

PIXELWORKS INC  
Form S-4/A  
June 13, 2003  
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As filed with the Securities and Exchange Commission on June 13, 2003

Registration No. 333-104641

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 1**

**TO**

**FORM S-4**

**REGISTRATION STATEMENT**

*Under*

*The Securities Act of 1933*

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**PIXELWORKS, INC.**

(Exact name of Registrant as specified in its charter)

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**Oregon**  
(State or other jurisdiction of  
incorporation or organization)

**3674**  
(Primary Standard Industrial Classification  
Code Number)

**91-1761992**  
(I.R.S. Employer  
Identification Number)

**8100 SW Nyberg Road**

**Tualatin, Oregon 97062**

**(503) 454-1750**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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**Allen H. Alley**

**President and Chief Executive Officer**

**8100 SW Nyberg Road**

**Tualatin, Oregon 97062**

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(503) 454-1750

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement and consummation of the merger contemplated herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8 of the Securities Act, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8, may determine.**

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**The information in this joint proxy statement/prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. Pixelworks may not sell these securities until the registration statement is effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to Completion, Dated June 13, 2003**

Dear holders of Pixelworks and Genesis Microchip common stock:

On behalf of the boards of directors and management teams of each of Pixelworks, Inc. and Genesis Microchip Inc., we are pleased to deliver our joint proxy statement/prospectus for the proposed merger involving Pixelworks and Genesis Microchip. Upon completion of the merger, holders of Genesis Microchip common stock will be entitled to receive 2.3366 shares of Pixelworks common stock for each share of Genesis Microchip common stock they hold at that time. In the merger, Pixelworks will also assume all outstanding options to purchase Genesis Microchip common stock.

The common stock of each of Pixelworks and Genesis Microchip is traded on the Nasdaq National Market under the trading symbols PXLW and GNSS, respectively. Following the merger, and subject to the approval by the Pixelworks shareholders of a proposal to amend Pixelworks articles of incorporation, the combined company will be named Genesis Pixelworks, Inc., and we expect that its common stock will be traded on the Nasdaq National Market under the trading symbol GNPX. The headquarters of the combined company will be the current headquarters of Genesis Microchip in Alviso, California.

**We encourage you to read this joint proxy statement/prospectus, which includes important information about the merger. In addition, the section entitled Risk Factors beginning on page 19 of this joint proxy statement/prospectus contains a description of risks that you should consider in evaluating the merger.**

Completion of the merger requires Pixelworks shareholders to approve the issuance of shares of Pixelworks common stock in connection with the merger and requires Genesis Microchip stockholders to adopt the merger agreement. Pixelworks and Genesis Microchip have scheduled special meetings of their shareholders to obtain these approvals on • , 2003. Information regarding these special meetings is included in this joint proxy statement/prospectus.

**The Pixelworks board of directors unanimously recommends that Pixelworks shareholders vote FOR the proposal to approve the issuance of shares of Pixelworks common stock in connection with the merger and FOR the proposal to amend Pixelworks articles of incorporation to change Pixelworks name to Genesis Pixelworks, Inc. after completion of the merger.**

**The Genesis Microchip board of directors unanimously recommends that Genesis Microchip stockholders vote FOR the proposal to adopt the merger agreement.**

**YOUR VOTE IS IMPORTANT.** Whether or not you plan to attend the Pixelworks special meeting or the Genesis Microchip special meeting, please vote **FOR** your company's proposals today by signing and dating the enclosed proxy card and returning it in the pre-addressed envelope provided.

Thank you for your support.

Sincerely,

**Allen H. Alley**

**Chairman, President and Chief Executive Officer Pixelworks,  
Inc.**

**James E. Donegan**

**Chairman and Chief Executive Officer  
Genesis Microchip Inc.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of Pixelworks common stock to be issued in connection with the merger or determined whether this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated • , 2003 and is first being mailed to shareholders of Pixelworks and Genesis Microchip on or about • , 2003.

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**ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about Pixelworks, Inc. and Genesis Microchip Inc. from documents that each company has filed with the Securities and Exchange Commission and that have not been included in or delivered with this joint proxy statement/prospectus.

Pixelworks will provide you with copies of this information relating to Pixelworks, without charge, upon written or oral request to:

**Pixelworks, Inc.**

Attention: Chief Financial Officer

8100 SW Nyberg Road

Tualatin, Oregon 97062

Telephone Number: (503) 454-1750

Genesis Microchip will provide you with copies of this information relating to Genesis Microchip, without charge, upon written or oral request to:

**Genesis Microchip Inc.**

Attention: Chief Financial Officer

2150 Gold Street

Alviso, California 95002

Telephone Number: (408) 262-6599

**If you would like to request any documents, please do so by • , 2003, in order to receive them before the special meetings. See Where You Can Find Additional Information beginning on page 117.**

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**PIXELWORKS, INC.**

**8100 SW Nyberg Road**

**Tualatin, Oregon 97062**

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON • , 2003**

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To the Shareholders of Pixelworks, Inc.:

Notice is hereby given that a special meeting of shareholders of Pixelworks, Inc. will be held on • , 2003, at 9:00 a.m., Pacific Time, at • , Portland, Oregon, for the following purposes:

1. to consider and vote on a proposal to approve the issuance of shares of Pixelworks common stock, par value \$0.001 per share, pursuant to the Agreement and Plan of Merger dated as of March 17, 2003 by and among Genesis Microchip Inc., Pixelworks and Display Acquisition Corporation, a newly formed, wholly-owned subsidiary of Pixelworks, pursuant to which Genesis Microchip will become a wholly-owned subsidiary of Pixelworks;
2. to consider and vote on a proposal to approve an amendment to Pixelworks articles of incorporation effective upon completion of the merger, changing the name of Pixelworks to Genesis Pixelworks, Inc.; and
3. to transact such other business as may properly come before the Pixelworks special meeting or any adjournment or postponement of the meeting.

These items of business are more fully described in the attached joint proxy statement/prospectus.

Only Pixelworks shareholders of record at the close of business on May 21, 2003, the date assumed for purposes of this document as the record date for the Pixelworks special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the meeting.

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**Your vote is important. Whether or not you plan to attend the special meeting, we urge you to complete, date, sign and return the enclosed proxy card in the accompanying envelope.** Your prompt response is greatly appreciated. You may revoke your proxy in the manner described in the accompanying joint proxy statement/prospectus before it has been voted at the special meeting. Shareholders who attend the special meeting may vote their stock personally even if they have previously delivered a proxy.

By Order of the Board of Directors

of Pixelworks, Inc.

**Allen H. Alley**

**Chairman of the Board, President**

**and Chief Executive Officer**

June • , 2003

Tualatin, Oregon

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**GENESIS MICROCHIP INC.**

**2150 Gold Street**

**Alviso, California 95002**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON • , 2003**

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To the Stockholders of Genesis Microchip Inc.:

Notice is hereby given that a special meeting of stockholders of Genesis Microchip Inc. will be held on • , 2003, at 9:00 a.m., Pacific Time, at 2150 Gold Street, Alviso, California, for the following purposes:

1. to consider and vote on a proposal to adopt the Agreement and Plan of Merger dated as of March 17, 2003 by and among Genesis Microchip, Pixelworks, Inc. and Display Acquisition Corporation, a newly formed, wholly-owned subsidiary of Pixelworks, pursuant to which Genesis Microchip will become a wholly-owned subsidiary of Pixelworks; and
2. to transact such other business as may properly come before the Genesis Microchip special meeting or any adjournment or postponement of the meeting.

Adoption of the Agreement and Plan of Merger will constitute approval of the merger. These items of business are more fully described in the attached joint proxy statement/prospectus.

Only Genesis Microchip stockholders of record at the close of business on May 21, 2003, the date assumed for purposes of this document as the record date for the Genesis Microchip special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the meeting.

**Your vote is important. Whether or not you plan to attend the special meeting, we urge you to complete, date, sign and return the enclosed proxy card in the accompanying envelope.** Your prompt response is greatly appreciated. You may revoke your proxy in the manner



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described in the accompanying joint proxy statement/prospectus before it has been voted at the special meeting. Stockholders who attend the special meeting may vote their stock personally even if they have previously delivered a proxy.

By Order of the Board of Directors

of Genesis Microchip Inc.

June • , 2003

Alviso, California

**Eric Erdman**

**Secretary**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

***Q: Why am I receiving this joint proxy statement/prospectus?***

A: Pixelworks and Genesis Microchip are proposing to merge under the terms of the merger agreement that is attached as *Annex A* and that is described in this joint proxy statement/prospectus.

The merger requires approval by the shareholders of Pixelworks and Genesis Microchip. Pixelworks and Genesis Microchip have scheduled special meetings of their shareholders to obtain these approvals.

***Q: Why are Pixelworks and Genesis Microchip proposing to merge?***

A: We are proposing to merge because we believe the merger will enhance our competitive ability in the advanced display industry. In addition, we believe that the combined company will have a more diversified product offering and revenue base than either company has on a stand-alone basis.

***Q: What will happen to my shares in the merger?***

A: *Pixelworks*: All outstanding shares of Pixelworks common stock will remain outstanding.

*Genesis Microchip*: Each issued and outstanding share of Genesis Microchip common stock will convert into the right to receive 2.3366 shares of Pixelworks common stock. Genesis Microchip stockholders will receive cash in lieu of fractional shares.

***Q: What percentage of the combined company will the shareholders of Pixelworks and Genesis Microchip own after the merger?***

A: *Pixelworks*: Assuming the merger had been completed as of May 21, 2003, Pixelworks shareholders would have owned approximately 38.3% of the outstanding shares of the combined company.

*Genesis Microchip*: Assuming the merger had been completed as of May 21, 2003, Genesis Microchip stockholders would have owned approximately 61.7% of the outstanding shares of the combined company.

***Q: As a Genesis Microchip stockholder will I be able to trade the stock I receive in the merger?***

A: The shares of Pixelworks common stock issued to you in the merger will be freely tradable, unless you are an affiliate of Genesis Microchip. Generally, persons who are affiliates of Genesis Microchip must comply with Rule 145 under the Securities Act of 1933 if they wish to sell or otherwise transfer any of the shares of Pixelworks common stock they receive in the merger.

***Q: What will happen to my stock options in the merger?***

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A: *Pixelworks*: All outstanding options to purchase Pixelworks common stock will remain outstanding. The vesting of certain Pixelworks stock options held by directors and certain key employees of Pixelworks will be accelerated in connection with the merger.

