per share | \$ (0.02) | \$ (0.00) | \$ (0.04) | \$ 0.03 |
| Shares used in computing basic per share amounts | 11,634 | 11,634 | 11,634 | 11,634 |
| Shares used in computing diluted per share amounts | 11,634 | 11,634 | 11,634 | 11,634 |

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

Table of Contents

OPTi Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2004 | March 31, 2004 * |
|--|-----------------------|---------------------|
| | Unaudited | |
| | (000 s omitted) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 15,187 | \$ 15,520 |
| Accounts receivable | | 143 |
| Other current assets | 88 | 58 |
| Total current assets | 15,275 | 15,721 |
| Property and equipment, net | 10 | 9 |
| Other assets | | 14 |
| Total assets | \$ 15,285 | \$ 15,744 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 113 | \$ 26 |
| Accrued expenses | 182 | 164 |
| Income taxes payable | 1 | 78 |
| Accrued employee expenses | 3 | 2 |
| Total current liabilities | 299 | 270 |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Preferred stock, no par value Authorizd shares - 5,000 No shares issued or outstanding | | |
| Common stock, no par value Authorizd shares - 50,000 Issued and outstanding - 11,634 at September 30, and March 31, 2004 | 15,053 | 15,053 |
| Retained earnings | (67) | 421 |
| Total shareholders' equity | 14,986 | 15,474 |
| Total liabilities and shareholders' equity | \$ 15,285 | \$ 15,744 |

* The balance sheet of March 31, 2004 has been derived from the audited financial statements at that date.

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

Table of Contents

OPTi Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | Six Months Ended September 30, | |
|--|---|-------------|
| | 2004 | 2003 |
| | (000 s omitted) | |
| Operating Activities: | | |
| Net income (loss) | \$ (488) | \$ 314 |
| Adjustments: | | |
| Depreciation | 2 | 3 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 143 | 116 |
| Other assets | (16) | (31) |
| Accounts payable | 87 | (28) |
| Accrued expenses | (59) | (29) |
| Accrued employee expenses | 1 | 7 |
| Net cash provided by (used in) operating activities | (330) | 352 |
| Investing Activities: | | |
| Purchase of equipment | (3) | |
| Net cash provided by (used in) investing activities | (3) | |
| Financing Activities: | | |
| Net cash provided by financing activities | | |
| Net increase (decrease) in cash and cash equivalents | (333) | 352 |
| Cash and cash equivalents beginning of period | 15,520 | 14,996 |
| Cash and cash equivalents end of period | \$ 15,187 | \$ 15,348 |

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

Table of Contents

OPTi Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2004

(Unaudited)

1. Basis of Presentation

The information at September 30, 2004 and for the three and six-month periods ended September 30, 2004 and 2003, are unaudited, but include all adjustments (consisting of normal recurring accruals) which the Company's management believes to be necessary for the fair presentation of the financial position, results of operations and cash flows for the periods presented. Interim results are not necessarily indicative of results for a full year.

The accompanying financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2004.

Sale of the Product Fabrication, Distribution and Sales Operations

On September 30, 2002, the Company announced that it had sold its product fabrication, distribution and sales operations to Opti Technologies, Inc., an unrelated third party. As part of the transaction Opti Technologies was to pay the Company \$275,000 in licensing fees and acquire the existing inventory at cost. The Company was also entitled to quarterly royalty payments for the sale of its core logic and USB products by Opti Technologies. The maximum license and royalty payments that the Company could receive from the agreement with Opti Technologies was \$1,500,000, which was completed in August 2004.

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.

Stock-based compensation

The Company accounts for stock-based compensation arrangements in accordance with the provisions of APB No. 25 (APB No. 25), Accounting for Stock Issued to Employees and complies with the provisions of Statement of Financial Accounting Standard No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation . Under APB No. 25, compensation cost is, in general, recognized based on the excess, if any,

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of the fair market value of the Company's stock on the date of grant over the amount an employee must pay to acquire the stock. Equity instruments issued to non-employees are accounted for in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force 96-18.

