

OPTI INC
Form PRE 14A
September 25, 2007

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

OPTi Inc.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

OPTi Inc.

3430 W. Bayshore Road

Palo Alto, California 94303

October [], 2007

Dear Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of OPTi Inc. (OPTi) which will be held on November 27, 2007, at 10:00 am., Pacific Time, at the offices of Heller Ehrman LLP, at 275 Middlefield Road, Menlo Park, California 94025.

At the Annual Meeting, you will be asked to vote on the following proposals:

1. Elect four members to the Board of Directors. These directors will serve until the earlier of OPTi s next annual meeting or the appointment of their successors.
2. Ratify the appointment of Ernst & Young LLP as OPTi s independent registered public accounting firm for the fiscal year ending March 31, 2008.
3. Approve the form and use of indemnification agreements for OPTi s directors and officers.
4. Approve employment agreements for Bernard T. Marren, OPTi s President, Chief Executive Officer and Chairman of the Board, and Michael Mazzoni, OPTi s Chief Financial Officer and Secretary.

You may also be asked to vote on any other business as may properly come before the meeting or any postponement or adjournment thereof. As of the date hereof, OPTi is unaware of any such additional business.

The foregoing items of business are more fully described in the enclosed Proxy Statement. The formal Notice of Meeting, the proxy card and a copy of the Annual Report to Shareholders describing OPTi s operations for the year ended March 31, 2007 are also enclosed. Whether or not you plan to attend the meeting, it is important that you sign and return the enclosed proxy card promptly. A prepaid return envelope is provided for this purpose. Your shares will be voted at the meeting in accordance with your proxy.

Very truly yours,

OPTi Inc.

/s/ MICHAEL MAZZONI
Michael Mazzoni
Secretary

OPTi Inc.

Notice of Annual Meeting of Shareholders

To Be Held On November 27, 2007

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of OPTi Inc., a California corporation (OPTi or the Company), will be held on November 27, 2007 at 10:00 a.m., Pacific Time, at the offices of Heller Ehrman LLP, at 275 Middlefield Road, Menlo Park, California 94025 for the following purposes:

1. To elect four directors who will serve until the earlier of OPTi s next annual meeting or the appointment of their successors (Proposal No. 1);
2. To ratify the appointment of Ernst & Young LLP as OPTi s independent registered public accounting firm for the fiscal year ending March 31, 2008 (Proposal No. 2);
3. To approve the form and use of indemnification agreements for OPTi s directors and officers (Proposal No. 3);
4. To approve employment agreements for Bernard T. Marren, OPTi s President, Chief Executive Officer and Chairman of the Board, and Michael Mazzoni, OPTi s Chief Financial Officer and Secretary (Proposal No. 4); and
5. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof. As of the date of this Notice, OPTi is unaware of any such other business.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only shareholders of record at the close of business on October 18, 2007 are entitled to notice of and to vote at the meeting and any postponement or adjournment thereof.

Sincerely,

/s/ MICHAEL MAZZONI
Michael Mazzoni
Secretary

Palo Alto, California

October [], 2007

IMPORTANT: All shareholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any shareholder attending the meeting may vote in person even if such shareholder returned a proxy card.

OPTi Inc.

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON NOVEMBER 27, 2007

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of OPTi Inc. ("OPTi" or the "Company") for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on November 27, 2007 at 10:00 a.m., Pacific Time, or at any postponement or adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the offices of Heller Ehrman LLP at 275 Middlefield Road, Menlo Park, California 94025. The telephone number at that location is (650) 324-7000.

These proxy solicitation materials were mailed on or about October [], 2007 to all shareholders entitled to vote at the meeting.

Purposes of the Annual Meeting

The purposes of the Annual Meeting are to (i) elect four directors to serve until the earlier of OPTi's next annual meeting or the appointment of their successors; (ii) ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2008; (iii) approve the form and use of indemnification agreements for OPTi's directors and officers; (iv) approve employment agreements for Bernard T. Marren, OPTi's President, Chief Executive Officer and Chairman of the Board, and Michael Mazzone, OPTi's Chief Financial Officer and Secretary; and (v) transact such other business as may properly come before the Annual Meeting and at any and all postponements or adjournments thereof.