*Genesis Microchip*: Each option to purchase Genesis Microchip common stock outstanding at the time of the merger will be assumed by Pixelworks and will become an option to acquire a number of shares of Pixelworks common stock determined by multiplying the number of shares of Genesis Microchip common stock covered by the option immediately before the completion of the merger by 2.3366, rounded down to the nearest whole share. The exercise price per share of each assumed option will be equal to the exercise price per share of Genesis Microchip common stock applicable to that option, divided by 2.3366, rounded up to the nearest whole cent.

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***Q: What will the combined company be called?***

A: The combined company will be called Genesis Pixelworks, Inc. if Pixelworks' shareholders approve the proposed amendment to Pixelworks' articles of incorporation. The combined company's common stock is expected to trade on the Nasdaq National Market under the trading symbol GNPX.

***Q: Where will the combined company have its headquarters?***

A: The headquarters of the combined company will be Genesis Microchip's current headquarters in Alviso, California. The combined company will also have a significant presence at Pixelworks' current headquarters in Tualatin, Oregon.

***Q: What am I being asked to vote on?***

A. *Pixelworks shareholders:* You are being asked to vote to approve the issuance of shares of common stock in connection with the merger and to approve an amendment to the Pixelworks articles of incorporation to change the company's name to Genesis Pixelworks, Inc.

*Genesis Microchip stockholders:* You are being asked to vote to adopt the merger agreement, which will constitute approval of the merger.

***Q: What shareholder approvals are required?***

A: *Pixelworks shareholders:* The issuance of shares in the merger and the proposed amendment to the articles of incorporation each require the affirmative vote of a majority of the votes cast at the Pixelworks special meeting.

*Genesis Microchip stockholders:* Adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of Genesis Microchip common stock.

***Q: When and where will the votes take place?***

A: The special meetings of Pixelworks and Genesis Microchip shareholders will take place on • , 2003 at the locations specified in the notices of special meetings in this joint proxy statement/prospectus.

***Q: How does my board of directors recommend that I vote?***

A: *Pixelworks shareholders:* The Pixelworks board of directors unanimously recommends that Pixelworks shareholders vote **FOR** the issuance of Pixelworks common stock pursuant to the merger and **FOR** the amendment to the articles of incorporation to change the company's name to Genesis Pixelworks, Inc.

*Genesis Microchip stockholders:* The Genesis Microchip board of directors unanimously recommends that Genesis Microchip stockholders vote **FOR** the adoption of the merger agreement.

**Q: How do I vote?**

A: *If your shares are registered in your name:* Complete, sign, date and return the enclosed proxy card in the enclosed return envelope as soon as possible. You may also attend and vote at the special meeting instead of submitting a proxy.

*If your shares are held in street name:* You need to follow your broker's instructions as to how to vote your shares. Your broker will not vote your shares unless he or she receives instructions from you.

**Q: How do I change my vote?**

A: *If your shares are registered in your name:* You may change your vote at any time before your company's meeting by sending a signed revocation or a proxy with a later date to your company's secretary, or by attending the special meeting and voting in person.

*If your shares are held in street name:* You need to follow your broker's instructions on how to change your vote.

**Q: What happens if I am a registered holder and I return a properly executed proxy card but I don't indicate how to vote my proxy?**

A: Your shares will be voted **FOR** the proposals related to the merger, including, in the case of Pixelworks shareholders, the proposal to change the company's name, and according to the best judgment of the proxyholder in regard to any other matter that properly comes before the special meeting.



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**Q:** *Should I send in my stock certificates?*

A: *Pixelworks shareholders:* No, you do not need to exchange your stock certificates.

*Genesis Microchip stockholders:* Not at this time. We will send you written instructions that explain how to exchange your shares of Genesis Microchip common stock for shares of Pixelworks common stock after completion of the merger.

**Q:** *When do you expect to complete the merger?*

A: We expect to complete the merger as soon as possible after the special meetings if we obtain the required shareholder approvals at these meetings. Because the merger is also subject to governmental approvals and other conditions, we cannot predict when we will complete the merger. Either company can terminate the merger agreement if we do not complete the merger by September 17, 2003, or, in specified circumstances, November 17, 2003.

**Q:** *Are there risks I should consider in deciding whether to vote for the share issuance or merger?*

A: Yes. We have set out a number of risk factors that you should carefully consider in connection with the merger under the heading "Risk Factors" beginning on page 19.

**Q:** *Who can help answer my questions about the merger?*

A: If you have any questions about the merger or how to vote your proxy, or if you need additional copies of this joint proxy statement/prospectus, the enclosed proxy card or voting instructions, please contact:

*If you are a Pixelworks shareholder:*

Pixelworks, Inc.

8100 SW Nyberg Road

Tualatin, Oregon 97062

Attention: Chief Financial Officer

(503) 454-1750

*If you are a Genesis Microchip stockholder:*

Genesis Microchip Inc.

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2150 Gold Street

Alviso, California 95002

Attention: Chief Financial Officer

(408) 262-6599

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**SUMMARY OF THE JOINT PROXY STATEMENT/PROSPECTUS**

*This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. For a more complete description of the merger, we encourage you to carefully read this entire joint proxy statement/prospectus, including the attached annexes. In addition, we encourage you to read the information incorporated by reference into this joint proxy statement/prospectus, which includes important business and financial information about Pixelworks and Genesis Microchip. You may obtain the information incorporated by reference into this joint proxy statement/prospectus without charge by following the instructions under the heading "Where You Can Find Additional Information" beginning on page 117.*

**OVERVIEW**

Pixelworks and Genesis Microchip have agreed to combine their businesses under the terms of a merger agreement they have signed. Under the terms of that agreement, each issued and outstanding share of Genesis Microchip common stock will be converted into the right to receive 2.3366 shares of Pixelworks common stock, and Genesis Microchip will become a wholly-owned subsidiary of Pixelworks. A copy of the merger agreement is attached to this joint proxy statement/prospectus as *Annex A*.

**THE COMPANIES**

**Pixelworks, Inc.**

8100 SW Nyberg Road

Tualatin, Oregon 97062

(503) 454-1750

Pixelworks is a leading provider of system-on-a-chip integrated circuits for the advanced display industry. Pixelworks' solutions process and optimize video, computer graphics and Web information for display on a wide variety of devices, including multimedia projectors, digital televisions and flat-panel monitors, used in business and consumer markets. Pixelworks' broad integrated circuits product line is used by the world's leading manufacturers of consumer electronics and computer display products to enhance image quality and ease of use. Pixelworks is an Oregon corporation, and was incorporated in 1997.

**Genesis Microchip Inc.**

2150 Gold Street

Alviso, California 95002

(408) 262-6599

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Genesis Microchip designs, develops and markets integrated circuits that receive and process digital video and graphic images. Genesis Microchip's integrated circuits are typically located inside a display device and process incoming images for viewing on that display. Genesis Microchip's products utilize patented algorithms, integrated circuit architectures, advanced integrated circuit design and system design expertise to solve problems related to conversion of analog to digital display systems and improvement of perceived image quality.

Genesis Microchip commenced operations as a Canadian company in 1987, and changed its domicile to become a Delaware corporation in February 2002.

### **Display Acquisition Corporation**

8100 SW Nyberg Road

Tualatin, Oregon 97062

(503) 454-1750

Display Acquisition Corporation is a Delaware corporation and a wholly-owned subsidiary of Pixelworks, incorporated in 2003 solely for the purpose of effecting the merger.

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In the merger, each issued and outstanding share of Genesis Microchip common stock will be converted into the right to receive 2.3366 shares of Pixelworks common stock. Because the exchange ratio is fixed at 2.3366, as the stock price of Pixelworks fluctuates, so does the market value of the stock consideration to be paid by Pixelworks. For example, as set forth in the table below, if Pixelworks common stock is trading at \$8.00 per share at the time the merger is completed, the consideration received by Genesis Microchip stockholders would have a value of \$18.69 per share. If Pixelworks common stock is trading at \$5.00 per share at the time the merger is completed, the consideration received by Genesis Microchip stockholders would have a value of \$11.68 per share. The post-closing value of the Pixelworks shares issued in the merger will continue to be subject to the fluctuations of the stock market.

<b>Pixelworks</b>	<b>Per Share</b>
<b>Stock Price</b>	<b>Consideration to</b>
<b>_____</b>	<b>Genesis Microchip</b>
<b>_____</b>	<b>Stockholders</b>
<b>_____</b>	<b>_____</b>
\$8.00	\$18.69
7.65 <sup>(1)</sup>	17.87
7.00	16.36
6.00	14.02
• <sup>(2)</sup>	•
\$5.00	\$11.68

(1) Closing price on March 14, 2003 (the last complete trading day prior to the announcement of the proposed merger).

(2) Closing price on •, 2003 (the last complete trading day prior to the date of this joint proxy statement/prospectus).

**FAIRNESS OPINIONS OF FINANCIAL ADVISORS****Opinion of Citigroup Global Markets Inc. (formerly Salomon Smith Barney Inc.) (page 42)**

In deciding to approve the merger, Pixelworks board of directors considered, among other things, the opinion of its financial advisor, Citigroup Global Markets Inc. (formerly Salomon Smith Barney Inc.), which we refer to as Citigroup, that, as of March 17, 2003 and subject to the considerations and limitations set forth in its opinion, the exchange ratio was fair, from a financial point of view, to Pixelworks. The full text of this opinion, which sets forth the assumptions made, general procedures followed, matters considered, and limits on review undertaken, is attached as *Annex B* to this joint proxy statement/prospectus. Pixelworks urges its shareholders to read the opinion of Citigroup in its entirety.

**Opinion of Dresdner Kleinwort Wasserstein, Inc. (page 50)**

In deciding to approve the merger, Genesis Microchip s board of directors considered, among other things, the opinion of its financial advisor, Dresdner Kleinwort Wasserstein, Inc., which we refer to as DrKW, that, as of March 17, 2003 and subject to the considerations and limitations set forth in its opinion, the exchange ratio was fair, from a financial point of view, to Genesis Microchip s stockholders. The full text of this opinion, which sets forth the assumptions made, matters considered, and limits on review undertaken, is attached as *Annex C* to this joint proxy

statement/prospectus. Genesis Microchip urges its stockholders to read the opinion of DrKW in its entirety.

## **INTERESTS OF DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER**

### **Pixelworks (page 58)**

In connection with the merger, the vesting of certain Pixelworks stock options held by directors and executive officers of Pixelworks will accelerate. This will have the effect of accelerating approximately 17% of the 1,476,295 aggregate unvested stock options held by these individuals outstanding as of May 21, 2003. In addition, all stock options held by directors of Pixelworks who will not serve as directors of the combined company will accelerate.