SFAS No. 123 pro forma disclosures

Had compensation cost for the Company's option plans been determined using the fair value at the grant dates, as prescribed in SFAS No. 123, the Company's net income (loss) would have been as follows (in thousands, except per share amounts):

| | Three-Months Ended | | Six-Months Ended | |
|---|---------------------------|-------------|-------------------------|-------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Net income (loss): | | | | |
| As reported | \$ (220) | \$ (49) | \$ (488) | \$ 314 |
| Less: Total stock-based employee compensation expense under the fair value based methods for all awards, net of related tax effects | 1 | | 2 | |
| Pro forma net income (loss) | \$ (221) | \$ (49) | \$ (490) | \$ 314 |
| Pro forma basic net income (loss) per share | \$ (0.02) | \$ 0.00 | \$ (0.04) | \$ 0.03 |
| Pro forma diluted net income (loss) per share | \$ (0.02) | \$ 0.00 | \$ (0.04) | \$ 0.03 |

Table of Contents**2. Net Income (Loss) Per Share**

Basic net income (loss) per share and diluted net loss per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of stock options. At September 30, 2004 and 2003, options for 150,666 shares at exercise prices ranging from \$1.27 to \$7.50 were outstanding.

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

| | Three Months ended September 30, | | Six-Months ended September 30, | |
|--|-------------------------------------|---------|-----------------------------------|---------|
| | 2004 | 2003 | 2004 | 2003 |
| Net income (loss) | \$ (220) | \$ (49) | \$ (488) | \$ 314 |
| Weighted average number of common shares outstanding | 11,634 | 11,634 | 11,634 | 11,634 |
| Basic net income (loss) per share | \$ (0.02) | \$ 0.00 | \$ (0.04) | \$ 0.03 |
| Weighted average number of common shares outstanding | 11,634 | 11,634 | 11,634 | 11,634 |
| Effect of dilutive securities: | | | | |
| Employee stock options | | | | |
| Denominator for diluted net income (loss) per share | 11,634 | 11,634 | 11,634 | 11,634 |
| Diluted net income (loss) per share | \$ (0.02) | \$ 0.00 | \$ (0.04) | \$ 0.03 |

3. Comprehensive income (loss)

The Company's total comprehensive income (loss) is as follows (in thousands):

| | Three-Months ended September 30, | | Six-Months ended September 30, | |
|--|-------------------------------------|---------|-----------------------------------|--------|
| | 2004 | 2003 | 2004 | 2003 |
| Net income (loss), as reported | \$ (220) | \$ (49) | \$ (488) | \$ 314 |
| Other comprehensive gain | | | | |
| Unrealized gain on marketable securities | | 155 | | 184 |

| | | | | |
|-----------------------------|----------|--------|----------|--------|
| Comprehensive income (loss) | \$ (220) | \$ 106 | \$ (488) | \$ 498 |
|-----------------------------|----------|--------|----------|--------|

4. Commitments and Contingencies

The Company has from time to time been notified of claims that it may be infringing patents, maskworks rights or copyrights owned by third parties. There can be no assurance that the Company will not become involved in litigation regarding the alleged infringements by the Company of third party intellectual property rights. However, the Company believes that the final disposition of such matters will not have a material adverse effect on the Company's financial position, results of operations and cash flows.

Table of Contents

The Company generally indemnifies, under predetermined conditions, its customers for infringement of third party intellectual property rights by its products or services.

5. Taxes

The Company recorded a one-time tax benefit of \$75,000 during the quarter ended September 30, 2004 and for the six-month period ending September 30, 2004. The Company recorded no tax provision for the three and six-month periods ending September 30, 2003. The tax benefit that the Company recorded in the September 2004 period relates to certain tax exposures for a period which the statute of limitations has now closed. The Company's effective tax rate differed from the federal statutory rate in 2004 and 2003 due to a one-time tax benefit in the second quarter of 2004, as well as the uncertainty of the Company returning to profitability and the utilization of prior year tax losses carried forward, respectively.

