

OPTA CORP  
Form PRER14C  
October 03, 2005

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14C

AMENDMENT NO. 2

(RULE 14C-101)

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c)  
Of the Securities Exchange Act of 1934

Check the appropriate box:

- Preliminary information statement.
- Confidential, for use of the Commission only (as permitted by Rule 14c-5(d)(2)).
- Definitive information statement.

**OPTA CORPORATION**

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(Name of Registrant as Specified in Its Charter)

Payment of filing fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

- 1) Title of each class of securities to which transaction applies:  
common stock, par value \$0.001 per share and preferred stock, par value \$0.001 per share.  

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- 2) Aggregate number of securities to which transaction applies:  
1,930,000 shares (which is the estimated maximum number of shares to be converted in the merger into the right to receive cash and is estimated solely for purposes of calculating the amount of the filing fee).  

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- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
\$0.13 (which is the cash payment per share to holders of the shares set forth in (x)).  

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- 4) Proposed maximum aggregate value of transaction:  
\$250,900; The maximum aggregate value of the transaction (estimated solely for purposes of calculating the amount of the filing fee) is based on the product of (x) 1,930,00 shares of the Issuer's common stock and preferred stock (which is the estimated maximum number of shares to be converted in the merger into the right to receive cash); and (y) \$0.13 (which is the cash payment per shares to holders of the shares set forth in (x)).  

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- 5) Total fee paid:  
\$29.53. The filing fee of \$29.53 was calculated by multiplying the resulting transaction value (as

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calculated above) of \$250,900 by .0001177.

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ý Fee paid previously with preliminary materials.

ý Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:  
\$29.53

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2) Form, Schedule or Registration Statement No.:  
Schedule 14C

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3) Filing Party:  
Opta Corporation

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4) Date Filed:  
July 8, 2005

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**Neither the Commission nor any state securities commission has approved or disapproved of the Going Private Transaction, passed upon the merits or fairness of the Going Private Transaction, or passed upon the adequacy or accuracy of the disclosure in this information statement. Any representation to the contrary is a criminal offense.**

Opta Corporation  
1350 Bayshore Highway, Suite 740  
Burlingame, CA 94010  
650-579-3610

**INFORMATION STATEMENT  
, 2005**

This information statement is being circulated to the stockholders of Opta Corporation, a Delaware corporation ("Opta" or the "Company"), in connection with the taking of corporate action without a meeting upon the written consent of the holders of a majority of the outstanding voting securities of the Company and is being furnished to holders of record of the capital stock of the Company in order to comply with the requirements of Section 14(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Regulation 14C under the Exchange Act.

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY**

Our Board of Directors is furnishing this information statement to all holders of record of the issued and outstanding shares of our common stock, \$0.001 par value per share ("Common Stock") and our preferred stock, \$0.001 par value per share ("Preferred Stock"), as of the close of business on August 3, 2005 to inform all stockholders of the approval of the Merger (defined below) and the subsequent filing of the Restated Certificate of Incorporation of the Surviving Corporation attached hereto as Annex A. The information statement was filed mailed or delivered to you on \_\_\_\_\_, 2005. The information statement also serves as notice to you of an action taken by less than unanimous consent. Such notice is required by Section 228 of the Delaware General Corporation Law and Article II, Section 13 of the Company's Amended and Restated Bylaws. On August 2, 2005, our Board of Directors adopted resolutions proposing and approving a corporate reorganization that will enable Opta to become a non-reporting company with the Securities and Exchange Commission (the "Commission").

*Voting Securities*

As of the close of business on August 3, 2005, the record date for the determination of stockholders to whom this information statement is sent (the "Record Date"), the Company had outstanding approximately 50,037,538 shares of Common Stock and 4,300 shares of Preferred Stock. Each stockholder is entitled to one vote per share of capital stock held.

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*Consenting Stockholders*

On August 2, 2005, the following stockholders, who collectively own approximately 60.2% of our outstanding capital stock, consented in writing to the Going Private Transaction; the vote of more than 50% of our outstanding stock was required.

Stockholder Name	Shares of Opta Stock	Percentage of Ownership
Lotus International Holdings Ltd.(1)	16,000,000	32.0%
TCL Industries Holdings (HK) Ltd.(2)	9,606,671	19.2%
Yuan Zhang(3)	1,250,000	2.5%
Zhao Zhang(3)	1,250,000	2.5%
Qiang Zhang(3)	2,000,000	4.0%
<b>Total</b>	<b>30,106,671</b>	<b>60.2%</b>

(1) Lotus International Holdings Ltd. is controlled by TCL Industries Holdings (HK) Ltd.

(2) TCL Industries Holdings (HK) Ltd. is an affiliate of TCL Corp. Two of Opta's directors, Li Dongsheng and Vincent Yan, are also directors of TCL Corp. Mr. Yan is also our President and CEO. Mr. Li serves as the Chairman of the TCL Corp and both Mr. Li and Mr. Yan hold positions with TCL Corp-affiliated companies.

(3) Yuan Zhang, Zhao Zhang and Qiang Zhang are not affiliated with TCL Industries Holdings (HK) Ltd. or its affiliates.

Under Delaware law, we are required to give all stockholders written notice of any actions that are taken by written consent without a stockholders meeting. Under Section 14(c) of the Exchange Act, the actions cannot become effective until 20 calendar days after the mailing date of this information statement to our stockholders.

We will pay the expenses of furnishing this information statement, including the cost of preparing, assembling and mailing this information statement.

We are not seeking written consent from any of our stockholders and our other stockholders will not be given an opportunity to vote with respect to these actions. All necessary corporate and stockholder approvals have been obtained and this information statement is furnished solely for the purposes of:

advising stockholders of the action taken by written consent, as required by Delaware law;

and giving stockholders advance notice of the actions taken, as required by Exchange Act.

We may abandon the Going Private Transaction at any time before its effectiveness if for any reason we deem it advisable to do so.

Under Delaware law, you may have appraisal rights in connection with the Merger. To exercise your appraisal rights, you must comply with all procedural requirements of Section 262 of the Delaware General Corporation Law. A description of Section 262 of the Delaware General Corporation Law is provided in the "Appraisal Rights" section below and the full text of the section is attached to this document. FAILURE TO TAKE ANY STEPS REQUIRED BY DELAWARE LAW MAY RESULT IN A TERMINATION OR WAIVER OF YOUR APPRAISAL RIGHTS.

*Forward-Looking Statements*

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This information statement contains forward-looking statements with respect to the impact on our company of the Going Private Transaction and other matters. The forward-looking statements are not

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guarantees of future performance and occurrences and involve risks and uncertainties. Certain of the statements contained herein may be, within the meaning of the federal securities laws, "forward-looking statements" that are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See the Company's Form 10-K for the year ended June 30, 2004, its Form 10-Q for the quarter ended March 31, 2005 and other reports filed with the Commission under the Exchange Act for a discussion of such risks, uncertainties, and other factors. These forward-looking statements are based on management's expectations as of the date hereof, and the Company does not undertake any responsibility to update any of these statements in the future.

*Additional Information*

All SEC reports and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act are available free of charge on our Investor Relations web site at [www.optaco.com/sec](http://www.optaco.com/sec) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Additionally, we will mail copies of our prior SEC reports to any stockholder upon written request, free of charge, by contacting the Company's Investor Relations at 1350 Bayshore Highway, Suite 740, Burlingame, CA 94010, telephone number (650) 579-3610.