In addition, Pixelworks executive officers have entered into agreements pursuant to which they may be eligible to receive severance payments and additional acceleration of stock option vesting in the event these officers are terminated or have their benefits reduced after completion of the merger. Further, Pixelworks has agreed to provide certain relocation benefits to Pixelworks chief operating officer and has made a contractual designation of

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certain individuals to serve on the board of directors or the management team of the combined company for the 12-month period following the merger. Each of these interests is more particularly described under the heading Interests of Director and Executive Officers of Pixelworks beginning on page 58. These interests are different from or in addition to the interests of holders of common stock of Pixelworks generally and may make these directors and executive officers more likely to recommend the merger.

### **Genesis Microchip (page 60)**

In connection with the merger, the vesting of certain Genesis Microchip stock options held by certain directors and an officer of Genesis Microchip will accelerate. This will have the effect of accelerating all stock options of current Genesis Microchip board members who do not continue as directors of the combined company and all stock options of an executive officer if he does not continue as an employee of the combined company. In addition, some of Genesis Microchip's officers have entered into agreements pursuant to which they may be eligible to receive severance payments and acceleration of stock option vesting in the event these officers are terminated or have their benefits reduced after completion of the merger.

These interests together with the contractual designation of certain individuals to serve on the board of directors or the management team of the combined company, for the 12-month period following the merger, are different from or in addition to the interests of holders of common stock of Genesis Microchip generally and may make these directors and officers more likely to recommend the merger.

## **SHARE OWNERSHIP OF MANAGEMENT**

### **Pixelworks (page 99)**

As of the record date, the directors and executive officers of Pixelworks, together with their affiliates, beneficially owned a total of 10,173,329 shares, representing approximately 22.5% of the shares of Pixelworks common stock outstanding and entitled to vote at the special meeting.

### **Genesis Microchip (page 101)**

As of the record date, the directors and executive officers of Genesis Microchip, together with their affiliates, beneficially owned a total of 999,623 shares, representing approximately 3.1% of the shares of Genesis Microchip common stock outstanding and entitled to vote at the special meeting.

## **VOTING AGREEMENTS (page 84)**

All of the directors of Pixelworks have entered into voting agreements with Genesis Microchip obligating them to vote their shares in favor of the issuance of Pixelworks common stock in the merger. As of the record date, these voting agreements covered a total of 2,534,502 shares of

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Pixelworks common stock, representing approximately 5.6% of the shares of Pixelworks common stock outstanding and entitled to vote at the Pixelworks special meeting.

All of the directors of Genesis Microchip as of March 17, 2003, the date of the merger agreement, have entered into voting agreements with Pixelworks obligating them to vote their shares in favor of adoption of the merger agreement. As of the record date, these voting agreements covered a total of 308,609 shares of Genesis Microchip common stock, representing approximately 1.0% of the shares of Genesis Microchip common stock outstanding and entitled to vote at the Genesis Microchip special meeting.

### **REGULATORY APPROVALS (page 81)**

The merger is subject to United States antitrust law. We have made the required filings with the United States Federal Trade Commission and the Antitrust Division of the United States Department of Justice. We are not permitted to complete the merger until the applicable waiting periods associated with those filings, including any extension of those waiting periods, have expired or been terminated and required clearances have been obtained. A governmental authority or private party could challenge or seek to block the merger under antitrust law at any time before or after its completion.



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### **AMENDMENT TO PIXELWORKS ARTICLES OF INCORPORATION NAME CHANGE (page 85)**

In connection with the merger, Pixelworks has agreed to submit a proposal to its shareholders to amend its articles of incorporation to change the name of the company to Genesis Pixelworks, Inc. effective upon completion of the merger.

### **ORGANIZATION OF THE COMBINED COMPANY**

#### **Board of Directors (page 86)**

After completion of the merger, the board of directors of the combined company will be expanded from five to nine directors, four of whom will have served on the board of directors of Pixelworks immediately prior to the merger, four of whom will have served on the board of directors of Genesis Microchip immediately prior to the merger, and one of whom will be designated by the four Pixelworks board designees and must be reasonably acceptable to the Genesis Microchip board designees. The Chairman of the board of directors will be a current Genesis Microchip director.

#### **Executive Officers (page 86)**

After completion of the merger, the executive officers of the combined company will include executive officers of Pixelworks and Genesis Microchip. Officers of Pixelworks will serve as chief executive officer, chief operating officer and chief financial officer of the combined company. An officer of Genesis Microchip will serve as executive vice president of all three business units of the combined company.

#### **Organizational Structure (page 89)**

After completion of the merger, the combined company will have a new organizational structure which will group the combined company's product development and marketing group into three business units: flat-panel monitors, projectors and digital television applications.

## **THE MERGER**

### **Pixelworks and Genesis Microchip Prohibited from Soliciting Other Offers (page 68)**

Pixelworks and Genesis Microchip have each agreed that while the merger is pending, neither will, subject to some limited exceptions, initiate nor participate in discussions with any third party regarding extraordinary transactions, such as mergers, business combinations or sales of a material amount of assets or capital stock.

**Conditions to Completion of the Merger (page 74)**

Several conditions must be satisfied or waived before we complete the merger, including:

approval by Pixelworks shareholders and Genesis Microchip stockholders;

absence of any order or injunction prohibiting completion of the merger;

expiration or termination of all waiting periods under applicable antitrust laws;

receipt of opinions by Pixelworks and Genesis Microchip from their respective tax counsel that the merger will qualify as a reorganization under Section 368(a) of the Internal Revenue Code;

accuracy at the completion of the merger of the representations and warranties in the merger agreement of each of Pixelworks and Genesis Microchip, except as would not have a material adverse effect;

absence of any changes to the organizational structure of the combined company that Pixelworks has agreed to implement; and

material compliance by Pixelworks and Genesis Microchip with their respective covenants in the merger agreement.

**Termination of the Merger Agreement (page 76)**

Under circumstances specified in the merger agreement, either of Pixelworks or Genesis Microchip may terminate the merger agreement if:

the other party consents to the termination;

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the merger is not completed by September 17, 2003, or in specified circumstances, November 17, 2003, and a breach of the merger agreement by the party seeking to terminate was not a principal cause of the failure to complete the merger by such date;

any governmental entity takes a nonappealable final action permanently restraining the transaction;

the Pixelworks shareholders or the Genesis Microchip stockholders do not approve the matters required to be approved by them;

the other party takes certain actions in opposition to the merger or fails to take certain required actions in support of the merger; or

the other party breaches or fails to perform any of its representations, warranties or covenants such that the conditions to completing the merger are not satisfied.

**Termination Fee (page 77)**

If the merger agreement is terminated, either Pixelworks or Genesis Microchip, in specified circumstances, may be required to pay a termination fee of \$20 million to the other party.

**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES (page 82)**

It is expected that the merger will constitute a tax-free reorganization for United States federal income tax purposes. Assuming the merger so qualifies, Genesis Microchip stockholders generally will not recognize gain or loss for United States federal income tax purposes as a result of receiving Pixelworks common stock in the merger, except with respect to cash received in lieu of fractional shares of Pixelworks common stock. It is a condition to the merger that each of Pixelworks and Genesis Microchip receive an opinion from its tax counsel that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

You should carefully read the discussion under the heading **Material United States Federal Income Tax Consequences** beginning on page 102. Further, you are encouraged to consult your own tax advisors to understand fully the tax consequences of the merger to you, because tax matters can be complicated, and the tax consequences of the merger to you will depend upon your own situation.

**COMPARISON OF RIGHTS OF SHAREHOLDERS (page 102)**

When Genesis Microchip stockholders become shareholders of the combined company after the merger, their rights will be governed by Oregon law and the combined company's articles of incorporation and bylaws, each as amended in accordance with the merger agreement. Those rights differ from the current rights of Genesis Microchip stockholders under Delaware law and the certificate of incorporation and bylaws of Genesis Microchip.

**DISSENTERS OR APPRAISAL RIGHTS (page 80)**

Neither Pixelworks shareholders nor Genesis Microchip's stockholders will be entitled to any dissenters or appraisal rights in connection with the merger.

**ACCOUNTING TREATMENT OF THE MERGER (page 80)**

The merger will be accounted for under the purchase method of accounting. Although the merger is structured so that Genesis Microchip will become a subsidiary of Pixelworks after completion of the merger, for accounting purposes the acquisition will be a reverse acquisition, and Genesis Microchip will be treated as the acquiring company.

**Table of Contents****SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF PIXELWORKS**

The table below presents a summary of Pixelworks' selected consolidated financial data as of the dates and for the periods indicated.

The consolidated statement of operations data presented below for the three months ended March 31, 2003 and 2002 and the consolidated balance sheet data as of March 31, 2003 have been derived from Pixelworks' unaudited consolidated financial statements and related notes thereto incorporated by reference into this joint proxy statement/prospectus. The consolidated statement of operations data presented below for the years ended December 31, 2002, 2001 and 2000 and the consolidated balance sheet data as of December 31, 2002 and 2001 have been derived from Pixelworks' consolidated financial statements and related notes thereto, incorporated by reference into this joint proxy statement/prospectus. The consolidated statement of operations data presented below for the years ended December 31, 1999 and 1998 and the consolidated balance sheet data as of December 31, 2000, 1999 and 1998 have been derived from Pixelworks' audited consolidated financial statements and related notes thereto, which are not incorporated by reference into this joint proxy statement/prospectus. The historical financial information may not be indicative of Pixelworks' future performance.

It is important for you to read the following summary of selected consolidated financial data together with Pixelworks' Management's Discussion and Analysis of Financial Condition and Results of Operations and with Pixelworks' consolidated financial statements and accompanying notes in Pixelworks' Annual Report on Form 10-K/A for the year ended December 31, 2002, and subsequent Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission, all of which are incorporated by reference into this joint proxy statement/prospectus.