Annual Meeting Record Date and Share Ownership

Only shareholders of record at the close of business on October 18, 2007 (the "Annual Meeting Record Date") are entitled to receive notice of and to vote at the Annual Meeting. On the Annual Meeting Record Date, shares of the Company's common stock were issued and outstanding. For information regarding security ownership by management and by 5% shareholders, see Security Ownership of Certain Beneficial Owners and Management.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to Michael Mazzone, Secretary of the Company, at its principal executive offices, 3430 W. Bayshore Road, Palo Alto, California 94303, a written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. Attending the Annual Meeting, in and of itself, will not constitute a revocation of a proxy.

Voting and Solicitation

Every shareholder voting in the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares held by such shareholder, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder deems fit, provided that votes cannot be cast for more than four (4) candidates. However, no shareholder shall be entitled to cumulate votes for candidates unless the candidate names have been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the Annual Meeting prior to the voting of the intention to cumulate the shareholder's votes. On all other matters, each share has one (1) vote.

Shares of common stock represented by properly executed proxies will, unless such proxies have been previously revoked, be voted in accordance with the instructions indicated thereon. In the absence of specific instructions to the contrary, properly executed proxies will be voted: (i) FOR the election of each of the Company's nominees as a director; (ii) FOR ratification of the appointment of Ernst & Young LLP as OPTi's independent registered public accounting firm for the fiscal year ending March 31, 2008; (iii) FOR approval of the form and use of indemnification agreements for OPTi's directors and officers; and (iv) FOR approval of the employment agreements for Bernard T. Marren, OPTi's President, Chief Executive Officer and Chairman of the Board, and Michael Mazzoni, OPTi's Chief Financial Officer and Secretary. No business other than that set forth in the accompanying Notice of Annual Meeting of Shareholders is expected to come before the Annual Meeting. Should any other matter requiring a vote of shareholders properly arise, the persons named in the enclosed form of proxy will vote the shares they represent as the Board of Directors may recommend.

The cost of this solicitation will be borne by the Company. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone, telegram or letter.

Quorum; Abstentions; Broker Non-Votes

The required quorum for the transaction of business at the Annual Meeting is a majority of the shares of common stock issued and outstanding on the Annual Meeting Record Date. Shares that are voted FOR or AGAINST a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares represented and voting at the Annual Meeting (the Votes Cast) with respect to such matter.

The Company intends to include abstentions and broker non-votes as present or represented for purposes of establishing a quorum for the transaction of business.

With respect to the election of directors, the four persons receiving the greatest number of votes will be elected to the Board. With respect to other proposals, abstentions are counted against a proposal for purposes of determining whether or not a proposal is approved, whereas broker non-votes are not counted for the purpose of determining whether a proposal has been approved.

Deadline for Receipt of Shareholder Proposals for 2008 Annual Meeting

OPTi currently expects that its next Annual Meeting of Shareholders will be held during the last week of August, 2008. Proposals of shareholders of the Company which are intended to be presented by such shareholders at the Annual Meeting of Shareholders to be held in 2008 must be received by the Company no later than May 31, 2008 in order to have them included in the proxy statement and form of proxy relating to that meeting.

In addition, proposals of the Company's shareholders that such shareholders intend to present at the Company's 2008 Annual Meeting, but not to include in the Company's Proxy Statement and form of Proxy relating to the 2008 Annual Meeting (a Non-Rule 14a-8 Proposal), must be received by the Company at the Company's offices no later than July 1, 2008 and no earlier than May 3, 2008. In the event that the Company does not receive timely notice with respect to a Non-Rule 14a-8 Proposal, management of the Company would use its discretionary authority to vote the shares it represents as the Board of Directors may recommend.

Fiscal Year End

The Last Fiscal Year refers to the twelve months ended March 31, 2007.

PROPOSAL NUMBER 1**ELECTION OF DIRECTORS****Directors and Nominees for Directors**

A board of four directors is to be elected at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's four nominees named below, all of whom are presently directors of the Company. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner in accordance with cumulative voting as will assure the election of as many of the nominees listed below as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. The Company is not aware of any nominee who will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the earlier of our next Annual Meeting of Shareholders or a successor has been duly elected and qualified.

BOARD OF DIRECTORS AND NOMINEE BIOGRAPHICAL INFORMATION

The names of the nominees, each of whom is currently a director of the Company, and certain information about them, are set forth below, including information furnished by them as to their principal occupations for the last five (5) years and their ages as of the Annual Meeting Record Date.