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**INFORMATION STATEMENT**

**Summary Term Sheet**

This summary term sheet highlights selected information from the information statement and addresses material terms of the transaction. You should carefully read this entire information statement and the other documents to which we refer you for a more complete understanding of the matters being described in this summary term sheet. In addition, we incorporate by reference important business and financial information into this information statement. You may obtain the information incorporated by reference into this information statement without charge by following the instructions in the section entitled "Where You Can Find More Information."

**Going Private Transaction**

*Overview*

Opta will accomplish the Going Private Transaction by completing the following steps:

- (1) Opta will form a wholly-owned subsidiary (the "Subsidiary") of Opta. The Subsidiary will be incorporated in the State of Delaware upon the filing of the form of Certificate of Incorporation of Subsidiary attached hereto as Annex B. (See the section entitled "Basic Terms" and Annex B.)
- (2) The Subsidiary will merge (the "Merger") with and into Opta upon the terms set forth in the Agreement of Merger attached hereto as Annex C. Upon the effective date (the "Effective Date") of the Merger, the Subsidiary will cease to exist and Opta will be the surviving corporation (the "Surviving Corporation"). The Subsidiary's Certificate of Incorporation, attached hereto as Annex B, will be the Certificate of Incorporation of the Surviving Corporation upon the Effective Date of the Merger. (See the section entitled "Basic Terms" and Annex B and Annex C.)
- (3) As of August 3, 2005, the issued and outstanding capital stock of the Corporation consists of 50,037,538 shares of Common Stock, par value \$0.001 per share, and 4,300 shares of Class A Preferred Stock, par value \$0.001 per share. Each share of Common Stock or Preferred Stock (a "Pre-Merger Share"), upon the Effective Date of the Merger and without any action on the part of the holder, will convert into one-five-thousandth ( $1/5,000$ ) of a share of Common Stock of the Surviving Corporation (the "Exchange Ratio"). (See the sections entitled "Basic Terms" and Effective Time of the Going Private Transaction.)
- (4) Any holder holding less than 5,000 Pre-Merger Shares will, after the Effective Date of the Merger, have their resulting fractional interests cancelled and converted into the right to receive \$0.13 in cash for each Pre-Merger Share ("Cash Consideration") held by such holder. (See the sections entitled "Basic Terms" and "Stock Certificates" for more details.)
- (5) Immediately following the Merger, the Surviving Corporation shall file a Restated Certificate of Incorporation of the Surviving Corporation in the form attached hereto as Annex A (the "Restated Certificate") and upon the effectiveness of such Restated Certificate (the "Effective Date of the Restated Certificate") any surviving fractional interests attached to whole shares will be reconverted in a 5,000-for-1 forward stock split of the Surviving Corporation's then outstanding Common Stock such that any holder who held at least 5,000 Pre-Merger Shares will hold the same number of shares of the Surviving Corporation after the Effective Date of the Restated Certificate. (See the sections entitled "Basic Terms" and "Stock Certificates" and Annex A for more details.)

Hereafter, the above five steps are referred to collectively as the "Going Private Transaction."

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As a result of this Going Private Transaction, Opta will substantially reduce its total number of stockholders, which will permit it to terminate registration, suspend its status as a reporting company with the Commission, and become a privately held company, which will allow it to eliminate public reporting costs and compliance with burdensome regulations. If consummated, the Going Private Transaction would enable us to provide liquidity to certain stockholders, terminate registration under Section 12(g) of the Exchange Act and suspend our duty to file reports under Sections 13 and 15(d) of the Exchange Act ("Periodic Reporting Obligations"). Following the Going Private Transaction, we expect that stockholders who will receive Cash Consideration for their fractional interests will receive such Cash Consideration within approximately 60 days after the Effective Date of the Restated Certificate. (See the sections entitled "Effects if Going Private Transaction is Not Consummated," "Stock Certificates," "Source of Funds and Financial Effect of the Going Private Transaction," "Fees and Expenses," "Accounting Consequences" and "Regulatory Filings and Approvals" for more details.)

As a result of this Going Private Transaction:

All stockholders who own less than one share of stock upon the Effective Date of the Merger will be entitled to receive Cash Consideration; and

Stockholders who own more than one share of common stock, upon the Effective Date of the Merger, will, upon the Effective Date of the Restated Certificate, retain the same number of whole shares of the Surviving Corporation owned by those stockholders before the Going Private Transaction. (See the section entitled "Stock Certificates" for more details.)

### *Purpose of the Going Private Transaction*

The purpose of the Going Private Transaction is to allow the Company to terminate registration under Section 12(g) of the Exchange Act, suspend its duty to file reports with the Commission and become a private company. The Going Private Transaction will enable us to terminate our Periodic Reporting Obligations so that we may continue future operations as a private company, relieving us of the costs, administrative burdens and competitive disadvantages associated with operating as a public company. Following the adoption of Sarbanes-Oxley, the amount of management time and Company resources required to comply with such requirements have become overly burdensome for a company of our size. We intend to accomplish this purpose by reducing the number of holders of record to fewer than 300 by cashing out the fractional interests resulting from the Going Private Transaction.

### *Independent Fairness Opinion and Valuation*

Our Board of Directors has engaged Cronkite & Kissell LLC ("Cronkite & Kissell") to opine as to the fairness, from a financial point of view, of the consideration, in the amount of \$0.13 per Pre-Merger Share to be received by the stockholders holding less than 5,000 Pre-Merger Shares and to provide a valuation of our Company.

### *Approval of Board of Directors*

Our Board of Directors believes the Going Private Transaction is in the best interest of, and substantively and procedurally fair to, our stockholders, who will be redeemed pursuant to the Going Private Transaction. Our Board of Directors further concluded that the advantages of the Going Private Transaction to the stockholders far outweighed the disadvantages, and that it was substantively and procedurally fair to them, and, therefore, that the transaction was in all of our stockholders' best interests. The members of our Board of Directors who have no affiliation with any stockholders of Opta separately analyzed and approved the Going Private Transaction. Separate review by such directors is described further in the section "*Interest of Certain Persons in or Opposition to Matters to Be Acted Upon.*" On June 17, 2005 and August 2, 2005, our Board of Directors unanimously adopted resolutions authorizing and approving the Going Private Transaction. The Board of Directors reserved

the right to abandon the Going Private Transaction at any time prior to the Effective Date of the Merger or Restated Certificate, as applicable.

*Approval of Stockholders*

We had approximately 800 stockholders of record holding an aggregate of 50,037,538 shares of Common Stock and one stockholder holding an aggregate of 4,300 shares of Preferred Stock outstanding as of the Record Date. Each stockholder is entitled to one vote per share, voting as a single class. The proposed actions to implement the Going Private Transaction requires the affirmative vote or written consent of the holders of a simple majority of the outstanding shares of our Common Stock and our Preferred Stock voting as one class of stock as of the Record Date. As described above, stockholders owning approximately 60.2% of the outstanding capital stock have consented in writing to the Going Private Transaction.

*Estimated Effective Time of Going Private Transaction*

We anticipate that the Going Private Transaction will become effective on or about \_\_\_\_\_, 2005. However, in no event will the effective time of the Going Private Transaction (the "Effective Time") be consummated earlier than the twentieth calendar day after this information statement is sent or given to those persons or entities that held Opta stock as of the Record Date.