**Pixelworks Summary Selected Historical Consolidated Financial Data**

	Three months						
	ended		Years ended December 31,				
	March 31,						
	2003	2002	2002	2001	2000	1999	1998
(In thousands, except per share data)							
<b>Statement of Operations Data:</b>							
Revenue	\$ 32,005	\$ 22,005	\$ 102,641	\$ 90,808	\$ 52,593	\$ 12,812	\$ 978
Cost of revenue	17,290	10,538	51,736	46,539	31,412	8,376	22
Gross profit	14,715	11,467	50,905	44,269	21,181	4,436	956
Operating expenses:							
Research and development	6,094	5,452	23,730	18,096	10,225	4,805	1,446
Selling, general and administrative	6,041	5,188	21,865	16,373	9,708	4,366	1,314
Amortization of goodwill and assembled workforce	242		242	15,982			
Patent settlement					4,078		
Merger related expenses	1,580						
In-process research and development		4,200	24,342	32,400			
Amortization of deferred stock compensation	164	1,027	2,972	8,421	2,157	558	
Total operating expenses	14,121	15,867	73,151	91,272	26,168	9,729	2,760

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Income (loss) from operations	594	(4,400)	(22,246)	(47,003)	(4,987)	(5,293)	(1,804)
Interest and other income, net	379	645	2,275	4,444	4,420	409	215
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income (loss) before income taxes	973	(3,755)	(19,971)	(42,559)	(567)	(4,884)	(1,589)
Income taxes	725	151	880			3	14
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss)	248	(3,906)	(20,851)	(42,559)	(567)	(4,887)	(1,603)
Preferred stock beneficial conversion feature					9,996		
Accretion of preferred stock redemption preference					2,100	4,278	10
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss) attributable to common shareholders	\$ 248	\$ (3,906)	\$ (20,851)	\$ (42,559)	\$ (12,663)	\$ (9,165)	\$ (1,613)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss) per share:							
Basic and diluted	\$ 0.01	\$ (0.09)	\$ (0.48)	\$ (1.05)	\$ (0.50)	\$ (1.53)	\$ (0.61)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Weighted average number of shares outstanding	46,347	42,420	43,397	40,662	25,573	5,971	2,660

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	March 31,	December 31,				
	2003	2002	2001	2000	1999	1998
	(In thousands)					
<b>Balance Sheet Data:</b>						
Cash and cash equivalents	\$ 89,471	\$ 62,152	\$ 53,288	\$ 49,681	\$ 12,199	\$ 6,119
Marketable securities	15,084	39,415	47,967	54,051		
Working capital	111,746	95,776	98,820	100,371	12,770	4,427
Total assets	231,168	227,212	202,839	120,294	18,394	7,676
Long-term obligations, net of current portion					591	
Redeemable convertible preferred stock					23,701	7,755
Total shareholders' equity (deficit)	215,863	214,816	193,633	106,453	(9,295)	(1,908)

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**SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF  
GENESIS MICROCHIP**

The table below presents a summary of Genesis Microchip's financial results as of the dates and for the periods indicated.

The consolidated statement of operations data presented below for the nine months ended December 31, 2002 and the consolidated balance sheet data as of December 31, 2002 have been derived from Genesis Microchip's unaudited consolidated financial statements and related notes thereto incorporated by reference into this joint proxy statement/prospectus. The consolidated statement of operations data presented below for the fiscal years ended March 31, 2002, 2001 and 2000 and the consolidated balance sheet data as of March 31, 2002 and 2001 have been derived from Genesis Microchip's audited consolidated financial statements and related notes thereto incorporated by reference into this joint proxy statement/prospectus. The consolidated statement of operations data presented below for the ten months ended March 31, 1999 and the fiscal year ended May 31, 1998 and the consolidated balance sheet data as of March 31, 2000 and 1999 and May 31, 1998, have been derived from Genesis Microchip's audited consolidated financial statements and related notes thereto, which are not incorporated by reference into this joint proxy statement/prospectus. The unaudited consolidated statement of operations data for the nine months ended December 31, 2002 are not necessarily indicative of the results to be expected for any other interim period or for fiscal year 2003 as a whole. However, in the opinion of Genesis Microchip's management, the interim financial data presented reflects all adjustments, consisting only of normal recurring adjustments necessary for the fair presentation of the financial condition at such date and the results of operations for such period. The historical financial information may not be indicative of Genesis Microchip's future performance.

It is important for you to read the following summary of selected consolidated financial data together with Genesis Microchip's Management's Discussion and Analysis of Financial Condition and Results of Operations and with Genesis Microchip's consolidated financial statements and accompanying notes in Genesis Microchip's Annual Report on Form 10-K/A for the fiscal year ended March 31, 2002 and subsequent Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission, all of which are incorporated by reference into this joint proxy statement/prospectus.



**Table of Contents****Genesis Microchip Summary Selected Historical Consolidated Financial Data**

	Nine months ended December 31, 2002  (unaudited)	Years ended March 31,			Ten months ended March 31, 1999	Year ended May 31, 1998
		2002	2001	2000		
(In thousands, except per share data)						
<b>Statement of Operations Data:</b>						
Revenues	\$ 139,545	\$ 163,370	\$ 63,627	\$ 53,332	\$ 37,738	\$ 15,988
Cost of revenues	88,283	89,287	32,416	17,021	14,062	4,869
Gross profit	51,262	74,083	31,211	36,311	23,676	11,119
Operating expenses:						
Research and development	27,914	21,762	17,413	16,065	10,261	7,100
Selling, general and administrative	26,752	21,469	15,947	12,364	10,307	6,137
Amortization of acquired intangibles	7,973	1,032				
Provision for costs associated with patent litigation	9,671					
In-process research and development		4,700				
Restructuring		1,858				
Merger-related costs				3,455		
Total operating expenses	72,310	50,821	33,360	31,884	20,568	13,237
Income (loss) from operations	(21,048)	23,262	(2,149)	4,427	3,108	(2,118)
Interest and other income	932	1,463	2,328	1,941	1,436	773
Income (loss) before income taxes	(20,116)	24,725	179	6,368	4,544	(1,345)
Provision for (recovery of) income taxes	(4,461)	6,729	(2,483)	360	(986)	(890)
Net income (loss)	\$ (15,655)	\$ 17,996	\$ 2,662	\$ 6,008	\$ 5,530	\$ (455)
Earnings (loss) per share:						
Basic	\$ (0.50)	\$ 0.82	\$ 0.14	\$ 0.32	\$ 0.31	\$ (0.04)
Diluted	\$ (0.50)	\$ 0.74	\$ 0.13	\$ 0.30	\$ 0.29	\$ (0.04)
Weighted average number of shares outstanding:						
Basic	31,445	22,025	19,406	18,756	18,027	11,634
Diluted	31,445	24,177	19,884	19,922	19,365	11,634
	December 31, 2002  (unaudited)	March 31,				May 31,
		2002	2001	2000	1999	1998
(In thousands)						
<b>Balance Sheet Data:</b>						
Cash and cash equivalents	\$ 118,096	\$ 106,564	\$ 32,827	\$ 42,942	\$ 38,479	\$ 38,401
Working capital	131,602	139,633	53,190	50,661	50,131	42,996

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Total assets	414,240	428,391	81,446	71,791	64,815	53,452
Long-term obligations, net of current portion	8,997	9,347	410	518	504	1,235
Total stockholders' equity	369,513	383,571	70,389	65,247	55,408	47,163

**Table of Contents****RECENT DEVELOPMENTS****Genesis Microchip Inc.**

On May 1, 2003, Genesis Microchip Inc. announced its financial results for the quarter and fiscal year ended March 31, 2003. Genesis Microchip's Form 10-K for the fiscal year ended March 31, 2003 to be filed with the Securities and Exchange Commission is not yet complete. The following table presents important financial results for this most recent quarter and fiscal year (unaudited, in thousands except per share data):

	Three months ended		Year ended	
	March 31,		March 31,	
	2003	2002	2003	2002
<b>Statement of Operations Data:</b>				
Revenues	\$ 54,780	\$ 56,104	\$ 194,325	\$ 163,370
Cost of revenues	31,127	31,268	119,410	89,287
Gross profit	23,653	24,836	74,915	74,083
Operating expenses:				
Research and development	10,194	7,085	38,108	21,762
Selling, general and administrative	9,479	7,335	36,231	21,469
Amortization of acquired intangibles	2,654	1,032	10,627	1,032
Provision for costs associated with patent litigation			9,671	
In-process research and development		4,700		4,700
Restructuring		1,858		1,858
Total operating expenses	22,327	22,010	94,637	50,821
Income (loss) from operations	1,326	2,826	(19,722)	23,262
Interest and other income, net	14	332	946	1,463
Income (loss) before income taxes	1,340	3,158	(18,766)	24,725
Provision for (recovery of) income taxes	321	3,494	(4,140)	6,729
Net income (loss)	\$ 1,019	\$ (336)	\$ (14,636)	\$ 17,996
Earnings (loss) per share:				
Basic	\$ 0.03	\$ (0.01)	\$ (0.47)	\$ 0.82
Diluted	\$ 0.03	\$ (0.01)	\$ (0.47)	\$ 0.74
Weighted average number of shares outstanding:				
Basic	31,386	26,124	31,248	22,025
Diluted	32,815	26,124	31,248	24,177

	<u>March 31,</u>	
	<u>2003</u>	<u>2002</u>
<b>Balance Sheet Data:</b>		
Cash and cash equivalents	\$ 113,138	\$ 106,564
Working capital	131,931	139,633
Total assets	402,654	428,391
Long-term obligations, net of current portion		9,347
Stockholders' equity	373,833	383,571

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL DATA**

The following selected unaudited pro forma condensed combined consolidated financial data was prepared using the purchase method of accounting. The merger will be accounted for as a reverse acquisition. As a reverse acquisition, the financial statements will reflect Genesis Microchip on a historical basis and will include the results of operations of Pixelworks from the effective date of the merger. The pro forma disclosures have been prepared on the basis of a March 31 year-end, the fiscal year-end of Genesis Microchip.

The table below presents selected financial data from the Pixelworks and Genesis Microchip unaudited pro forma consolidated statements of operations for the year ended March 31, 2003 included in this joint proxy statement/prospectus. The unaudited pro forma consolidated statements of operations are presented as if the merger had occurred at the beginning of the year. The unaudited pro forma consolidated balance sheet presents the combined financial position of Pixelworks and Genesis Microchip as of March 31, 2003 assuming that the merger had occurred as of that date.

The unaudited pro forma consolidated financial data are based on the estimates and assumptions set forth in the notes to such statements, which are preliminary and have been made solely for the purposes of developing such pro forma information. The unaudited pro forma consolidated financial data are not necessarily indicative of the financial position or operating results that would have been achieved had the merger been consummated as of the dates indicated, nor are they necessarily indicative of future financial position or operating results. This information should be read in conjunction with the unaudited pro forma condensed combined consolidated financial statements and related notes and the historical financial statements and related notes of Pixelworks and Genesis Microchip included in or incorporated by reference into this joint proxy statement/prospectus. See the information under the heading **Incorporation by Reference** beginning on page 114.