Name of Nominee	Age	Position with the Company	Since
Bernard T. Marren	71	President, Chief Executive Officer and Chairman of the Board	1996
Stephen F. Diamond ⁽¹⁾⁽²⁾⁽⁴⁾	51	Director	2003
Kapil K. Nanda ⁽¹⁾⁽³⁾⁽⁴⁾	61	Director	1996
William H. Welling ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	73	Director	1998

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

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 also a director at Microtune, Inc., Infocus Corporation and several privately held companies.

Stephen F. Diamond was elected as a director 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.

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.

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 also serves as a director on the boards of several private companies.

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

CORPORATE GOVERNANCE

The Board of Directors held six meetings during fiscal 2007. The Audit Committee met four times, the Compensation Committee met four times and the Nominating Committee did not meet during fiscal 2007. Each member of the Board attended 75% or more of the aggregate of (i) the total number of Board meetings held during the fiscal year and (ii) the total number of meetings of Committees on which such member served, during the fiscal year.

Board 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 meets the standards for audit committee independence set forth in the Nasdaq Marketplace Rules.

Board Committees

The Board of Directors has standing Audit, Compensation, and Governance and Nominating Committees.

Audit Committee. The Company has a separately-designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934. Mr. Welling (chairman), Mr. Diamond and Mr. Nanda are the members of our Audit Committee. The committee selects our auditors, reviews the scope of the annual audit, approves the audit fees and non-audit fees to be paid to our auditors, and reviews our financial accounting controls with the staff and the auditors. The Company's Board has determined that none of the members of its Audit Committee qualifies as an audit committee financial expert as set forth in Item 407(d)(5)(ii) 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 addition, each of the members of the Company's Audit Committee meets the standards for audit committee independence set forth in the Nasdaq Marketplace Rules. 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. The charter of the Audit Committee has been established and approved by the Board of Directors and is attached hereto as Appendix A.

Compensation Committee. The Compensation Committee handles compensation matters and administers our stock incentive plan. The committee consists of Mr. Diamond (chairman) and Mr. Welling. The committee reviews and establishes the compensation and benefits for the Chief Executive Officer and the Chief Financial Officer. The Compensation Committee accepts recommendations from the executive officers regarding their compensation but final authority over executive compensation is vested in the Compensation Committee. The Compensation Committee is comprised solely of independent directors, as that term is defined by Rule 4200 of the Nasdaq Marketplace Rules. The Compensation Committee has not used compensation consultants to determine or recommend the amount or form of executive and director compensation. The Compensation Committee does not have a charter.

Nominating Committee. Mr. Nanda and Mr. Welling are the members of our Nominating Committee. The Nominating Committee is comprised solely of independent directors, as that term is defined by Rule 4200 of the Nasdaq Marketplace Rules. The Nominating Committee interviews, evaluates, nominates and recommends individuals for membership on the Board, evaluates the effectiveness of the Board, and recommends the structure, responsibility and composition of the committees of the Board. The charter of the Nominating Committee has been established and approved by the Board of Directors, and is attached hereto as Appendix B.

DIRECTOR NOMINATIONS

Criteria for Board Membership. In selecting candidates for appointment or re-election to the Board, the Nominating Committee considers the appropriate balance of experience, skills and characteristics required of the Board of Directors, and seeks to insure that at least a majority of the directors are independent under the rules of the Nasdaq Stock Market, and that members of the Company's Audit Committee meet the financial literacy and sophistication requirements under the rules of the Nasdaq Stock Market. Nominees for director are selected on the basis of the relevance, depth and breadth of their experience, and their reputation among our various constituencies and communities, integrity, ability to make independent analytical inquiries, understanding of the Company's business environment, and willingness to devote adequate time to Board duties, but there are no other pre-established qualifications, qualities or skills at this time that any particular director nominee must possess.

Shareholder Nominees. The Governance and Nominating Committee is responsible for the consideration of any director candidates recommended by shareholders, provided such nominations are made pursuant to the Company's Bylaws and applicable law. The Committee has not adopted a specific protocol with regard to the consideration of any director candidates recommended by shareholders, because no such candidates have been proposed in the past but the Board would expect that any recommendations received from the shareholders will be evaluated in the same manner that potential nominees suggested by Board members, management or other parties are evaluated. Any such nominations should be submitted to the Nominating Committee c/o the Secretary of the Company and should include the following information: (a) all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the names and addresses of the shareholder making the nomination and the number of shares of the Company's common stock which are owned beneficially and of record by such shareholder; and (c) other appropriate biographical information and a statement as to the qualification of the nominee; and should be submitted no later than the deadlines described in the Bylaws of the Company and under the caption, "Deadline for Receipt of Shareholder Proposals for 2008 Annual Meeting" above.