*Implementation and Effects of Going Private Transaction*

Every holder of record of Common Stock and Preferred Stock will be entitled to receive one share of the Surviving Corporation's common stock in exchange for every 5,000 shares of Common Stock and Preferred Stock held by that holder immediately prior to the Effective Date of the Merger. All holders of resulting fractional interests after the Effective Date of the Merger ("Cashed-Out Stockholders"), will receive the Cash Consideration at the rate of \$0.13 for each Pre-Merger Share. Immediately following the Merger and upon the Effective Date of the Restated Certificate, any surviving fractional interests attached to whole shares will be reconverted in a 5,000-for-1 forward stock split of the Surviving Corporation's then outstanding Common Stock into the same number of whole shares owned by those holders before the Merger.

Our shares are currently traded on the Pink Sheets, although trading has been extremely minimal, and our shares may continue to be so traded after the Going Private Transaction.

In addition, in connection with the Merger, the Subsidiary's Certificate of Incorporation will become the Certificate of Incorporation of the Surviving Corporation as attached hereto. The Surviving Corporation's Certificate of Incorporation will not include any preferred stock class. As a result, the Company will only have common stock. The filing of the Restated Certificate will effect the 5,000-for-1 forward stock split, but otherwise will not provide for any other substantive changes.

*Information About our Company*

The Company's principal executive offices are located at 1350 Bayshore Highway, Suite 740, Burlingame, CA 94010 and our phone number is (650) 579-3610. The filing person is the subject company.

For more information about Opta, please refer to the section entitled "Where You Can Find More Information."

**SPECIAL FACTORS**

**The Going Private Transaction**

*Basic Terms*

Under the terms of the Going Private Transaction, every holder of record as of the Effective Time will be entitled to receive one share of the Surviving Corporation's common stock in exchange for every 5,000 shares of Opta Common Stock or Preferred Stock held by such person. All Cashed-Out Stockholders will receive the Cash Consideration. Immediately following the Merger and upon the Effective Date of the Restated Certificate, any surviving fractional interests attached to whole shares will be reconverted in a 5,000-for-1 forward stock split of the Surviving Corporation's then outstanding Common Stock into the same number of whole shares owned by those holders before the Merger.

Because of the limited trading market for our Common Stock a stockholder is unable to purchase enough shares on the open market to avoid becoming a Cashed-Out Stockholder as a result of the Going Private Transaction and will be unable to retain an equity interest in our Company.

The Going Private Transaction is structured to be a Rule 13e-3 transaction under the Exchange Act because it is intended to, and if completed, will reduce the number of record holders of Opta to fewer than 300, which will position us to suspend our Periodic Reporting Obligations. In connection with the Going Private Transaction, we will file a Rule 13e-3 Transaction Statement on Schedule 13E-3 with the Commission. We intend to apply for the termination of our Periodic Reporting Obligations as soon as practicable after the Effective Date of the Restated Certificate by filing a Form 15 with the Commission.

*Effective Time of the Going Private Transaction*

We anticipate that the Going Private Transaction will become effective on or about \_\_\_\_\_, 2005. However, in no event will the Going Private Transaction become effective earlier than the twentieth calendar day after this information statement is sent or given to those persons or entities that held Opta stock as of the Record Date.

*Approval of the Going Private Transaction By Our Board of Directors and Stockholders*

Our Board of Directors, including a separate analysis and approval by members of our Board of Directors who have no affiliation with any Opta stockholder, has approved the Going Private Transaction and reserved the right to abandon the Going Private Transaction at any time prior to the Effective Time. Under the Delaware General Corporation Law and our bylaws, our stockholders may approve the Going Private Transaction without a meeting, without prior notice and without a vote if a written consent is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on the action were present and voted. As described above, stockholders owning a majority of the outstanding capital stock have consented in writing to the Going Private Transaction.

*Effects if Going Private Transaction is Not Consummated*

If the Going Private Transaction is not consummated, our Periodic Reporting Obligations will continue, and we will not benefit from the substantial reduction in general and administrative costs associated with being a non-reporting company. In addition, our senior management will have to continue to devote significant time to our Periodic Reporting Obligations, which they will not be able to devote to other Company operations.

*Stock Certificates*

Our transfer agent, Colonial Stock Transfer, has been appointed as our exchange agent to carry out the exchange of existing stock certificates for new stock certificates and to deliver the Cash Consideration. Promptly following the Effective Time, the transfer agent will send a letter of transmittal to each affected stockholder. The letter will describe the procedures for surrendering stock certificates in exchange for new stock certificates and/or the Cash Consideration. Upon receipt of the stock certificates and properly completed letters of transmittal, the transfer agent will issue the appropriate new stock certificates and/or make the appropriate Cash Consideration within approximately 60 days of the Effective Date of the Restated Certificate.

No service charges, or commissions, will be payable by our stockholders in connection with the exchange of certificates or the payment of Cash Consideration because we will bear those expenses. We will not pay interest on cash sums due to any stockholder in connection with the Going Private Transaction.

All stock certificates evidencing ownership of Pre-Merger Shares will be deemed cancelled without further action by their holders as of the Effective Date of the Merger. Please do not send any stock certificates to our transfer agent or us in connection with the Going Private Transaction until you receive and complete a letter of transmittal.

Opta and its Board intend for the Going Private Transaction to treat stockholders holding Opta stock in street name through a nominee in the same manner as stockholders whose shares are registered in their names. Nominees are instructed to effect the Going Private Transaction for their beneficial holders. However, nominees may have different procedures and therefore, stockholders holding shares in street name should contact their nominees.

*Provision for Unaffiliated Stockholders*

The Company has not made any provision in connection with the Going Private Transaction to grant unaffiliated stockholders access to our corporate files or to obtain counsel or appraisal services for such stockholders. A majority of directors who are not Opta employees did not retain an unaffiliated representative to act solely on behalf of the unaffiliated stockholders for purposes of negotiating the Going Private Transaction or preparing a report concerning the fairness of the Going Private Transaction. No officers or directors own any securities of Opta.

*Past Transactions and Recent Developments*

In October 2003, Opta borrowed \$4,500,000 with an extended maturity date of July 21, 2005 and an interest rate of approximately 3% from TCL Corporation, a public company traded in China ("TCL Corp"). TCL Corp is an affiliate of Lotus International Holdings Ltd. ("LIH") and TCL Industries Holdings (HK) Ltd. ("TCL Industries"), two stockholders of Opta owning approximately 51.2% of Opta's outstanding stock. Opta ultimately loaned the funds to Opta Systems, LLC dba "GoVideo" ("GoVideo"), the wholly-owned and sole operating subsidiary of Opta. Such loan was one of the underlying loans assumed in the transactions described in our Form 8-K as filed on July 29, 2005.

As reported in our Form 8-K as filed on July 19, 2005, in evaluating GoVideo's ongoing operating costs, continuing losses and the effects of previous cost reduction efforts, Opta management determined that, in order to continue its operations, GoVideo would be required to make further and more significant cost reductions, including significant reductions in staff. On July 15, 2005, management began taking steps to implement these cost reductions, including discussions with GoVideo's employees. Opta management is exploring new business models that would result in its carrying minimal or no inventory and reduce interest costs.

As reported in our Form 8-K as filed on July 21, 2005, on July 18, 2005, the Board of Directors of Opta's non-operating subsidiary, Correlant Communications, Inc. ("Correlant"), approved the dissolution of Correlant, pending approval by the Correlant stockholders. The Correlant stockholders approved the dissolution on August 5, 2005 and as described below, Opta has since received most of its expected liquidation distribution from Correlant.

As reported in our Form 8-K as filed on July 29, 2005, on July 26, 2005, Opta entered into a series of transactions involving and relating to GoVideo. Each of such transactions was conditioned upon each other and the consummation of such transactions was deemed to occur simultaneously.