**Table of Contents****Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Data**

	Year ended
	March 31, 2003
	(In thousands,
	except
	per share data)
<b>Statement of Operations Data:</b>	
Revenue	\$ 306,966
Cost of revenue (exclusive of amortization of developed technology of \$21,475)	177,411
Gross profit	129,555
Operating expenses:	
Research and development	62,997
Selling, general and administrative	59,518
Amortization of acquired intangible assets	26,282
Provision for costs associated with patent litigation	9,671
Total operating expenses	158,468
Loss from operations	(28,913)
Interest income and other expense, net	2,955
Loss before income taxes	(25,958)
Recovery of income taxes	(8,048)
Net loss	\$ (17,910)
Net loss per share:	
Basic and diluted	\$ (0.15)
Weighted average shares used in computing net loss per share:	
Basic and diluted	118,218
	March 31, 2003
	(In thousands)
<b>Balance Sheet Data:</b>	
Cash and cash equivalents	\$ 202,609
Marketable securities	15,084
Working capital	246,403
Total assets	693,447
Long-term obligations, net of current portion	
Total shareholders' equity	636,261



**Table of Contents****COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA**

The following table sets forth selected historical per share data and selected unaudited pro forma combined and equivalent per share data after giving effect to the merger as a reverse acquisition using the purchase method of accounting assuming the merger has been completed at the beginning of the periods presented. This data has been derived from and should be read in conjunction with the summary selected historical consolidated financial data and unaudited pro forma condensed combined consolidated financial statements beginning on page 9 of this joint proxy statement/prospectus, and the separate historical consolidated financial statements of Pixelworks and Genesis Microchip and accompanying notes incorporated by reference into this joint proxy statement/prospectus. See the information under the heading "Incorporation by Reference" beginning on page 114.

The unaudited pro forma per share data presented below is for informational purposes only. You should not rely on the pro forma financial data as an indication of the combined financial position or results of operations of future periods or the results that actually would have been realized had the merger of Pixelworks and Genesis Microchip occurred at the beginning of the period presented.

	As of or For the Twelve Months Ended March 31, 2003			
	Historical		Pro forma	
	Pixelworks	Genesis Microchip	Genesis Pixelworks	Genesis Microchip Equivalent (3)
Net loss per diluted share (1)	\$ (0.38)	\$ (0.47)	\$ (0.15)	\$ (0.35)
Book value per share (2)	4.77	11.99	5.39	12.59

- (1) The historical net loss per share is computed by dividing the historical net loss by the number of Pixelworks or Genesis Microchip diluted weighted average shares outstanding. The pro forma combined net loss per share is computed by dividing the pro forma combined net loss by the pro forma weighted average common shares outstanding.
- (2) Historical book value per share is computed by dividing shareholders' equity by the number of shares of Pixelworks or Genesis Microchip common stock outstanding. Pro forma combined book value per share is computed by dividing pro forma combined shareholders' equity by the pro forma number of shares outstanding.
- (3) The Genesis Microchip equivalent pro forma per share data amounts are calculated by multiplying Genesis Pixelworks combined pro forma per share amounts by the exchange ratio in the merger of 2.3366 shares of Pixelworks common stock for each share of Genesis Microchip common stock.



**Table of Contents****COMPARATIVE PER SHARE MARKET PRICE INFORMATION**

Pixelworks common stock trades on the Nasdaq National Market under the symbol PXLW. Genesis Microchip common stock trades on the Nasdaq National Market under the symbol GNSS. The following table sets forth, for the quarters indicated, the high and low closing sale prices per share of Pixelworks and Genesis Microchip common stock as reported on the Nasdaq National Market.

	Pixelworks Common Stock		Genesis Microchip Common Stock	
	High	Low	High	Low
<b>Calendar year ended December 31, 2001</b>				
First quarter	\$ 26.75	\$ 10.00	\$ 18.88	\$ 9.31
Second quarter	35.74	8.31	37.40	8.38
Third quarter	34.30	10.04	36.00	19.70
Fourth quarter	19.00	9.41	69.81	26.70
<b>Calendar year ended December 31, 2002</b>				
First quarter	\$ 17.15	\$ 10.51	\$ 72.51	\$ 23.49
Second quarter	12.56	7.17	28.40	7.72
Third quarter	8.02	4.50	9.31	5.64
Fourth quarter	9.34	3.92	21.41	6.40
<b>Calendar year ended December 31, 2003</b>				
First quarter	\$ 8.76	\$ 5.46	\$ 18.15	\$ 10.49
Second quarter (through June 11, 2003)	8.28	5.70	19.02	13.05

The following table presents the last reported sales price of Pixelworks common stock and Genesis Microchip common stock on each of March 14, 2003 (the last full trading day before we announced the proposed merger) and •, 2003 (the last full trading day before the date of this joint proxy statement/prospectus). The table also presents the value of the Genesis Microchip common stock on an equivalent per share basis on each of March 14, 2003 and •, 2003, calculated by multiplying the Pixelworks common stock value on each date by the exchange ratio of 2.3366.

Date	Pixelworks	Genesis Microchip	Implied Share Value
	Common Stock	Common Stock	of Genesis Microchip Common Stock
March 14, 2003	\$ 7.65	\$ 13.17	\$ 17.87
•, 2003	\$	\$	\$

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act, and are subject to the safe harbor provisions created by those statutes. Forward-looking statements relate to expectations concerning matters that are not historical facts. Words such as projects, believes, anticipates, plans, expects, intends, and similar words and expressions are intended to identify forward-looking statements. We believe that the expectations reflected in the forward-looking statements are reasonable but we cannot assure you those expectations will prove to be correct. You should not place undue reliance on the forward-looking statements contained in this joint proxy statement/prospectus. Important factors that could cause the combined company's actual results to differ materially from those expectations are disclosed in this joint proxy statement/prospectus, including those provided under the heading Risk Factors beginning on page 19 and in the reports filed by Pixelworks and Genesis Microchip with the Securities and Exchange Commission which are incorporated by reference and described under the heading Incorporation by Reference beginning on page 114. If any of these risks or uncertainties materialize or any of these assumptions prove incorrect, the results of Pixelworks, Genesis Microchip and the combined company could differ materially from the expectations expressed or implied in these documents. These forward-looking statements speak only as of the date upon which the statements were made, and are expressly qualified in their entirety by these factors and all related cautionary statements. We are not under any obligation, and we expressly disclaim any obligation, to update or alter these forward-looking statements, whether as a result of new information, future events, or otherwise.

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**RISK FACTORS**

*There are significant risks associated with the proposed merger. After completion of the merger, Pixelworks and Genesis Microchip will operate as a combined company in a market environment that cannot be predicted and that involves significant risks, many of which will be beyond the combined company's control. In addition to the other information contained in this joint proxy statement/prospectus or incorporated by reference into this document, including the risks contained in the reports filed by Pixelworks and Genesis Microchip with the Securities and Exchange Commission, you should carefully consider the risks described below before deciding how to vote your shares. Additional risks and uncertainties not currently known to Pixelworks and Genesis Microchip or that are not currently believed to be important to you, if they materialize, may also adversely affect the merger and the combined company.*

**Risks Related to the Merger**

***We may not be able to successfully integrate the businesses of Pixelworks and Genesis Microchip, which could harm our business and prevent us from realizing the anticipated financial benefits of the merger.***

After the merger, we will need to integrate the operations of Pixelworks and Genesis Microchip. If we are unable to successfully complete this integration, our business may be harmed and we may not realize the anticipated financial benefits of the merger. This integration will require significant efforts, including:

- implementation of a new organizational structure;
- determination of product roadmaps;
- consolidation of research and development activities;
- coordination of worldwide sales and marketing efforts, including distribution channels;
- retention of existing customers;
- retention of management and other key employees;
- integration of manufacturing operations;
- retention of relationships with existing suppliers;
- transition to common accounting and information technology systems; and

development and implementation of common controls, procedures and policies.

The difficulties we may encounter in our integration efforts may be compounded by factors such as:

our widely dispersed operations, located in California, Oregon, Canada, Taiwan, China, Japan, India and South Korea; and

our new organizational structure, under which neither company has previously operated.

We may not successfully integrate our operations in a timely manner, or at all, and we may not realize the anticipated financial benefits of the merger to the extent, or in the timeframe, anticipated. The expected financial benefits relate to cost savings associated with anticipated restructurings, other operational efficiencies and greater economies of scale. However, these anticipated financial benefits are based on projections and assumptions, not actual experience, and assume a successful integration. In addition to the integration risks discussed above, our ability to realize these financial benefits could be adversely impacted by practical or legal constraints on our ability to combine our operations.

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***Genesis Microchip stockholders will receive a fixed ratio of Pixelworks common stock for each share of Genesis Microchip common stock regardless of the market value of the Pixelworks common stock at the time of the completion of the merger.***

In the merger, each share of Genesis Microchip common stock will be converted into the right to receive 2.3366 shares of Pixelworks common stock. There will be no adjustment to the exchange ratio and the parties do not have a right to terminate the merger agreement based upon changes in the market value of either Pixelworks common stock or Genesis Microchip common stock.

Market values of Pixelworks common stock and Genesis Microchip common stock have varied since Pixelworks and Genesis Microchip entered into the merger agreement and will continue to vary in the future. The dollar value of Pixelworks common stock that Genesis Microchip stockholders will receive upon completion of the merger will depend on the market value of Pixelworks common stock at the time of completion of the merger, which may be different from, or lower than, the closing price of Pixelworks common stock on the last full trading day preceding public announcement that Pixelworks and Genesis Microchip entered into the merger agreement, the last full trading day prior to the date of this joint proxy statement/prospectus or the date of the special meetings.

***Genesis Microchip's business could be seriously harmed if it fails to successfully resolve its patent litigation with Silicon Image and Pixelworks would not be able to terminate the merger.***

In the event of a negative development in the patent litigation brought by Silicon Image, Inc. against Genesis Microchip, Pixelworks will not have the right to unilaterally terminate the merger agreement. The lawsuit alleges that certain products of Genesis Microchip infringe Silicon Image patents. Genesis Microchip believes it has meritorious defenses to Silicon Image's claims. However, an unfavorable outcome to this litigation could force Genesis Microchip, or the combined company, to do one or more of the following:

stop selling products or using technology that contain the allegedly infringing intellectual property;

obtain a license to the relevant intellectual property, which license may not be available on reasonable terms, or at all;

incur substantial settlement costs; and

attempt to redesign those products that contain the allegedly infringing intellectual property.