Process for Identifying and Evaluating Nominees. The Nominating Committee believes the Company is well-served by its current directors. In the ordinary course, absent special circumstances or a material change in the criteria for Board membership, the Nominating Committee expects to re-nominate incumbent directors who continue to be qualified for Board service and are willing to continue as directors. If an incumbent director is not standing for re-election, or if a vacancy on the Board occurs between annual shareholder meetings, the Nominating Committee will seek out potential candidates for Board appointment who meet the criteria for

selection as a nominee and have the specific qualities or skills being sought. Director candidates will be selected based on input from members of the Board, management of the Company and, if the Nominating Committee deems appropriate, a third-party search firm. The Nominating Committee will evaluate each candidate's qualifications and check relevant references; in addition, such candidates will be interviewed by at least one member of the Nominating Committee. Candidates meriting serious consideration will meet with all members of the Board. Based on this input, the Nominating Committee will evaluate which of the prospective candidates is qualified to serve as a director and whether the Committee should recommend to the Board that this candidate be appointed to fill a current vacancy on the Board, or presented for the approval of the shareholders, as appropriate.

Board Nominees for the 2007 Annual Meeting. Each of the nominees listed in this Proxy Statement are current directors standing for re-election.

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Shareholders and other parties interested in communicating directly with the non-management directors as a group may do so by writing to: Board of Directors, c/o OPTi Inc., 3430 W. Bayshore Road, Palo Alto, CA 94303, USA. The Company encourages its directors to attend annual meetings. All of the Company's directors attended our last Annual Meeting.

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 2007, 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.

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 is incorporated by reference as an exhibit to the Company's Form 10-K filed for the year ended March 31, 2007.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding ownership of our Common Stock as of August 31, 2007 (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 August 31, 2007.

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
MG Capital Management, LLC ⁽⁵⁾ 1725 Kearny Street, No 1 San Francisco, CA 94133	1,601,570		1,601,570	13.8%
S. Muoio & Co. LLC ⁽⁶⁾ 509 Madison Avenue, Ste 406 New York, NY 10022	1,154,150		1,154,150	9.9%
Whitaker Group ⁽⁷⁾ 23 Beachwood Irvine, CA 92604	1,004,750		1,004,750	8.6%
Raffles Associates, L.P. ⁽⁸⁾ 450 Seventh Avenue, Ste 509 New York, NY 10123	790,365		790,365	6.8%
Dimensional Fund Advisors LP ⁽⁹⁾ 1299 Ocean Avenue, 11 th Floor Santa Monica, CA 90401	632,900		632,900	5.4%
Bernard T. Marren	10,000	104,000	114,000	*
Michael F. Mazzoni				*
Stephen Diamond				*
Kapil Nanda	4,000	12,000	16,000	*
William Welling	21,333		21,333	*
All executive officers and directors as a group (5 persons)	35,333	116,000	151,333	1.3%

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares as of August 31, 2007.

- (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 August 31, 2007.

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- (3) Shares of common stock subject to stock options currently exercisable or exercisable within 60 days of August 31, 2007 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 MG Capital Management, LLC is taken from a Schedule 13G/A filed on January 30, 2007. Of the shares listed, 1,565,500 are owned by MGCM Partners, L.P., of which MG Capital Management, LLC is the General Partner and investment advisor. Marco L. Petroni is the controlling person of MG Capital Management, LLC. MGCM Partners, L.P. disclaims beneficial ownership of the shares listed. The remaining 36,070 shares are owned by Mr. Petroni.
- (6) Information on holdings of S. Muoio & Co. LLC is taken from a Form 13G/A filed on February 13, 2007. 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.
- (7) 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.
- (8) Information on holdings of Raffles Associates, L.P. is taken from a Schedule 13G/A filed on January 25, 2007. 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.
- (9) Information on holdings of Dimensional Fund Advisors LP is taken from a Schedule 13G/A filed on February 8, 2007. The shares listed are owned by advisory clients of Dimensional Fund Advisors LP. Dimensional Fund Advisors LP disclaims beneficial ownership of the shares listed. Dimensional Holdings Inc. is the General Partner of Dimensional Fund Advisors LP.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

If the Proposal to approve the Company 's form of indemnification agreement is approved by the shareholders at the Annual Meeting, the Company intends to enter into indemnification agreements with each of its directors and executive officers. These agreements will require the Company to indemnify such individuals, to the fullest extent permitted by California law, for certain liabilities to which they may become subject as a result of their affiliation with the Company.