Pursuant to a loan participation agreement dated July 26, 2005, as amended (the "Participation Agreement") between Opta and GoVideo's senior lender, Wells Fargo Business Credit, Inc., ("Wells"), Opta acquired a participation interest in GoVideo's current credit facility under the Credit and Security Agreement dated as of July 21, 2003, as amended to date (the "Wells Credit Agreement") between GoVideo and Wells. The maximum amount of the line of credit under the Participation Agreement initially was \$4,000,000 and was subsequently increased to \$6,000,000 for a temporary period. Wells retained an \$800,000 interest in the Wells Credit Agreement. Concurrently with the purchase of the participation and the deposit by Opta of \$800,000 in cash collateral to secure its obligations under its guaranty of the Wells Credit Agreement, Wells released its lien on the intellectual property assets of GoVideo under the Wells Credit Agreement.

Pursuant to a forbearance agreement dated July 22, 2005, as amended, between GoVideo and Wells (the "Forbearance Agreement"), Wells agreed to forbear from exercising its rights and remedies with respect to existing defaults under the Wells Credit Agreement from the date of the agreement through October 31, 2005 and modify certain terms of the Credit Agreement, including reducing the maximum line of credit to \$4,000,000 (subsequently increased to \$6,000,000 for a temporary period) and waiving the termination fee. Wells also agreed that defaults by GoVideo under financial covenants in the Wells Credit Agreement and with respect to material adverse changes will not constitute new defaults under that agreement. As a condition to the forbearance by Wells, GoVideo agreed to pay to Wells a fee of \$300,000, \$150,000 of which is to be paid on September 2, 2005 and \$150,000 of which is to be paid on October 2, 2005, and Opta agreed to enter into the Participation Agreement and to deposit \$800,000 in cash collateral to secure Opta's guaranty as described above.

Pursuant to a purchase and sale agreement dated July 26, 2005 (the "TCLMM Agreement") among GoVideo, TCL Multimedia Technology Holdings Limited, a Cayman Islands company with shares listed on the Stock Exchange of Hong Kong Limited ("TCLMM"), TCL Industries, Asia Focus Industrial Limited ("Asia Focus") and Opta, TCLMM agreed to assume the debt obligations owed by GoVideo to TCL Industries and Asia Focus under three promissory notes, with obligations totaling approximately \$11,000,000 at July 26, 2005 ("Existing Obligations"). The Existing Obligations were previously guaranteed by Opta, and secured by Opta's pledge of 100% of the Common Stock and Series D Preferred Stock of Correlant, held by Opta. Pursuant to the TCLMM Agreement, TCL Industries and Asia Focus released Opta's obligations as guarantor under the Existing Obligations and released Opta's pledge of the Correlant shares.

In consideration for TCLMM's assumption of the Existing Obligations, GoVideo (i) assigned to TCLMM all of GoVideo's right, title and interest in and to certain significant intellectual property assets of GoVideo (the "GoVideo IP") and (ii) issued a promissory note in favor of TCLMM (the "TCLMM Note") for a principal amount of \$1,000,000, representing the difference between the value of the GoVideo IP, as determined by a third-party appraiser, and the Existing Obligations assumed by TCLMM. Under the TCLMM Agreement, the principal amount of the TCLMM Note may be adjusted upon the completion of a second third-party appraisal of the GoVideo IP, to be completed within 90 days.

The TCLMM Note bears interest at a rate of 0.257% per month and all principal and interest under the TCLMM Note is due and payable on January 26, 2006. Pursuant to the agreement, GoVideo granted to TCLMM a subordinated lien on all of GoVideo's assets, as security for the TCLMM Note, junior to the lien under the Wells Credit Agreement. In addition, Opta agreed to guaranty GoVideo's obligations under the TCLMM Note pursuant to a Guaranty dated July 26, 2005.

Under the TCLMM Agreement, TCLMM granted to GoVideo a 90-day, non-exclusive, worldwide license to use the GoVideo IP on a royalty-free basis. GoVideo and TCLMM agreed to negotiate in good faith within such 90-day period, the terms of a longer term license agreement for GoVideo to use the GoVideo IP for its continuing operations. The entered into such a license agreement on August 30, 2005.

TCLMM and Asia Focus are affiliates of TCL Industries, a stockholder controlling a majority of the outstanding shares of Opta. Two of Opta's directors, Messrs. Li Dongsheng and Vincent Yan, are affiliated with TCL Industries, TCLMM and Asia Focus. The remaining two members of the Opta Board of Directors, Professor Zuoquan Lin and Mr. James Jian Liu, who are not affiliated with TCL Industries or its affiliates, participated in the negotiations and separately approved the transaction on behalf of the Opta Board of Directors.

On July 26, 2005, Opta entered into a loan and security agreement with Correlant (the "Loan Agreement") whereby Correlant loaned to Opta the principal amount of \$5,000,000 at an interest rate of 2.75% per annum and a maturity date of December 31, 2005. The loan was secured by 6,000 shares of Correlant Series D Preferred Stock held by Opta. Opta owns a majority of the outstanding stock of Correlant. As previously reported, on July 18, 2005, the Board of Directors of Correlant approved the dissolution of Correlant. On August 5, 2005, Correlant's stockholders approved the dissolution. As of August 19, 2005, Opta received \$10,000,000 in liquidation distributions for all of its shares of Correlant Series D Preferred Stock, Opta used such distribution to set off all amounts then due to Correlant under the Loan Agreement and Correlant simultaneously released its security interest in 6,000 shares of Correlant Series D Preferred Stock held by Opta. Opta anticipates that it will receive an additional \$1,000,000 in liquidation distributions after payment of liquidation-related fees and expenses as a holder of shares of Correlant common stock.

#### *Interest of Certain Persons in or Opposition to Matters to Be Acted Upon*

Two of Opta's directors, Li Dongsheng and Vincent Yan, are also directors of TCL Corp. Mr. Li Dongsheng serves as the Chairman of the TCL Corp and TCLMM board of directors. Both Mr. Li Dongsheng and Mr. Vincent Yan hold positions with TCL Corp-affiliated companies, including TCLMM. As a result of the Going Private Transaction, the ownership percentage of TCL Industries and LIH will increase from 32.0% and 19.2%, respectively, to approximately 32.4% and 19.4%, respectively. TCL Industries and LIH have consented in writing to approve the Going Private Transaction. Because the ownership percentage of TCL Corp-affiliated stockholders will slightly increase as a result of the Going Private Transaction, Opta engaged Cronkite & Kissell, an independent financial advisor, to opine as to the fairness of the Going Private Transaction to all the stockholders of the Company, including those not affiliated with TCL Corp. In addition, Messrs. Lin and Liu, the two other members of our Board of Directors who are not affiliated with TCL Corp, separately analyzed the advantages, disadvantages and consequences of the proposed Going Private Transaction. After their analysis, they separately approved the Going Private Transaction.

#### *Transactions in Opta Stock*

During the last two years, Opta has repurchased approximately 6,935,857 shares of its common stock at \$0.30 per share from September 2003 through June 2004. Each of such repurchases were separately negotiated transactions and were made in connection with the takeover of Correlant.

Specifically, in September 2003, Opta repurchased 4,241,334 shares of common stock from former Correlant shareholders located in Taiwan at \$0.30 per share. In February 2004, Opta repurchased an aggregate of 2,445,253 shares of common stock from former Correlant shareholders, employees and management located in the United States at \$0.30 per share and with respect to one former director of Opta, his repurchase was conditioned upon his resignation as Opta director. In June 2004, Opta repurchased 249,270 shares of common stock from two former Correlant employees. In connection with all of the above-described repurchases, each of the parties released the other (including in the case of Opta, its subsidiaries and affiliates) from any and all claims relating to the Company or such stockholders' ownership of the shares.