6. Revenue

During the three-months ended September 30, 2004 the Company did not recognize any revenue. During the three-month period ended September 30, 2003 the Company recognized royalty revenue of \$152,000. During the six-month period ending September 30, 2004 and 2003, the Company recognized royalty revenue of \$52,000 and \$311,000, respectively. The revenue in the six-month period ending September 30, 2003 related to a non-recurring license fee.

During the first fiscal quarter of 2005, the Company recorded \$52,000 in royalty revenue from Opti Technologies, Inc. No further revenue is expected from Opti Technologies, Inc. and the Company's future revenues depend on the success of our strategy of pursuing license claims on our intellectual property position.

7. National Semiconductor Settlement

On June 26, 2003, the Company and National Semiconductor Corporation (NSC) reached a Settlement and Patent License Agreement in regards to the claim filed by the Company against NSC in April 2002, and NSC's counterclaim filed against the Company in September 2002.

The license agreement grants NSC a non-exclusive, perpetual, royalty-free, worldwide license under the OPTi patents at issue in the April 2002 claim and also grants to OPTi a non-exclusive, perpetual, royalty-free, worldwide license under the NSC patent at issue in the September 2002 counterclaim.

Concurrent with the execution of this agreement NSC made a one-time payment to OPTi, which was recorded as license revenue. Both parties also executed a Stipulation and Order of Dismissal, whereby the parties dismissed with prejudice all claims and counterclaims asserted against each other.

8. Nasdaq Delisting

On May 24, 2004, the Company received notice from Nasdaq that pursuant to the April 1, 2004 oral hearing before the Nasdaq listing Qualification Panel, a determination had been made in the matter of the Company and its request for continued inclusion on the Nasdaq National Market.

After a review of the entire record the qualification panel concluded that the Company was a public shell. The panel was of the opinion that the pursuit of patent infringement claims did not constitute active and sustainable business operations. Based on the foregoing, the Panel determined that, in order to preserve and strengthen the quality of and public confidence in The Nasdaq Stock Market, and in order to protect the integrity of The National Stock Market, prospective investors and the public interest, the Company's securities should be delisted from The Nasdaq Stock Market. The delisting became effective with the opening of business on May 26, 2004.

Table of Contents

The Company's common stock is currently being listed and traded on the over-the-counter market in the so-called "pink sheets" .

9. Subsequent Events

On October 19, 2004, the Company announced that it has filed a complaint against nVidia Corporation ("nVidia"), in the Eastern District of Texas, for infringement of five U.S. patents. The five patents at issue in the lawsuit are U.S. patent No. 5,710,906, U.S. patent No. 5,813,036, U.S. patent No. 6,405,291, all entitled "Predictive Snooping of Cache Memory for Master-Initiated Accesses" , 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 nVidia infringes the patents by making, selling, and offering for sale products based on and incorporating Predictive Snooping technology and the Low Pin Count Interface Specification in various of its products and inducing and contributing to the infringement of the patents by others. OPTi has requested a jury trial in this matter.

Table of Contents

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

Results Of Operations

Information set forth in this report constitutes and includes forward looking information made within the meaning of Section 27A of the Securities 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 market conditions generally and in the personal computer and semiconductor industries, changes in intellectual property law in the semiconductor industry, the willingness of the parties we believe are infringing our patents to settle our claims against them, the amount of litigation costs we must incur in pursuing our patent infringement claims and other matters. Readers are encouraged to refer to "Factors Affecting Earnings and Stock Price" found below in this Item 2.

Opti was founded in 1989 and was an independent supplier of semiconductor products to the personal computer market. During fiscal 2003, the Company announced that it had sold its product fabrication, distribution and sales operations to Opti Technologies, Inc., an unrelated third party. In addition, the Company believes that certain of its patented technology is in widespread 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.