Based on Genesis Microchip's revenues for the twelve months ended December 31, 2002, approximately 42% of Genesis Microchip's revenues could be impacted by this patent litigation. If Genesis Microchip, or the combined company, is forced to take any of these actions, it may be unable to continue selling certain products which could impair the revenues of Genesis Microchip or the combined company.

***Pixelworks' business could be harmed if third parties cease developing new products or terminate current supply arrangements and Genesis Microchip would not be able to terminate the merger.***

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Pixelworks develops new products with significant assistance from Analog Devices, Inc. and relies on Infineon Technologies AG to manufacture a substantial portion of its products. For the twelve months ended March 31, 2003, products developed with Analog Devices represented 2% of Pixelworks' revenues and products manufactured by Infineon represented 69% of Pixelworks' revenues. In the event Analog Devices terminates projects under development or Infineon delivers a notice terminating its relationship with Pixelworks, Genesis Microchip will not have the right to unilaterally terminate the merger agreement. These events could result in one or more of the following:

inability of Pixelworks to complete development of certain products unless alternative technology sources were found;

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termination of Pixelworks license agreement with Analog Devices; and

the need for Pixelworks to make a final purchase of product from Infineon to satisfy forecasts of customer demand until product is available from a new supplier.

If the Analog Devices license is terminated, Pixelworks, or the combined company, may be unable to develop certain classes of new products or to continue to manufacture and sell those products jointly developed with Analog Devices. If Pixelworks, or the combined company, needs to make a final purchase of product from Infineon, it may be unable to purchase a sufficient quantity of products to fulfill customer demand or it may purchase more inventory than it is able to resell. If any of these events occur, the business, costs, revenues and customer relationships of Pixelworks and of the combined company could be harmed.

***Pixelworks and Genesis Microchip may be unable to obtain approval from antitrust authorities without material restrictions or conditions on the combined company's business.***

It is a condition to completing the merger that all waiting periods under applicable antitrust laws expire or are terminated. We may agree to restrictions or conditions, such as licenses or divestitures, imposed by antitrust authorities in order to obtain regulatory approval and these restrictions or conditions could harm the combined company's operations. We will not seek shareholder approval of any restrictions or conditions unless it is required under applicable law.

***The stock prices and businesses of Pixelworks and Genesis Microchip may be adversely affected if the merger is not completed.***

If the merger is not completed, the price of Pixelworks common stock and Genesis Microchip common stock may decline to the extent that the current market prices of Pixelworks common stock and Genesis Microchip common stock reflect the market assumption that the merger will be completed. In addition, Pixelworks and Genesis Microchip's businesses may be harmed to the extent that customers, suppliers and others believe the companies cannot effectively compete in the marketplace without the merger, or there is customer or employee uncertainty surrounding the future direction of the product and service offerings and strategy of Pixelworks or Genesis Microchip on a stand-alone basis.

***Some of the directors and key employees of Pixelworks and Genesis Microchip have interests and arrangements that could have affected their decision to support or approve the merger.***

The interests of some of the directors and key employees of Pixelworks and Genesis Microchip in the merger and their participation in arrangements that are different from, or in addition to, those of Pixelworks or Genesis Microchip shareholders generally could have affected their decision to support or approve the merger. The merger agreement provides for:

the acceleration of vesting of stock options for those directors of Pixelworks and Genesis Microchip who will not serve as directors of the combined company when the merger is consummated;

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the execution of individual severance agreements for key employees of each of Pixelworks and Genesis Microchip providing for severance payments and accelerated vesting of stock options under certain circumstances;

the acceleration of vesting of certain stock options held by all directors and executive officers of Pixelworks after completion of the merger, which will have the effect of accelerating approximately 17% of the 1,476,295 aggregate unvested stock options held by such individuals as of May 21, 2003;

the provision of certain relocation benefits to an executive officer of Pixelworks; and

a supermajority vote of the board of directors of the combined company for the removal of certain officers of the combined company or a change in certain officers positions.



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Shareholders should consider whether directors and officers may have been more likely to recommend the proposals relating to the merger than if they did not have these interests. A discussion of such factors is contained under the heading **Interests of Directors and Executive Officers of Pixelworks and Genesis Microchip in the Merger** beginning on page 58.

### ***Pixelworks and Genesis Microchip may lose key customers because of uncertainties surrounding the merger.***

Customers and suppliers of Pixelworks and/or Genesis Microchip may, in response to the announcement of the merger, delay or defer purchasing decisions, elect to switch suppliers or choose to terminate supply arrangements, any of which could harm the businesses of Pixelworks or Genesis Microchip if the merger is not completed or harm the business of the combined company if the merger is completed.

### ***Pixelworks and Genesis Microchip may lose foundries, licensors, sales representatives, or other business partners because of uncertainties surrounding the merger.***

Foundries, licensors, sales representatives and others doing business with Pixelworks or Genesis Microchip may experience uncertainty about their future role with the combined company or may elect not to continue business with the combined company, or may seek to modify the terms under which they do business in ways that are less attractive, more costly, or otherwise damaging to the business of the combined company, any of which could harm the businesses of Pixelworks or Genesis Microchip if the merger is not completed or harm the business of the combined company if the merger is completed.

### ***Pixelworks and Genesis Microchip may lose employees because of uncertainties surrounding the merger.***

Current and prospective employees may experience uncertainty about their future role with the combined company as a result of the merger. This may adversely affect the ability of Pixelworks or Genesis Microchip to attract and retain key management, marketing and technical personnel. The loss of or lack of continued efforts by key personnel could impair integration of Pixelworks and Genesis Microchip, product development and customer relationships, which could cause a decline in the sales of the combined company.

### ***Charges to earnings resulting from the application of the purchase method of accounting may adversely affect the market price of the common stock of the combined company following the merger.***

In accordance with accounting principles generally accepted in the United States, the combined company will account for the merger using the purchase method of accounting but will base the acquisition on Genesis Microchip's historical financial statements as if Pixelworks is the acquired company. This will result in charges to earnings that could have a material adverse effect on the market price of the common stock of the combined company following completion of the merger. The portion of the estimated purchase price allocated to in-process research and development will be expensed by the combined company in the quarter in which the merger is completed. The combined company will incur additional depreciation and amortization expense over the useful lives of certain of the net tangible and intangible assets acquired in connection with the merger including, but not limited to, purchased developed technology, customer relationships and deferred stock-based compensation. Purchase accounting also requires the revaluation of tangible assets to their fair values which will result in charges to earnings of the combined company. In addition, the inherent gain on Pixelworks' stock options on the date the merger is completed will be deferred and amortized to earnings over the remaining vesting periods. To the extent the value of goodwill or intangible assets with indefinite lives become impaired, the combined company may be required to incur material charges relating to the impairment of those assets. These depreciation, amortization,

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in-process research and development and potential impairment charges could have a material impact on the combined company's results of operations.

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*Costs associated with the merger may harm the financial results of the combined company.*

Pixelworks estimates that it will incur direct transaction costs of approximately \$10.5 million in connection with the merger. Genesis Microchip estimates that it will incur direct transaction costs of approximately \$5.1 million in connection with the merger. We may incur additional material costs in quarters following completion of the merger. If the benefits of the merger do not exceed the costs associated with the merger, including any dilution to Pixelworks' shareholders, the combined company's financial results could suffer and the market price of the combined company's common stock could decline.

## **Risks Related to the Combined Company's Business Following the Merger**

In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, you should consider the following risk factors related to the combined company. This discussion assumes that the merger has been completed.

*The supermajority provisions contained in the merger agreement and agreements with certain employees may interfere with the board of directors' and management's ability to effectively govern and manage the combined company.*

Restrictions imposed by the organizational structure contemplated by the merger agreement and agreements with certain employees may impair the ability of the board of directors and management of the combined company to quickly and adequately respond to changes in the business environment, which may, in turn, harm the combined company's operations.

For a period of twelve months after completion of the merger, the merger agreement requires a vote of at least 70% of the members of the board of directors to undertake certain actions, including:

changing the organizational structure of the combined company; and

approving the termination or replacement of certain key employees of the combined company.

In addition, each of Pixelworks and Genesis Microchip entered into change of control severance agreements with certain of their key employees. Although intended to retain these key employees by reducing their uncertainties about their role in the combined company, these agreements may restrict management's ability to change roles and responsibilities in the combined company in a manner management might otherwise then deem appropriate.

*The ability of the combined company to operate successfully depends in part on the continued service of key employees after the merger, and it may not be able to retain these employees.*

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Our success after the merger depends in part on the continued service of key Pixelworks and Genesis Microchip employees. Each of Pixelworks and Genesis Microchip has entered into employment agreements or post-employment non-competition agreements with certain, but not all, of their senior management and key employees. Employees of both Pixelworks and Genesis Microchip have the ability to terminate their employment relationship with Pixelworks, Genesis Microchip or the combined company at any time. If one or more key employees were to resign, the combined company could lose sales, experience delays in new product development and experience diversion of management resources. If the combined company cannot retain its key employees, its ability to operate may suffer. Because of the overlap in some positions, the uncertainty surrounding the new organizational structure, or changes in the reporting structure, we may lose some key employees.

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*If the market demand for flat panel monitor, projector and digital television products fails to grow, the combined company's business may be harmed.*

The combined company's revenues will depend on the growth of the demand for flat panel monitor, projector and digital television products. If the market demand for these products does not grow, demand for our products may not grow and, as a result, revenues of the combined company may suffer. In addition, the development of digital television products is at an early stage and further development requires continued consumer willingness to adopt emerging digital technologies. The potential number of display products and the timing of their development is uncertain and will depend in particular upon:

a significant reduction in the costs of products;

the availability of components such as LCD panels, projector light sources and other components required to manufacture display products; and

the emergence of competing technologies or standards.

Pixelworks and Genesis Microchip expect that a substantial portion of the combined company's revenues in the next year will be derived from sales to customers for flat panel monitor and projector products. The market for these and other potential products may not develop as expected, which could harm the combined company's operating results.

*As a result of the merger, some customers who purchased products from one or both of Pixelworks and Genesis Microchip prior to the merger may curtail or not do business with the combined company, which could cause a decline in the sales of the combined company.*

Customers who have historically purchased products from one or both of Pixelworks and Genesis Microchip may seek additional or alternative solutions following the merger:

those customers who purchase products from both companies may diversify their purchases by purchasing products from other suppliers and reducing their purchases from the combined company; and

those customers who purchase from only one company may discontinue their relationship with the combined company for reasons outside of our control.

The loss or reduction in sales to historical customers of Pixelworks and Genesis Microchip would harm the business, financial condition and results of operations of the combined company.