In August 2004, Opta reached a settlement with TurboComm Technologies, Inc ("TurboComm") and under the terms of such settlement agreement, TurboComm delivered 686,000 shares of Opta common stock, constituting all shares of Opta owned by TurboComm, and both parties mutually agreed to release and discharge any and all claims that each may have against the other party.

#### *Source of Funds and Financial Effect of the Going Private Transaction*

We estimate that the fractional interests being cancelled in the Going Private Transaction would aggregate up to approximately 1,930,000 Pre-Merger Shares, resulting in total Cash Consideration to Cashed-Out Stockholders of up to approximately \$250,900. We believe that there are approximately 1,600,000 shares held by some stockholders who are on the Objecting Beneficial Shareowners (OBO) list, but we do not know exactly how many of such stockholders there are. The Cash Consideration for approximately 330,000 Pre-Merger Shares held by identifiable stockholders totals \$42,900 and assuming that the 1,600,000 shares on the OBO list are held by as many as 1,600,000 holders, the total Cash Consideration could be up to \$250,900 (\$42,900 for the identifiable stockholders *plus* up to \$208,000 for the holders on the OBO list). We expect to pay the Cash Consideration in connection with the Going Private Transaction and other expenses for the Going Private Transaction through our available cash and short term borrowings. The Going Private Transaction and the related use of cash to complete the Going Private Transaction, which includes professional fees and other expenses related to the transaction and Cash Consideration to be made to certain stockholders, are not expected to adversely affect in any material respect our capitalization, liquidity, results of operations or cash flow.

Following the Going Private Transaction, we plan to suspend our Periodic Reporting Obligations, which means that our stock will not qualify to be traded on any automated quotation system, operated by a national securities association and will not be qualified to trade on the OTC Bulletin Board.

We believe the Going Private Transaction will be treated as a tax-free "recapitalization" for federal income tax purposes, which will result in no material federal income tax consequences to us. Depending on each stockholder's individual situation, the Going Private Transaction may give rise to certain income tax consequences for stockholders. More details regarding potential tax consequence are set forth in the section "Material Federal Income Tax Consequences" below.

#### *Fees and Expenses*

The following is a reasonably itemized statement of the fees and expenses that have been incurred or that are estimated to be incurred in connection with the Going Private Transaction and the transactions related thereto: up to \$250,900 in Cash Consideration to the Cashed-Out Stockholders; \$200,000 to our legal counsel; \$35,000 for the preparation and issuance of a fairness opinion by Cronkite & Kissell; and \$35,000 for other expenses.

#### *Accounting Consequences*

The Going Private Transaction will not affect the par value of our Common Stock, which remains \$0.001 per share. And although the Going Private Transaction will result in an increase in per share net



income or loss and net book value of our Common Stock because fewer shares of our Common Stock will be outstanding, the change will be insignificant because the estimated decrease in the number of Pre-Merger Shares is immaterial in comparison to the number of shares that will remain outstanding subsequent to the Going Private Transaction.

#### *Regulatory Filings and Approvals*

We are not aware of any license or regulatory permit that appears to be material to our business that might be adversely affected by the Going Private Transaction, nor any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required to consummate the Going Private Transaction, other than approvals, filings or notices required under federal and state securities laws and the corporate laws of the State of Delaware.

We will file a Schedule 13E-3 with the Commission to notify the Commission of our intent to go private. We anticipate that following the completion of the Going Private Transaction and the filing of a Form 15 with the Commission, our Periodic Reporting Obligations will immediately terminate.

#### **Purpose of the Going Private Transaction**

The purpose of the Going Private Transaction is to enable Opta to terminate its Periodic Reporting Obligations and enable us to continue future operations as a private company, thereby relieving us of the costs, administrative burdens and competitive disadvantages associated with operating as a public company. We intend to accomplish this purpose by reducing the number of holders of record to fewer than 300 by cashing out the resulting fractional interests after the Merger.

Because the results of a Going Private Transaction are more predictable and automatic as compared to other alternatives of ways to complete the process of going private, our Board of Directors believes that the Going Private Transaction is the most expeditious and economical way of reducing the number of holders of record to fewer than 300 thereby positioning us to effect the termination of our Periodic Reporting Obligations.

#### *Consideration by the Board of Directors*

As previously reported, on June 29, 2001, a majority of the Company's stockholders, led by TCL Corp, were successful in gaining control of the Company and replacing prior management of the Company. On June 29, 2001, new directors and officers were appointed and the then existing directors and officers were immediately removed from office.

Following the replacement of prior management, the new management began an extensive review of various transactions undertaken by and involving old management prior to June 29, 2001. Due to the preliminary results, the Company dismissed its then existing independent accountants and replaced such firm with new independent accountants. On March 25, 2002, the new independent accountants were engaged to audit fiscal 2002. As previously reported, during its preliminary investigation, new management of the Company identified various transactions undertaken by prior management which impacted reported financial and operating results with respect to its consolidated financial statements for fiscal 2001, 2000 and 1999 and ultimately concluded that a reaudit of the financial statements for fiscal 2001, 2000 and 1999 was required. On July 24, 2002, the Company engaged its new independent accountants, to perform such reaudit and the Company concluded that it must restate these prior periods. As a result, the Company was unable to timely file its Form 10-K for fiscal 2002. On November 5, 2002, the Company's shares were removed from the OTC Bulletin Board for failure to comply with NASD Rule 6530. Although Opta filed its Form 10-K for fiscal 2002 on April 16, 2004, the Company was not eligible to trade on the OTC Bulletin Board until it became current in all its required filings, which was completed May 20, 2005. Since the Company's stock was delisted, trading has been sporadic and minimal, and there is no established public trading market for our stock. For

example, from February 2005 to May 2005, no month had more than seven trades in total. There were 16,000 shares in total traded in February 2005 involving merely two trades. There were 283,400 shares traded in March 2005 involving five trades and 45,000 shares traded in April 2005 involving two trades. As a result, many of Opta's stockholders have expressed concern to management regarding the lack of liquidity and ability to trade Opta's stock. Opta's Board of Directors determined that maintaining the public company status imposed significant costs and required considerable attention from, and resources of, management with no significant benefit.

Additionally, the future reporting requirements of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), including Section 404 of Sarbanes-Oxley, are expected to significantly increase the cost and management burden of remaining a public company. The Company's Board of Directors determined that terminating the Periodic Reporting Obligations before having to comply with the Sarbanes-Oxley reporting requirements would result in substantial cost savings while allowing management to focus on business operations, which would help us maximize stockholder value. In order to terminate our Periodic Reporting Obligations, we must reduce the number of record holders to fewer than 300.

The possibilities of going private and other strategic alternatives for the Company were first contemplated by current management, including Vincent Yan, President and CEO of the Company, following the replacing prior management of the Company in 2001. However, because of the Company's delay in filing its Form 10-K for the fiscal 2002 following the reaudit of financial statements discussed above, the Company was not current in its Periodic Reporting Obligations and therefore was unable to pursue a going private transaction under these circumstances. Management therefore made completion of the reaudit its priority and discussions regarding going private were postponed indefinitely until the Company became current in its Periodic Reporting Obligations.