Procedures for Approval of Related Person Transactions

The Audit Committee 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.

The Company 's policy is that it will not enter into transactions with directors, officers or affiliates unless such 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.

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 \$120,000, and in which any related person had or will have a direct or indirect material interest, and no such transactions are currently proposed.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers, and persons or entities who own more than ten percent of our common stock, to file with the Securities and Exchange Commission reports of beneficial ownership and changes in beneficial ownership of our common stock. Those directors, officers, and shareholder are required by regulations to furnish us with copies of all forms they file under Section 16(a). Based solely upon a review of the copies of such reports furnished to us and written representations from such directors, officers, and shareholders we believe that all such reports required to be filed during 2007 or prior fiscal years were filed on a timely basis, except for one late filing by Mr. Welling.

DIRECTOR COMPENSATION

The following table summarizes director compensation during fiscal year 2007.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Director Name ⁽¹⁾	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 (\$)
Stephen Diamond	\$ 19,000						\$ 19,000
Kapil Nanda	\$ 15,000		\$ 1,500				\$ 16,500
William Welling	\$ 19,000		\$ 1,500				\$ 20,500

- (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 below.
- (2) In fiscal 2007, each non-employee director received a \$5,000 yearly retainer and a fee of \$1,000 per Board or committee meeting attended. Commencing in fiscal 2008, the yearly retainer has been increased to \$10,000, paid in two installments of \$5,000 in January and July of each year.
- (3) Column (d) represents the dollar amount recognized for financial statement reporting purposes with respect to the 2007 fiscal year for the fair value of stock options previously granted to the directors in prior fiscal years, in accordance with FAS 123R. Pursuant to the SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The grant date fair value of all options awards granted to the directors in 2003 was \$1.27 per share. No additional grants have been made since that date.
- (4) As of March 31, 2007, Mr. Nanda held options to purchase 12,000 shares of our common stock. Mr. Diamond and Mr. Welling had no options outstanding.

Vote Required

The four (4) nominees receiving the highest number of affirmative votes of the shares entitled to be voted for them shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no other legal effect in the election of directors under California law.

OUR BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION OF ALL NOMINEES NAMED ABOVE.

PROPOSAL NUMBER 2

RATIFICATION OF APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors has selected Ernst & Young LLP, the independent registered public accounting firm, to audit the financial statements of the Company for the fiscal year ending March 31, 2008.

Ernst & Young LLP has audited the Company's financial statements for each fiscal year since the Company's inception. Representatives of Ernst & Young LLP are expected to be present at the meeting with the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Vote Required

The affirmative vote of a majority of the Votes Cast will be required to ratify and approve the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2008.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OPTI'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MARCH 31, 2008.

PROPOSAL NUMBER 3

APPROVAL OF INDEMNIFICATION AGREEMENT

Introduction

The Board of Directors has directed the submission to a vote of the shareholders of a Proposal to approve the form of indemnification agreement which may be made between the Company and its present and future directors and officers, in substantially the form attached to this Proxy Statement as Appendix C. The Company intends to enter into a new indemnification agreement in such form with each of our directors and officers (the Indemnified Parties). Pursuant to the terms and conditions of such indemnification agreements, the Company would indemnify the Indemnified Parties against certain liabilities arising out of their service to the Company. In addition, this Proposal would authorize us to enter into indemnification agreements providing rights to any future director or officer substantially similar to those set forth in the indemnification agreement and also to modify the form of agreement as necessary to fulfill the intention that the indemnification agreements indemnify the Indemnified Parties to the fullest extent permitted by the jurisdiction in which the Company is incorporated and/or domiciled.

Purpose

The Board of Directors believes the indemnification agreement serves the best interests of the Company and its shareholders by strengthening our ability to attract and retain the services of knowledgeable and experienced persons as directors and officers who, through their efforts and expertise, can make a significant contribution to our success. The indemnification agreement is intended to supplement the indemnity protection available under applicable law, our amended and restated articles of incorporation, and any policies of insurance which are or may hereafter be maintained by the Company.