*Failure to diversify its product offerings may harm the combined company's results of operations.*

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A substantial portion of Pixelworks and Genesis Microchip's revenues are currently derived from sales of a limited number of products. Although following the merger, the combined company will have a more diverse product offering than either of Pixelworks or Genesis Microchip on a standalone basis, we expect that a small number of products will continue to account for a large portion of revenues of the combined company. If demand for such products decreases, our results of operations could be significantly harmed. In addition, if we are unable to successfully develop and market new products that diversify our revenue base, our future prospects will be diminished.

*The combined company may make acquisitions, which involve numerous risks and if not successfully integrated, could harm its business.*

Our growth is dependent on our ability to develop new products on a timely basis, which may require us to acquire other companies. Acquisitions are inherently risky, and no assurance can be given that future acquisitions, if any, will be successful and will not adversely affect the combined company's business, operating results or financial condition. Failure to successfully integrate acquisitions made by us could materially harm the combined company's business and operating results.

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*If the combined company's products are not accepted, the combined company's revenues will suffer.*

The combined company's success will depend on the extent to which its customers, manufacturers of flat panel monitors, projectors and digital television products elect to incorporate the combined company's products into their own products. The combined company must design products for customers that continually require higher functionality at lower costs. The development process for these advances is lengthy and will require the combined company to accurately anticipate technological innovations and market trends. The failure of the combined company's products to be accepted by these manufacturers for any reason could harm the combined company's business.

Pixelworks and Genesis Microchip are developing digital television products that are designed to operate with certain current industry standards. In the event manufacturers adopt different standards that are not compatible with existing standards, the combined company will need to develop new products to operate successfully with such standards. Any failure to develop new products in a timely manner could impair the revenues of the combined company.

*The combined company will face intense competition and may not be able to compete effectively.*

The industries in which we will compete are extremely competitive, with a large number of established and start-up companies providing alternative products. The fragmented nature of these industries and the absence of standard component solutions will continue to facilitate entry by additional competitors. Competitors may offer solutions that our customers find more compelling in price or functionality in particular segments of these industries. Among the combined company's competitors will be iChips Co., Ltd., Macronix International Co., Ltd., Mediatek Corp., Media Reality Technologies, Inc., Micronas Semiconductor Holding AG, Mstar Semiconductor, Inc., National Semiconductor Corp., Oplus Technologies Ltd., Realtek Semiconductor Corp., Silicon Image, Inc., Silicon Optix Inc., SmartASIC Technology, Inc., ST Microelectronics N.V., Topro Technology Inc., Trident Microsystems, Inc. and Trumpion Microelectronics Inc. The combined company will also compete against the semiconductor divisions or affiliates of some of its customers, including leading consumer electronics companies such as Matsushita Electric Industrial Co., Ltd., Mitsubishi Corporation, NEC Corporation, Sanyo Electric Co., Ltd, Sharp Corporation, Sony Corporation, Koninlijke Philips Electronics N.V., SAMSUNG Electronics, LG Electronics, Inc., and Toshiba Corporation, each of which designs and produces products competitive with our products, potentially creating a competitive disadvantage for the combined company. Competition from the companies discussed above and others will likely require the combined company to lower its prices to remain competitive, which could decrease its profit margins.

In addition, as the markets we serve expand, larger competitors with significant patent portfolios, multimedia expertise, and financial and operational resources to draw upon, such as ATI Technologies, Intel Corp., LSI Logic Corp., NVIDIA Corp. and Texas Instruments, Inc., may enter these markets. The combined company may not have adequate financial and operational resources available to compete effectively against these larger competitors.

*The combined company may not be profitable.*

The combined company may not be profitable because:

Pixelworks and Genesis Microchip's expenses are predominantly fixed in the short term and substantially all their present customers order on a purchase order basis rather than on long term purchase commitments;

the combined company expects that it will need to decrease the prices of its products to remain competitive; and

the combined company will take certain non-cash charges in connection with the merger that will negatively affect the combined company's profitability using accounting principles generally accepted in the United States.



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Any failure to reduce spending in response to any unanticipated declines in revenues would harm the business, financial condition and results of operations of the combined company.

*The loss of a large customer of the combined company may reduce the combined company's revenues.*

A substantial portion of Pixelworks' and Genesis Microchip's sales are derived from a limited number of large customers. If the combined company loses business from one or more large customers, the combined company's revenues will be reduced, unless offset by additional sales to existing or new customers. Assuming the combined company had been in operation during the relevant period, for the nine months ended December 31, 2002, one customer of the combined company would have represented 19% of the combined company's total revenue.

Pixelworks and Genesis Microchip expect that a small number of customers will continue to account for a large amount of the combined company's revenues. All of Pixelworks' and Genesis Microchip's sales are made on the basis of purchase orders rather than long-term agreements so that any customer could cease purchasing products at any time without penalty.

*If the combined company is unable to design and manufacture semiconductors cost-effectively and within specifications its business could be harmed.*

The combined company's products primarily consist of semiconductors, the design and manufacture of which is complex. In the past Pixelworks and Genesis Microchip have each encountered difficulties in designing and manufacturing their products. Failure to design and manufacture semiconductors cost-effectively and within specifications could harm our business by resulting in:

the inability to complete or sell products for which we have already incurred substantial manufacturing costs;

additional costs to redesign our products or to reimburse customers for the return of defective products;

damage to our reputation and customer relationships because of our inability to fulfill delivery obligations, or because of reliability, quality or compatibility problems;

diversion of technical resources to identify and resolve problems; or

product liability claims against us which may not be fully covered by insurance.

In addition, it is often difficult for semiconductor foundries to achieve acceptable product yields. Product yields depend on product design and the manufacturing process technology used in a particular semiconductor foundry. Since low yields or product deficiencies may result from either design flaws or manufacturing process difficulties, identification of yield problems may only occur when sufficient numbers are being produced to permit statistical analysis and test, and may occur after the shipment of product to customers.

*The combined company's reliance on subcontract manufacturing, assembly and test operations may harm its business.*

Neither Pixelworks nor Genesis Microchip own wafer fabrication, assembly or testing facilities, and each relies on others to provide these services. Reliance on others for these services could harm our business resulting in:

reduced control over manufacturing costs and delivery schedules of products;

reduced control over quality assurance and supply of products;

political, environmental or health risks in the countries where the manufacturing facilities are located;

lack of adequate capacity during periods of excess demand; and

unauthorized use of intellectual property.

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In addition, Genesis Microchip has a sole-source wafer manufacturing arrangement. A substantial portion of Pixelworks' wafers are procured from a different supplier. The combined company may not be able to retain the benefits under the arrangement Genesis Microchip has with its sole-source wafer manufacturer because the combined company will likely procure wafers from multiple suppliers. If the combined company is unable to retain the benefits under the sole-source arrangement, the cost of goods sold could significantly increase and profit margins could be impaired.

*Pixelworks' and Genesis Microchip's third-party wafer manufacturers, assembly and test subcontractors and significant customers are located in areas susceptible to natural disasters and public health risks.*

The combined company's customers and suppliers are concentrated in geographic areas that have experienced natural disasters such as floods and earthquakes. Natural disasters could directly or indirectly cause business interruptions in the combined company's customers or suppliers, which could harm the combined company's business. Pixelworks has experienced delays in obtaining products because of a flood near its wafer supplier in Germany. Genesis Microchip has experienced delays in obtaining products because of an earthquake in Taiwan.

Significant customers or suppliers of both companies are located in Asia, including China, Taiwan, Singapore, South Korea and Japan. Because of health concerns in countries in that region, including actions taken in response to severe acute respiratory syndrome, or SARS, and possible quarantines, the combined company's sales and product support activities may be impaired which could adversely affect the combined company's business. Customers located in China, Taiwan, South Korea and Japan were responsible for more than 80% of each of Pixelworks and Genesis Microchip's revenue for the nine months ended December 31, 2002.

*Failure to accurately forecast product demand could harm the business of the combined company.*

Pixelworks and Genesis Microchip each make sales on the basis of purchase orders rather than long-term purchase commitments, which requires each to make forecast and demand assumptions. If, as a combined company, we overestimate customer demand, we may produce more than we are able to sell, and if we underestimate customer demand, we will forego revenue opportunities, lose market share and damage customer relationships. Our customers may cancel or defer purchase orders for reasons outside of our control, such as supply constraints for other components incorporated into their products or errors in their forecast of demand for their products.

*The combined company will be subject to risks associated with international operations, which may harm our business.*

Pixelworks and Genesis Microchip have significant design, manufacturing and sales operations in Canada, China, India, Japan, South Korea and Taiwan. These foreign operations subject us to a number of risks associated with conducting business outside of the United States, including the following:

unexpected changes in, delays or costs of obtaining or complying with existing or new legislative or regulatory requirements, including export licenses, tariffs, quotas and other trade barriers and restrictions;

political, military or economic risks associated with our operations outside the United States;

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difficulties in maintaining sales representatives outside of the United States that are knowledgeable of the display applications industry, the video processing industry and our range of products;

potentially adverse tax consequences;

difficulties protecting intellectual property outside the United States;

transportation, travel and communication delays; and

risks associated with severe acute respiratory syndrome.

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In addition, sales of Pixelworks and Genesis Microchip's products have been denominated in United States dollars. An increase in the value of the United States dollar could increase the price of the combined company's products so that they become relatively more expensive to customers in the local currency of a particular country, potentially leading to a reduction in the combined company's revenues and profitability.

*A breakdown in our information technology systems could cause a business interruption, impair our ability to manage our business or report results, or result in the unauthorized disclosure of our confidential and proprietary information.*

Our information technology systems could suffer a sudden breakdown as a result of factors beyond our control, such as earthquakes, insecure connections or problems with our outside consultants who provide information technology services to us. If our information technology systems were to fail and we were not able to gain timely access to adequate alternative systems or back-up information, this could harm our ability to operate and manage our business and to report results in a timely manner. Also, any breach of our information systems by an unauthorized third party could result in our confidential information being made public or being used by a competitor, which could have a material adverse effect on our ability to realize the potential of our proprietary rights.

*The effective tax rate of the combined company is uncertain, and may be higher than that experienced by the predecessor companies.*

The impact of the merger on the overall effective tax rate of the combined company is uncertain, and may be higher than one or both predecessor companies experienced historically. Increases in tax rates would adversely affect financial results of the combined company, and therefore the company's business. The combination of the operations of Pixelworks and Genesis Microchip may result in an overall effective tax rate for the combined company that is higher than either predecessor's currently reported tax rate.