In the future, the Company will pursue revenue through the pursuit of licenses from users of its intellectual property. The Company does not expect to receive additional significant revenue other than any that may result through the pursuit of its patent infringement cases and associated licensee efforts.

Critical Accounting Policies

We have identified the policy below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to this policy on our business is discussed throughout Management's Discussion and Analysis of Financial Conditions and Results of Operations where this policy affects our reported and expected financial results. Note that our preparation of this report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period.

Contingencies

From time to time we are subject to proceedings, lawsuits and other claims related to products, patents and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

Fiscal 2005 Compared to Fiscal 2004

Revenues

The Company had no revenues for the second quarter ended September 30, 2004, as compared to net revenue of \$152,000 for the quarter ended September 30, 2003. The decrease in net revenue for the three-month period ending September 30, 2004, as compared to the three-month period ending September 30, 2003, was due to the Company recording the remaining royalty revenue from OPTi Technologies in the quarter ended June 2004. Net revenue for the first six-months of fiscal 2005 was \$52,000 as compared to \$736,000 for the first six-months of fiscal 2004. The decrease in net revenue for the first six-months of fiscal 2005 as compared to the first six-months of fiscal 2004 was due to lower royalty revenue from Opti Technologies, Inc. and a one-time license fee received in the quarter ended June 2003.

Table of Contents

During the first fiscal quarter of 2005, the Company recorded \$52,000 in royalty revenue from Opti Technologies, Inc. No further revenue is expected from Opti Technologies, Inc. and the Company's future revenues depend on the success of our strategy of pursuing license claims on our intellectual property position.

Selling, General and Administrative

Selling, general and administrative costs were \$337,000 in the quarter ending September 30, 2004 as compared to \$233,000 for the quarter ending September 30, 2003. The increase in selling, general and administrative expenses for the quarter ending September 30, 2004 versus the prior year is due to an increase in legal expenses. Selling, general and administrative costs were \$685,000 for the first six-months of fiscal 2005 as compared to \$489,000 for the comparable period of fiscal 2004. The increase in selling, general and administrative costs for the first six-months of 2005 as compared to 2004 was mainly attributable to increased legal costs as the Company pursues its licensing strategy.

The Company anticipates that selling, general and administrative costs could increase in future quarters as the Company's legal expenses will grow as it pursues licenses from users of its intellectual property.

Interest and Other Income, Net

Interest and other income, net was \$42,000 and \$32,000 for the quarters ended September 30, 2004 and 2003, respectively. The increase in interest and other income for the comparable periods is due to higher interest rates in the quarter ended September 30, 2004 as compared the quarter ended September 30, 2003. Interest and other income, net was \$70,000 and \$67,000 for the six-month periods ending September 2004 and 2003, respectively.

Income Taxes

The Company recorded a one-time tax benefit of \$75,000 during the quarter ended September 30, 2004 and for the six-month period ending September 30, 2004. The Company recorded no tax provision for the three and six-month periods ending September 30, 2003. The tax benefit that the Company recorded in the September 2004 period relates to certain tax exposures for a period which the statute of limitations has now closed. The Company's effective tax rate differed from the federal statutory rate in 2004 and 2003 due to a one-time tax benefit in the second quarter of 2004, as well as the uncertainty of the Company returning to profitability and the utilization of prior year tax losses carried forward, respectively.

Liquidity and Capital Resources

Cash, cash equivalents and short-term investments decreased to \$15,187,000 at September 30, 2004 from \$15,520,000 at March 31, 2004. The decrease in cash, cash equivalents and short-term investments of approximately \$0.3 million from March 31, 2004 to September 30, 2004, primarily relates to net loss for the period, offset, in part by a decrease in accounts receivable. Working capital as of September 30, 2004 decreased to \$14,976,000 from \$15,451,000 at March 31, 2004, this decrease relates to the net loss during the period. During the first six-months

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of fiscal 2005, operating activities used \$0.3 million of cash. Cash used from operating activities was primarily due to the net loss of \$488,000 during the period, partially offset by, a \$143,000 decrease in accounts receivable as the Company reached the maximum royalty amounts it could earn under the Opti Technologies Inc. license agreement and an increase in accounts payable. The Company had minimal investing activities during the six-month ended September 30, 2004 and no investing activities in the six-months ended September 30, 2003. The Company had no financing activities during the six-month periods ending September 30, 2004 and 2003, respectively.