In connection with the Company's initial public offering in May, 1993, the Board approved a form of indemnification agreement for the Company's directors and officers. However, the Company has not entered into indemnification agreements with its directors and officers during the last several years. The Board has determined that indemnification agreements would now be appropriate and has determined to enter into indemnification agreements with each of its directors and officers that would supersede any prior indemnification arrangements. The Board believes that such agreements should be adopted as a response to the increasing hazard, and related expense, of unfounded litigation directed against directors and officers, the difficulty of obtaining broad directors' and officers' liability insurance and significant limitations in amounts and breadth of coverage, dramatic increases in premiums for that coverage, and to preserve our ability to continue to attract and retain qualified directors and executive officers in light of these circumstances.

Although neither shareholder approval nor ratification of the form of indemnification agreement is required by law, the Board believes it is appropriate to submit the form of indemnification agreement to the Company's shareholders for ratification because the members of the Board will be parties to, and the beneficiaries of, the rights contained in the indemnification agreements.

The Board believes the indemnification agreements serve the best interests of the Company and its shareholders by strengthening the Company's ability to attract and retain the services of knowledgeable and experienced persons as directors and officers who, through their efforts and expertise, can make a significant contribution to the Company's success.

In the event the shareholders fail to approve the form of indemnification agreement, the Board will consider whether or not to modify the form of indemnification agreement and whether to enter into indemnification agreements. Even if the form of indemnification agreement is approved, the Board of Directors in its discretion may amend the indemnification agreements at any future time if the Board believes that such an amendment would be in the best interests of the Company and its shareholders.

California Law

Under California law, a California corporation is obligated to indemnify directors, officers, employees or other agents of the corporation, in connection with liabilities arising from legal proceedings resulting from that person's service to the corporation in certain circumstances, provided the individual achieves a successful outcome in defense of such proceedings on the merits of the case. A California corporation may also voluntarily undertake to indemnify certain persons acting on its behalf, in certain circumstances, provided the requisite standard of conduct is met.

California law requires California corporations to indemnify any director, officer, employee or other agent of the corporation against expenses actually and reasonably incurred in connection with any proceeding (other than an action by or in the right of the corporation to procure a judgment in its favor), to which such person was or is a party or is threatened to be made a party by reason of the fact that he or she is or was a director, officer, employee or other agent of the corporation, if the individual is successful on the merits, provided that his or her conduct was in good faith and he or she reasonably believed that his or her conduct was in the best interests of such corporation, and in the case of any criminal proceeding, the director, officer, employee or other agent had no reasonable cause to believe his or her conduct was unlawful.

California law also requires California corporations to indemnify any director, officer, employee or other agent of the corporation against expenses actually and reasonably incurred in connection with the defense or settlement of any threatened, pending or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the individual is or was a director, officer, employee or other agent, if the individual is successful on the merits, provided that his or her conduct was in good faith and he or she reasonably believed that his or her conduct was in the best interests of such corporation and its shareholders.

If the Company is not required to indemnify the director, officer, employee or other agent under the foregoing provisions because the individual was not successful on the merits in defense of the case, the Company may still voluntarily undertake to indemnify such person, but only for acts taken in good faith and believed to be in the best interests of the corporation and its shareholders, as determined by a majority vote of a disinterested quorum of the directors, independent legal counsel (if a quorum of disinterested directors is not obtainable), a majority vote of a quorum of the shareholders (excluding shares owned by the indemnified party), or the court handling the action.

In addition, notwithstanding anything to the contrary in the above, with respect to derivative actions (a) no indemnification may be made without court approval when a person is adjudged liable to the corporation in the performance of that person's duty to the corporation and its shareholders, unless a court determines such person is entitled to indemnity for expenses, and then such indemnification may be made only to the extent that such court shall determine, and (b) no indemnification may be made without court approval in respect of amounts paid or expenses incurred in settling or otherwise disposing of a threatened or pending action or amounts incurred in defending a pending action which is settled or otherwise disposed of without court approval.