Following the filing of the Form 10-K for fiscal 2004 on February 14, 2005, Mr. Yan initiated discussions regarding the possibility of going private with other directors including Messrs. Li, Liu and Lin through various telephone calls in March 2005. Mr. Yan's primary concern was the continuing high cost of maintaining the public reporting status of the Company.

At the same time, management and the Board considered alternatives other than going private. These considerations included pursuing strategic alternatives, such as identifying potential candidates to buy the company, further cost-cutting measures and relying on the cash flow from operating subsidiaries to fund the increased costs to maintain company's public status. Starting 2005, management investigated strategic opportunities, but to date has been unable to find a suitable opportunity. Further, in evaluating GoVideo's ongoing operating costs, continuing losses and the effects of previous cost reduction efforts, Opta management determined that, in order to continue its operations, GoVideo would be required to make further and more significant cost reductions, including significant reductions in staff and restructuring of debt, as discussed above. Management concluded that such cash flows were not sufficient to offset the increasing costs to maintain the Company's public status. The Going Private Transaction was therefore the most attractive alternative.

During various conversations among the directors in March 2005, Messrs. Li and Yan favored the proposal of going private on the grounds that the Company should preserve its limited resources to devote to the development of the Company's business operations. Messrs. Liu and Lin, the non-affiliated directors and members of Audit Committee, had initial reservations for the proposal of going private. They believed that the potential benefits of maintaining a public company status would be lost once the Company went private, and they also wanted to make more thorough investigations regarding the results of the Company's business operations. In April and May 2005, Messrs. Liu and Lin each had several discussions with Sean Wang, COO of the Company, who also favored the proposal of going private, to discuss the pros and cons of going private for the Company. In May 2005, Mr. Liu visited GoVideo's headquarters in Arizona to gain first-hand information about GoVideo's operations. In May 2005, Professor Lin had several lengthy telephone conversations with accountants of the

Company's internal accounting staff regarding the Company's financial status. On April 7, 2005 and May 17, 2005, Messrs. Liu and Lin, as members of the Audit Committee, had two separate meetings by telephone conference call with the Company's independent auditors with no other directors or officers of the Company participating.

On May 27, 2005, each of the directors, including Messrs. Liu and Lin, concluding that a going private transaction could be beneficial to our stockholders, authorized Sean Wang, COO, to engage Cronkite & Kissell to conduct an independent evaluation of the Company's common stock.

Cronkite & Kissell delivered its initial valuation opinion on June 14, 2005. In its opinion, Cronkite & Kissell considered the fair market value of the common stock of the Company to be \$0.10 per share. After being advised that the cash consideration to cash-out a sufficient number of shares to terminate the Company's Periodic Reporting Obligations were reasonably estimated to be between \$80,000 and \$250,000, the Board initially determined that \$0.12, representing a 20% premium over the independently evaluated price, would be appropriate. After further consultations with management and the Company's legal counsel, on June 17, 2005, the Board unanimously decided to approve a repurchase price of the shares at \$0.13 per share.

In determining the \$0.13 per share price, the Board considered (1) the June 14, 2005 valuation report presented orally by Cronkite & Kissell, and (2) market price of the Company's share on the Pink Sheets. The non-affiliated directors accepted the Cronkite & Kissell report because they believed that the valuation results were similar to the results of their own investigations in the preceding months. They also reviewed the trading volume and prices of the Company's stock from January through August 2005. While the Company's stock was never traded above \$0.14 during such period (except one single trade of 2,300 shares at \$1.03 on January 28, 2005), the non-affiliated directors reached the conclusion that setting the repurchase price at \$0.13 would be fair to shareholders both affected and unaffected by this transaction, i.e. to the Cashed-Out Stockholders and to those holders not receiving the Cash Consideration. While the aggregate Cash Consideration to be paid was estimated to be between \$80,000 and \$250,000, the non-affiliated directors also concluded that setting the price higher than \$0.13 would be unfair to the remaining shareholders.

Because the results of a Going Private Transaction are more predictable and automatic as compared to other alternatives of ways to complete the process of going private, our Board of Directors believed that the Going Private Transaction would be the most expeditious and economical way of reducing the number of holders of record to fewer than 300 thereby positioning us to effect the termination of our Periodic Reporting Obligations. Based on the Company's stock records at August 3, 2005, the Company estimates that it will have approximately 200 holders of record following immediately following the Going Private Transaction. Although exchange ratios of less than 5000 to 1 were discussed, the Board considered 5000 to 1 most appropriate to achieve the result of reducing the number of holders to less than 300. The 11 largest Opta stockholders hold approximately 77% of Opta's outstanding shares. If all the holders on the OBO list continue to be Opta stockholders after the Going Private Transaction, we estimate that Opta will have approximately 200 stockholders after the Going Private Transaction. Using a 4,000 to 1 ratio would have resulted in approximately 11 more stockholders and using a 3,000 to 1 ratio would result in approximately 27 more stockholders after the Going Private Transaction. Because we do not know exactly how many holders are on the OBO list and cannot control potential trading after the Going Private Transaction, we decided to use the 5000 to 1 ratio because it would give the Company sufficient flexibility should the number of shareholders increase after the Going Private Transaction to a number between 200 and 300.

Because the ownership percentage of TCL Corp-affiliated stockholders would slightly increase as a result of the Going Private Transaction, Opta decided to engage Cronkite & Kissell to opine as to the fairness of the Going Private Transaction to all the stockholders of the Company, including those not affiliated with TCL Corp.

On May 27, 2005 and June 20, 2005, the Company engaged Cronkite & Kissell to deliver its fairness opinion as of June 30, 2005, based on the \$0.13 per share repurchase price. (The Company had previously engaged Cronkite & Kissell on May 27, 2005 to prepare the June 14, 2005 valuation report described above.) On July 8, 2005, the Company filed its initial preliminary Schedule 14C and initial Schedule 13E-3, including Cronkite & Kissell's fairness opinion dated June 30, 2005 attached hereto as Annex D, with the SEC. In such fairness opinion, Cronkite & Kissell stated that the fair market value of the common stock was \$0.10 per share.

Following these initial filings to effect the Going Private Transaction, the Company entered into the series of transactions involving our subsidiaries GoVideo and Correlant, as described above in "*Past Transactions and Recent Developments*". As these transactions neared completion, management and the Board decided to postpone the Company's process of going private until the transactions were finalized, as such transactions conceivably could impact the substance of the Going Private Transaction.

Following the consummation of such transactions, management requested Cronkite & Kissell to update its valuation and fairness opinions to reflect such transactions. On August 2, 2005, after taking into consideration events occurring in July 2005, including the restructuring of the Company's debt, the assignment to TCLMM by GoVideo of its rights in certain intellectual property, the dissolution of Correlant and the resulting significant changes in the Company's balance sheet, Cronkite & Kissell delivered its updated valuation opinion. In such updated opinion, Cronkite & Kissell stated that the fair market value of the common stock of the Company was \$0.116 per share and that the \$0.13 per share repurchase price proposed and approved by the Company's Board was fair. On August 2, 2005, following receipt of the updated Cronkite & Kissell opinions, our entire Board of Directors, approved the Going Private Transaction.

At the Company's request, Cronkite & Kissell again updated its valuation opinion as of August 31, 2005. Cronkite & Kissell considered the Company's revised business plan and financial forecasts with respect to GoVideo and GoVideo's recent financial performance. Cronkite & Kissell also clarified in such updated valuation opinion dated September 20, 2005 and attached hereto as Annex F that its fairness opinion (and all prior fairness opinions) had included Cronkite & Kissell's evaluation of the fairness of the Going Private Transaction to unaffiliated shareholders, namely shareholders who are not affiliated with TCL entities. The September 20, 2005 opinion stated that the fair market value of the common stock is \$0.10 per share.