At September 30, 2004, the Company's principal source of liquidity included cash and cash equivalents of approximately \$15.2 million. The Company believes that its existing sources of liquidity will satisfy the Company's projected working capital and other cash requirements through at least the next twelve months.

Table of Contents

The Company's current building lease agreement is scheduled to end on April 30, 2005. The total remaining commitment under the amended lease at September 30, 2004 is approximately \$35,000.

Factors Affecting Earnings and Stock Price

Reporting of OPTi Common Stock Trading on the Pink Sheets

In May 2004, the Nasdaq National Market advised us that it had denied our appeal of the Nasdaq staff's determination to delist our common stock due to the staff's belief that OPTi's current business plan of pursuing license revenues from companies we believe are infringing OPTi's patents did not constitute active business operations, at a level and type consistent with the Nasdaq's qualitative listing criteria for listed companies.

Since May 26, 2004, our common stock has traded over-the-counter and has been quoted on the Pink Sheets. 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

During the first fiscal quarter of 2005, the Company accrued \$52,000 in royalty revenue from Opti Technologies, Inc. No further revenue is expected from Opti Technologies, Inc. and the Company's future revenues depend on the success of our strategy of pursuing license claims on our intellectual property position. Although the Company has engaged a law firm to pursue licensing on our behalf, and recently announced the filing of a lawsuit against a party we believe is infringing our intellectual property, there can be no assurances whether or when revenues will result from the pursuit of such claims.

Costs of Pursuing Our Patent Infringement Claims

Although we intend to resolve our claims against companies we believe are infringing our patents in a cost-efficient manner, those companies may choose to engage in costly litigation rather than settle our claims with us. Patent litigation can be costly, lengthy and uncertain. Therefore,

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we may incur significant litigation and other costs in pursuit of our intellectual property claims. We do not currently have and do not expect to have revenue from sources other than the pursuit of our claims. Therefore, the litigation and other costs associated with our pursuit of such claims will result in a reduction of our assets unless and until we can resolve the claims in our favor.

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 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.

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, 2003, the Company reached a settlement of certain claims and counterclaims with National Semiconductor that included, among other things, a one time

Table of Contents

cash payment to the Company. Under the terms of the settlement, the Company will not receive future payments from National Semiconductor. Consequently, settlements 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.

Limited Trading Volume

Daily trading volume in our shares has varied from zero to over one million 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.

Item 3. Quantitative and Qualitative Disclosure About Market Risks

Interest Rate Sensitivity

We maintain our cash primarily in money market funds. We do not have any derivative financial instruments. As of September 30, 2004, all of our cash investments mature in less than thirty days. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

Table of Contents

Item 4. Controls and Procedures

- (a) We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to exchange Act Rules 13a-14 and 13a-15 as of the end of the Company's fiscal quarter ended September 30, 2004. Based upon that evaluation, our Chief Executive Officer along with our Chief Financial Officer concluded that, as of the end of the fiscal quarter, our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in our periodic SEC filings.

- (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 to the extent necessary 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.

Table of Contents

OPTi Inc.

Part II. Other Information

Item 1. Legal Proceedings

See footnote 7 in Notes to Condensed Consolidated Financial Statements

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable and has been omitted.

Item 3. Defaults Upon Senior Securities

Not applicable and has been omitted.

Item 4. Submission of Matters to a Vote of Shareholders

Not applicable and has been omitted.

Item 5. Other Information

Not applicable and has been omitted.

Item 6. Exhibits

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

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