Nonetheless, California allows corporations to include in their articles of incorporation a provision which extends the scope of indemnification through agreements, bylaws or other corporate action beyond that specifically authorized by statute. OPTi's articles of incorporation include such a provision that authorizes OPTi to indemnify its directors and officers to the fullest extent permissible under California law. Accordingly, pursuant to such provision, OPTi may enter into agreements with its directors and officers that allow for indemnification without the pre-approval by courts, disinterested directors, independent legal counsel or shareholders discussed above, provided that such agreements may not have the effect of eliminating or limiting the personal liability of an officer or director for transactions from which the person derives an improper personal benefit, or for acts and omissions that (a) involve intentional misconduct or a knowing and culpable violation of the law, (b) the person believes to be contrary to the best interests of the corporation or its shareholders, (c) involve the

absence of good faith or show a reckless disregard for the person's duty to the corporation or its shareholders, or (d) that constitute an unexcused pattern of inattention that amounts to an abdication of the person's duties.

Other jurisdictions. The laws of other jurisdictions in the U.S. also allow companies to indemnify officers and directors, subject to limitations that may be greater or lesser than those of California law. If OPTi should choose to re-incorporate in another state, its indemnification of its directors and officers would be subject to the laws of such other jurisdiction.

Summary of Indemnification Agreement

Under the indemnification agreement and as allowed by its articles of incorporation, the Company agrees to indemnify the Indemnified Party to the fullest extent permitted by law.

Specifically, if the Indemnified Party incurs expenses or liabilities in connection with a proceeding (other than an action by or in the right of the Company) by reason of the fact that the Indemnified Party is or was an agent of the Company, or by reason of anything done or not done by the Indemnified Party in any such capacity, then the Company agrees to indemnify the Indemnified Party against any such expenses and liabilities that he or she actually and reasonably incurs, provided the Indemnified Party acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company, and provided the Indemnified Party had no reasonable cause to believe his or her conduct was unlawful.

The Company also agrees to indemnify the Indemnified Party against any amounts paid in settlement of, and all expenses actually and reasonably incurred in connection with, any proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnified Party is or was an agent of the Company, or by reason of anything done or not done by him or her in any such capacity, provided he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company. However, the Company will not provide such indemnification if a court has finally adjudged the Indemnified Party to be liable to the Company in respect of the matter due to willful misconduct of a culpable nature in the performance of his or her duty to the Company, unless and to the extent that the court determines that, in view of all the circumstances, such person is fairly and reasonably entitled to indemnification.

The indemnification agreement obligates the Company, if requested by the Indemnified Party in writing and except as prohibited by law, to advance all expenses incurred by the Indemnified Party in connection with any proceeding to which the Indemnified Party is a party or is threatened to be made a party by reason of the fact that the Indemnified Party is or was an agent of the Company or by reason of anything done or not done by him or her in any capacity as an agent. The Indemnified Party is required to repay the Company the amounts advanced only to the extent that a court ultimately determines that he or she is not entitled to indemnification by the Company.

If the Indemnified Party is entitled under the indemnification agreement to indemnification for some but not all of any expenses or liabilities incurred by him or her in the investigation, defense, settlement or appeal of a proceeding, then the Company will indemnify the Indemnified Party for the portion of the amount as to which he or she is entitled to indemnification.

If the Indemnified Party is not entitled to the indemnification provided in the indemnification agreement for any reason other than the statutory limitations set forth in applicable law, then in respect of any proceeding in which the Company is jointly liable with the Indemnified Party (or could be liable if joined in such proceeding), the Company is obligated to contribute to the amount paid in settlement in proportion to (i) the relative benefits received by the Company from the transaction from which the proceeding arose and (ii) the relative fault of the Company, as well as any other relevant equitable considerations.

The Company is not obligated to indemnify the Indemnified Party: (i) for expenses or liabilities to the extent such have been paid directly to the Indemnified Party by directors' and officers' liability insurance; (ii) for expenses

or liabilities with respect to proceedings brought voluntarily by the Indemnified Party and not by way of defense, except with respect to proceedings specifically authorized by the Board or brought to establish or enforce a right to indemnification and/or advancement of expenses; (iii) for any amounts paid in settlement of a proceeding unless the Company consents in advance in writing to the settlement, which consent shall not be unreasonably withheld; (iv) in connection with any proceedings made on account of the Indemnified Party's conduct (a) which a court has found to constitute a breach of the Indemnified Party's duty of loyalty to the Company or its shareholders or an act or omission involving intentional misconduct or knowing violation of the law, or (b) in connection to which the Indemnified Party has entered a plea of guilty to a felony; (v) on account of any suit in which judgment is rendered against the Indemnified Party for an accounting of profits made from the purchase or sale by the Indemnified Party of securities pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 or similar provisions of another law; (vi) if a final decision by a court having jurisdiction in the matter determines that indemnification is not lawful; and (vii) if a government agency with authority over the Company takes the position and/or advises that indemnification is against public policy or unlawful, unless and until a court of competent jurisdiction determines that indemnification of the Indemnified Party is lawful.