#### **Reasons for the Going Private Transaction**

##### *Cost Savings*

We incur direct and indirect costs associated with our status as a public company. Among the most significant are the costs associated with compliance with the Periodic Reporting Obligations imposed by the Commission. Direct costs associated with compliance with the Periodic Reporting Obligations include, but are not limited to auditing fees, legal fees, consultant fees, financial printer fees and miscellaneous clerical and other administrative expenses, such as word processing, conversion to EDGAR, telephone and fax charges associated with the preparation and filing of periodic reports, proxy materials and other reports and statements with the Commission.

Based on our experience in prior years, our direct costs of complying with the Periodic Reporting Obligations are estimated to be approximately \$880,000 annually, based on estimated annual audit and accounting fees of \$200,000, estimated annual legal fees of \$150,000, estimated financial printer fees of \$10,000, estimated transfer agent fees of \$7,000, estimated costs associated with filing reports with the Commission (including internal administrative staff) of \$50,000, estimated costs for directors' and officers' insurance of \$330,000, estimated future costs associated with Sarbanes-Oxley compliance of \$80,000 and estimated miscellaneous costs of \$50,000. Indirect costs associated with compliance with the Periodic Reporting Obligations include, among other things, the time our executive officers and

accounting staff expend to prepare and review our periodic reports. Because we have only a few executive personnel, these indirect costs are substantial. Due to additional regulations and compliance procedures required of public companies under Sarbanes-Oxley, including our independent auditors' report on our management's assessment of our internal controls for financial reporting purposes under Section 404 of Sarbanes-Oxley, we expect that both the direct and indirect costs identified above will increase in the future. Moreover, we believe that such costs will increase as the Company addresses the concerns in the Company's external auditors' report to the Board in January 2005 of a "reportable condition" that constituted a "material weakness" in our internal control over financial reporting. These material weaknesses in internal control over financial reporting did not impact the Board's or Cronkite & Kissell's ability to evaluate the fairness of the Going Private Transaction.

Our Board of Directors considered the cost to us of continuing to file periodic reports with the Commission and complying with the proxy and annual report requirements under the Exchange Act compared to the benefits to us and our stockholders of continuing to operate as a public company. Under the circumstances, our Board of Directors determined that the benefits that we and our stockholders would typically expect to derive from our status as a public company are not being realized and are not likely to be realized in the foreseeable future. In particular, as discussed above, in the period since the Company's stock was delisted from the OTC Bulletin Board, trading has been sporadic and minimal, and there is no established public trading market for our stock. For example, from February 2005 to May 2005, no month had more than seven trades in total. There were 16,000 shares in total traded in February 2005 involving merely two trades. There were 283,400 shares traded in March 2005 involving five trades and 45,000 shares traded in April 2005 involving two trades.

As a result, our Board of Directors concluded that the elimination of the costs of complying with our Periodic Reporting Obligations outweighed the benefits of continuing to incur such costs. We are, therefore, undertaking the Going Private Transaction at this time to save us the substantial costs, which we expect to increase over time, and resources required to comply with the Periodic Reporting Obligations and other obligations associated with operating as a public reporting company. However, the actual savings to be realized from terminating our Periodic Reporting Obligations may be higher or lower than our estimates.

#### *Competitive Disadvantage*

As a public company, we are required to make certain disclosures in connection with our Periodic Reporting Obligations. Those public disclosures can potentially place us at a competitive disadvantage by providing our non-public competitors with strategic information about our business, operations and results while not having access to similar information about those competitors. In light of our limited size and resources, competitive disadvantages related to our public reporting obligations and our lack of intent to raise capital through a public offering or effect acquisitions using our stock, our Board of Directors does not believe the costs associated with maintaining our Periodic Reporting Obligations and maintaining our stockholder accounts are justified. Our Board of Directors believes that it is in the best interests of us and our stockholders as a whole to eliminate the administrative burden and costs associated with maintaining our Periodic Reporting Obligations and maintaining stockholder accounts.

#### **Procedural Factors Favoring the Going Private Transaction**

Our Board of Directors analyzed the Going Private Transaction and its anticipated effects on our stockholders and have deemed the Going Private Transaction and related termination of our Periodic Reporting Obligations to be substantively and procedurally fair to, and in the best interests of, our affiliated and unaffiliated stockholders, whether they are cashed out or remain as stockholders following the Going Private Transaction. In reaching this conclusion, our Board of Directors also considered, in no particular order and without preference, the factors described below.

*The Going Private Transaction Provides our Stockholders with Liquidity*

As a result of our stock being delisted as discussed above, the average daily trading volume for our Common Stock was minimal and deemed illiquid by most standards. The Going Private Transaction will provide stockholders who hold fewer than 5,000 shares at the Effective Time the opportunity to liquidate their investment in us.

*No Unusual Conditions to the Going Private Transaction*

Our Board of Directors also considered the likelihood that the Going Private Transaction would be implemented. In this regard, it considered that there are no unusual requirements or conditions to the Going Private Transaction, and that we have the financial resources to implement the Going Private Transaction expeditiously.

*Interest of TCL Corp in the Going Private Transaction*

As a result of the Going Private Transaction, the ownership percentage of TCL Industries and LIH will increase from 32.0% and 19.2%, respectively, to approximately 32.4% and 19.4%, respectively. TCL Industries and LIH have consented in writing to approve the Going Private Transaction. Two of Opta's directors, Li Dongsheng and Vincent Yan, are also directors of TCL Corp. Both Mr. Li and Mr. Yan hold positions with TCL Corp-affiliated companies, including TCLMM.

Because the ownership percentage of TCL Corp-affiliated stockholders will slightly increase as a result of the Going Private Transaction, Opta engaged Cronkite & Kissell, an independent financial advisor, to opine as to the fairness of the Going Private Transaction to all the stockholders of the Company, including those not affiliated with TCL Corp. Cronkite & Kissell's fairness opinion specifically addresses the fairness of the Going Private Transaction to unaffiliated stockholders.

Messrs. Lin and Liu, the two other members of our Board of Directors who are not affiliated with TCL Corp, separately analyzed the advantages, disadvantages and consequences of the proposed Going Private Transaction. As described above, the non-affiliated directors conducted their own investigation before authorizing the Going Private Transaction. Their analyses and decisions were based upon a number of factors, including: (1) the Company's current financial and business operating status, (2) the Company's future plans and its profitability forecast, (3) the increasing costs to maintain the Company's public status, and (4) the lack of liquidity for the Company's stock as a result of minimal and sporadic trading of the shares on the Pink Sheets. After their investigation, they separately approved the Going Private Transaction.

*Structure of Going Private Transaction Stockholder and Board Approval*

The Going Private Transaction was specifically structured in a way that requires stockholder approval and provides statutory appraisal rights to non-consenting stockholders. One of the reasons the Company specifically structured the Going Private Transaction to include a merger, rather than a reverse stock split, was to provide for appraisal rights to unaffiliated stockholders. Such appraisal rights are more fully described in the section entitled "Appraisal Rights" below. The Going Private Transaction was not structured in a way that would require approval of a majority of unaffiliated stockholders. However, the Board concluded that the procedural safeguards afforded by such appraisal rights, together with the independent valuation and fairness opinion delivered by Cronkite & Kissell, would make the Going Private Transaction procedurally fair to the unaffiliated stockholder, even though the consent of unaffiliated stockholders to the Going Private Transaction was not solicited. Furthermore, the unaffiliated stockholders are not being treated differently as a group from the affiliated stockholders. The difference in treatment arises from whether or not a stockholder holds more or less than 5,000 Pre-Merger Shares. The Going Private Transaction has been approved unanimously by all members of the Board of Directors, including all non-employee directors.

## **Substantive Factors Favoring the Going Private Transaction**

### *Direct and Indirect Cost Savings*

As discussed above, we incur direct and indirect costs associated with our status as a public company. Among the most significant are the costs associated with compliance with the Periodic Reporting Obligations imposed by the Commission. As discussed above, we estimate that we will save approximately \$880,000 annually in direct general and administrative costs by being a private company. We also believe that because of Sarbanes-Oxley, such direct costs would increase in the future. Additionally, the indirect cost to our company in terms of senior management and accounting staff time spent on complying with the Periodic Reporting Obligations will also be saved.

### *The Going Private Transaction Offers Stockholders the Opportunity to Receive Cash at a Premium Price*

Our Board of Directors considered several methods for valuing our stock to determine the \$0.13 price per share to be paid to stockholders with resulting fractional interests as a result of the Going Private Transaction. The Cash Consideration represents a premium of approximately 127% over the average daily closing trading price of the Common Stock for the 12-month period ending August 31, 2005, and a premium of approximately 12% over the valuation price of \$0.10 provided by Cronkite & Kissell.

Our Common Stock is traded on the Pink Sheets under the symbol "OPTP. PK." Due to the sporadic and minimal trading, our shares were traded on occasions at unusually high prices. For example, there was one transaction of 2,500 shares at the price of \$1.03 on January 28, 2005 and another trade of 11,500 shares at \$0.15 in July 8, 2004. These trades represented the only trades for those months. The average daily high prices for the 12-month period ending August 31, 2005 was \$0.105 and for the six-month period between March 1, 2005 and August 31, 2005 was \$0.057. The Cash Consideration represents a premium of approximately 24% and 127% for these two periods. For more information, please see the section "Market Prices of Our Common Stock and Dividend Policy."

### *Fairness Opinion General*

The Board hired Cronkite & Kissell based on its qualifications and expertise in providing financial advice to companies and its reputation. Opta engaged Cronkite & Kissell to perform a SFAS 141 analysis at April 18, 2003 for a fee of \$11,000 and a SFAS 142 study at June 30, 2004 for a fee of \$8,218. In July 2005, Opta engaged Cronkite & Kissell to estimate the fair value of GoVideo's patents and trade names for a fee of \$8,500. No other material relationship exists or has existed within the past two years between Cronkite & Kissell and the Company prior to this transaction. Pursuant to a letter agreement dated May 27, 2005 and amended June 20, 2005, Cronkite & Kissell will be paid fees totaling \$35,000 for the Cronkite & Kissell Fairness Opinions. Such fee is not contingent on the successful completion of the Going Private Transaction.

On May 27, 2005, Cronkite & Kissell was engaged by Opta to estimate the fair market value of the Company's common stock. On June 14, 2005, Cronkite & Kissell delivered verbally and in a draft executive summary letter its estimate of fair market value at \$.10 per share. On July 8, 2005, Cronkite & Kissell delivered its June 30, 2005 valuation opinion which was filed as an Exhibit to the initial preliminary Schedule 14C filed with the Commission on July 8, 2005 and attached hereto as Annex D. Subsequently, the Company entered into a series of transactions that are described in "*Past Transactions and Recent Developments*." Cronkite & Kissell was then requested by the Company to update its estimate of the fair market value of the Company's common stock taking into consideration these recent events; specifically the restructuring of the Company's debt, the assignment to TCLMM by GoVideo of its rights in certain intellectual property and the dissolution of Correlant. These events caused significant changes in the Company's balance sheet. Cronkite & Kissell considered the events that occurred in July 2005 and the resulting changes in the Company's balance sheet in updating its

estimated value and fairness opinion in the Fairness Opinion Letter dated August 2, 2005. In August 2005, the Company again requested that Cronkite & Kissell update its estimate of the fair market value of the Company's common stock to take into account GoVideo's revised business plan, financial forecasts and recent financial performance as a result of the Company's having taken significant steps to restructure the operations of GoVideo. Cronkite & Kissell updated Fairness Opinion Letter dated September 20, 2005 is attached as Annex F.

*Market Approach*

One of the approaches used by Cronkite & Kissell to estimate the value of the Company's common stock was a Market Approach. There are five steps involved in using the market approach, as follows:

The determination of earnings levels considered to be representative of the future operating performance of the subject company.

The selection of guideline companies to be used for comparison purposes. The guideline companies can be either publicly traded companies or companies (publicly-traded or private) that have recently been acquired. Cronkite & Kissell focused its analysis on publicly-traded guideline companies as no comparable transactions were identified within the past two years.

The performance of a comparative risk analysis between the subject company and the guideline companies.

The selection of appropriate market multiples for the subject company based on the comparative risk analysis and a thorough analysis of the guideline market multiples.

The determination of value for the subject company's total enterprise, and after subtracting interest-bearing debt, its equity.



## Edgar Filing: OPTA CORP - Form PRER14C

### *Determination of Representative Earnings*

Essential ingredients of the market approach are the appropriate levels of earnings to utilize. In determining representative levels, Cronkite & Kissell reviewed the historical trends, as well as the projections for future operations, of the Company in terms of revenues, earnings, and cash flow. Since Opta is not currently profitable, Cronkite & Kissell relied upon revenues as a measure upon which to apply a multiple. The book value of the Company's assets was originally considered as a measure upon which to apply a multiple, but because the new business model for GoVideo is so different in terms of the amount of inventory to be carried, this measure was not used in the final valuation.

When employing the market approach, it is important to obtain a representative list of publicly owned or recently acquired companies that are similar to the subject company in those respects carrying the greatest weight with the investing public. In some cases, companies may be quite similar from an investment standpoint, even though they appear to be engaged in somewhat different lines of business. Primarily, they should offer operational and economic comparability in the areas of major importance to the investing public.

Cronkite & Kissell's search for such companies included a review of certain databases which contain pertinent financial and operating information on actively traded public companies. In establishing the search parameters, four basic criteria had to be met initially:

The company had to be primarily engaged in the consumer electronics industry.

The company's common stock (or ADR for international companies) had to be outstanding in the hands of the public.

The trading market of the company had to be relatively active to obtain true investor sentiment.

The company had to make its financial information public.

After reviewing companies fitting the general criteria described above, Cronkite & Kissell selected six for comparison purposes:

Audiovox Corp.

Emerson Radio

Harmon International

Matsushita Electric

Phillips Electric

Pioneer Corp

### *Comparative Analysis with Opta*

Before drawing any conclusions from the market multiples evidenced for the guideline companies, it is necessary to complete a comparative analysis. Such an analysis compares the subject company with the guideline companies on the basis of risk and return characteristics in order to determine the subject company's risk/return profile relative to that of the guideline companies as a group. The analysis generally focuses on quantitative considerations, which include financial performance and other quantifiable data, and qualitative considerations, which include any factors which are expected to impact future financial performance and investors' interpretations of the financial results.

Based on Cronkite & Kissell's review of these statistics and consideration of the qualitative factors impacting the business, Opta appears to represent a significantly greater investment risk, for a given return, relative to the guideline companies as a group.



*Determination of Market Multiples*

The enterprise value ("EV") / Revenue multiples for the guideline companies were computed by dividing the aggregate value of equity (adjusted for the size differential between the guideline companies and Opta) and debt by