The Company also agrees, to the extent that the Board, in its sole and absolute discretion, determines it to be economically reasonable, to maintain a policy of directors' and officers' liability insurance on terms and conditions approved by the Board.

It is the intention of the Company through the Indemnification Agreement to indemnify its officers and directors to the fullest extent permitted by applicable law. The form of indemnification agreement is governed by California law. In the event that the Company re-incorporates in another jurisdiction, at the discretion of the Board of Directors, the Company may choose to modify the form of indemnification agreement or enter into a similar form of indemnification agreement with its directors and officers to provide them with indemnification to the fullest extent permitted by the law of such other jurisdiction. In such event, at the discretion of the Board, the Company may choose to modify the indemnification agreements or enter into such new indemnification agreements without seeking further approval of the shareholders.

The form of Indemnification Agreement is attached to this proxy statement as Appendix C. All references in this summary to the Indemnification Agreement are qualified by reference to Appendix C.

Indemnification for Liabilities under the Securities Act of 1933

The Securities and Exchange Commission has expressed its opinion that indemnification of directors, officers and controlling persons against liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against liabilities under the Securities Act (other than the payment by the Company of expenses incurred or paid by a director or officer of the Company in the successful defense of the action, suit or proceeding) is asserted by a director, officer or controlling person in connection with securities that have been registered under the Securities Act, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act.

Vote Required

The affirmative vote of a majority of the Votes Cast will be required to approve the form of indemnification agreement.

Recommendation of the Board of Directors

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE FORM OF INDEMNIFICATION AGREEMENT.

PROPOSAL NUMBER 4

**APPROVAL OF EMPLOYMENT AGREEMENTS WITH BERNARD T. MARREN,
OPTI S PRESIDENT, CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD,
AND MICHAEL MAZZONI, OPTI S CHIEF FINANCIAL OFFICER AND SECRETARY**

Introduction

The Board of Directors has directed the submission to a vote of the Company's shareholders of a Proposal to approve the employment agreements (the Employment Agreements) that the Company has negotiated with Bernard T. Marren, the Company's President, Chief Executive Officer and Chairman of the Board, and Michael Mazzoni, the Company's Chief Financial Officer and Secretary. The form of agreements with each of Mr. Marren and Mr. Mazzoni are substantially similar except as described below and are attached hereto as Appendix D and Appendix E, respectively. Negotiations were conducted by the Compensation Committee of the Board of Directors (the Committee) on behalf of the Company using independent counsel retained by the Committee for purposes of the negotiations.

Although shareholder approval of executive employment agreements is not required, the Board considers this to be an important matter for the Company and this Proposal to be an opportunity for shareholders to provide feedback to the Board on an important matter of corporate governance. The Committee has approved the Employment Agreements subject to shareholder approval and it recommends that OPTi shareholders vote FOR approval of this Proposal. If this Proposal is not approved, the Employment Agreements will not be signed or become effective and Mr. Marren and Mr. Mazzoni's compensation and employment arrangements will continue under the current arrangements described below in this Proposal No. 4 and in the Compensation Discussion and Analysis section of this proxy statement, subject to future changes as may be determined from time to time by the Board of Directors in its discretion. Such future changes may or may not include provisions similar to those in the proposed Employment Agreements.

Mr. Marren and Mr. Mazzoni are the Company's sole executive officers and two of its three employees. Currently, the Company does not have any written employment agreements with Mr. Marren or Mr. Mazzoni and their compensation and terms of employment are established and reviewed from time to time by the Committee on behalf of the Board, as discussed further in the Compensation Discussion and Analysis section of this proxy statement. The elements of Mr. Marren and Mr. Mazzoni's current compensation consist of (i) base salary, (ii) a discretionary annual bonus (the Discretionary Bonus), (iii) a bonus based on aggregate third party payments realized by the Company through its intellectual property strategy of pursuing persons it believes are infringing its patents, once such third party payments result in distributions to the Company's shareholders (the Shareholder Return Bonus), and (iv) participation in our employee benefit plans, including medical, dental and 401(k) plans. The benefit plans are available to all employees and do not discriminate.