*The combined company may be unable to adequately protect its intellectual property, which may harm our business.*

Pixelworks and Genesis Microchip have each been issued patents and have a number of pending United States and foreign patent applications. However, we cannot assure you that any patent will be issued as a result of any applications or, if issued, that any claims allowed will be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. It may be possible for a third party to copy or otherwise obtain and use the combined company's products, or technology without authorization, develop similar technology independently or design around the combined company's patents.

Our competitors may also be able to design around our patents. The laws of certain foreign countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect products or intellectual property rights to the same extent as the laws of the United States. There can be no assurance that the steps taken to protect our intellectual property rights will be adequate to prevent misappropriation of our technology or that competitors will not independently develop technologies that are substantially equivalent or superior.

*Intellectual property infringement suits brought against us may significantly harm our business.*

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Genesis Microchip is a defendant in an intellectual property infringement suit, and the combined company may become a party to litigation in the future. Intellectual property litigation could force the combined company to do one or more of the following:

stop selling products or using technology that contain the allegedly infringing intellectual property;

obtain a license to the relevant intellectual property, which license may not be available on reasonable terms or at all; and

attempt to redesign those products that contain the allegedly infringing intellectual property.

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If the combined company is forced to take any of these actions, it may be unable to manufacture and sell some of its products, which could harm its business.

Genesis Microchip is currently defending claims brought against it by Silicon Image, Inc., which alleges that certain Genesis Microchip products that contain digital receivers infringe various Silicon Image patent claims. The case is pending before the United States District Court for the Eastern District of Virginia. Silicon Image, Inc. is seeking an injunction to halt the sale, manufacture and use of Genesis Microchip's DVI receiver chips and unspecified monetary damages. Trial was set for January 2003, but the trial was taken off the calendar of the court in December 2002 and has not been rescheduled. Since January 2003, the parties have filed case dispositive motions, which were heard by the court in March 2003. Genesis Microchip is currently awaiting the court's ruling on these motions, which ruling could result in dismissal of the case against Genesis Microchip on terms that may be favorable or unfavorable to Genesis Microchip, setting the case for trial and/or entry by the court of other orders which we cannot predict. Genesis Microchip believes it has meritorious defenses to this claim. However, this or any future lawsuits could subject the combined company to a permanent injunction preventing it from selling selected products or incurring significant monetary damages. Based on Genesis Microchip's revenue for the twelve months ended December 31, 2002, approximately 42% of Genesis Microchip's revenues could be impacted by this patent litigation. Also, this kind of lawsuit, regardless of its outcome, is likely to be time-consuming and expensive to resolve and would divert management time and attention.

*The combined company may be subject to judgments for securities class action suits.*

Genesis Microchip is a defendant in a securities class action suit. Genesis Microchip believes it has meritorious defenses to the claims in the securities class action suit as well as adequate insurance coverage to cover any likely unfavorable outcome. However, this or any future securities class action suit could subject the combined company to judgments in excess of its insurance coverage and could harm the combined company's business. In addition, this kind of lawsuit, regardless of its outcome, is likely to be time-consuming and expensive to resolve and may divert management time and resources.

*General economic conditions may reduce the combined company's revenues and harm its business.*

As the businesses of Pixelworks and Genesis Microchip have grown, the companies are increasingly subject to risks arising from adverse changes in domestic and global economic conditions. Because of the current worldwide economic slowdown, many industries are delaying or reducing technology purchases. As a result, if economic conditions worsen or if a wider or global economic slowdown occurs, reduced orders and shipments may cause the combined company to fall short of its revenue expectations for any given period and may result in the combined company carrying increased inventory. These conditions would negatively affect its business and results of operations. If the combined company's inventory builds up as a result of order postponement, it would carry excess inventory that is either unusable or that must be sold at clearance prices which will harm its revenues. In addition, weakness in the technology market could negatively affect the cash flow of customers who could, in turn, delay paying their obligations to the combined company. This would increase the combined company's credit risk exposure that could harm its financial condition.

*The issuance of additional Pixelworks shares may reduce Pixelworks' stock price.*

As of May 21, 2003, Genesis Microchip had approximately 31,276,061 common shares outstanding and outstanding options to purchase 7,600,263 shares of common stock, which will convert into 73,079,644 shares of Pixelworks common stock and options to purchase 17,758,775 shares of Pixelworks common stock. If the combined company's earnings per share are less than what the Pixelworks earnings per share would have been if it had not acquired Genesis Microchip, Pixelworks' stock price could decrease until the combined company achieves revenue growth or cost savings sufficient to offset the dilutive effect of the merger. There can be no





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assurance that the combined company will achieve revenue growth or cost savings or that you will achieve greater returns as a shareholder of the combined company than as a Pixelworks shareholder or Genesis Microchip stockholder before the merger.

*The market price and trading volume of Pixelworks and Genesis Microchip's stock has fluctuated substantially and the combined company's stock price and volume are likely to continue to do so.*

The stock market has experienced large price and volume fluctuations that have affected the market price of many companies and have often been unrelated to the operating performance of these companies. These factors, as well as general economic and political conditions, may adversely affect the market price and trading volume of the combined company's common stock in the future. The market price and trading volume of the combined company's common stock may fluctuate significantly in response to a number of factors, including:

actual or anticipated fluctuations in the combined company's operating results;

changes in expectations as to the combined company's future financial performance;

changes in financial estimates of securities analysts;

changes in market valuations of other companies;

announcements by the combined company or its competitors of significant technical innovations, design wins, contracts, standards or acquisitions;

the operating and stock price performance of other comparable companies; and

the number of shares of the combined company that are available for trading by the public and the trading volume of its shares.

Due to these factors, the price of the combined company's stock may decline and the value of your investment would be reduced. In addition, the stock market experiences volatility often unrelated to the performance of particular companies. These market fluctuations may cause the combined company's stock price to decline regardless of its performance.

*Terrorist acts and acts of war may seriously harm the combined company's business, revenues, costs, expenses and financial condition.*

Terrorist acts or acts of war, wherever located around the world, may cause damage or disruption to the combined company, its employees, facilities, partners, suppliers, distributors and resellers, and customers, which could significantly impact the combined company's business, revenues, costs, expenses and financial condition. The terrorist attacks that took place in the United States on September 11, 2001 were unprecedented events that have created many economic and political uncertainties, some of which may materially harm the combined company's business and results of operations. The long-term effects on the combined company of the September 11, 2001 attacks are unknown. The potential for future terrorist attacks, the national and international responses to terrorist attacks, hostilities in the Middle East, including Iraq, and

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other acts of war or hostility, especially in the Korean peninsula, have created economic and political uncertainties, which could adversely affect the business and results of operations of Pixelworks, Genesis Microchip or the combined company in ways that cannot be predicted. In addition, as companies with headquarters and significant operations located in the United States, any of Pixelworks, Genesis Microchip or the combined company may be impacted by actions against the United States. The combined company may not be insured for losses and interruptions caused by terrorist acts and acts of war.

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**THE PIXELWORKS SPECIAL MEETING**

Pixelworks is furnishing this joint proxy statement/prospectus to its shareholders in connection with the solicitation of proxies by the management of Pixelworks for use at the Pixelworks special meeting of shareholders in connection with the merger and at any adjournment or postponement of the Pixelworks special meeting.

**Date, Time, and Place**

Pixelworks will hold its special meeting on • , 2003, at 9:00 a.m., Pacific Time, at • , Portland, Oregon.

**Purpose of the Special Meeting**

At the Pixelworks special meeting, Pixelworks shareholders will be asked:

1. to consider and vote on a proposal to approve the issuance of shares of Pixelworks common stock, par value \$0.001 per share, pursuant to the merger agreement by and among Genesis Microchip Inc., Pixelworks and Display Acquisition Corporation, a newly formed, wholly-owned subsidiary of Pixelworks, pursuant to which Genesis Microchip will become a wholly-owned subsidiary of Pixelworks;
2. to consider and vote on a proposal to approve an amendment to Pixelworks articles of incorporation effective upon completion of the merger, changing the name of Pixelworks to Genesis Pixelworks, Inc.; and
3. to consider such other business as may properly come before the Pixelworks special meeting or any adjournment or postponement of the meeting.

Copies of the merger agreement and certain other merger related documents are attached to this joint proxy statement/prospectus as *Annexes A through E*. Pixelworks shareholders are encouraged to read these documents and the other information in this joint proxy statement/prospectus carefully before deciding how to vote.

**Pixelworks Board of Directors Recommendation**

The Pixelworks board of directors, after careful consideration, has unanimously determined that the merger, the merger agreement and the other transactions contemplated in the merger agreement are advisable, fair to, and in the best interests of Pixelworks and its shareholders. The Pixelworks board of directors unanimously recommends that you vote **FOR** the issuance of Pixelworks common stock in the merger and **FOR** the amendment to the articles of incorporation changing the company's name to Genesis Pixelworks, Inc.

**Record Date; Shares Entitled to Vote**

Only Pixelworks shareholders of record at the close of business on May 21, 2003, the date assumed for purposes of this document as the record date, will be entitled to notice of, and to attend in person, or appoint a proxy nominee to attend the Pixelworks special meeting and to vote at the Pixelworks special meeting. As of the Pixelworks record date, 44,363,471 shares of Pixelworks common stock were issued and outstanding. In addition, the trustee of the Pixelworks Special Voting Share is entitled to vote the equivalent of 948,204 Pixelworks common shares on behalf of the holders of exchangeable shares of Jaldi Semiconductor Corp. Shareholders of Pixelworks common stock as of the record date are entitled to one vote per share of Pixelworks common stock on the proposals.

**Quorum**

A quorum of Pixelworks shareholders is required to hold a valid special meeting. A quorum will be present at the Pixelworks special meeting if a majority of the shares of Pixelworks voting stock issued, outstanding and

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entitled to vote on the Pixelworks record date is represented at the special meeting in person or by proxy. Pixelworks voting stock consists of outstanding Pixelworks common stock and one Pixelworks special voting share. As of the record date the special voting share represented the power to vote 948,204 shares. The failure to return your proxy may contribute to a failure to obtain a quorum at the special meeting.

## **Vote Required**

The issuance of the shares of Pixelworks common stock in the merger and the amendment to the Pixelworks articles of incorporation must each be approved by the holders of a majority of the votes cast in person or by proxy at the special meeting. As to all matters to be considered at the special meeting, abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting, but will not be counted and will have no effect in determining whether any proposal is approved. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a proposal because the broker does not have discretionary voting power and has not received instructions from the beneficial owner with respect to the proposal.

## **Shares Owned by Pixelworks Directors and Executive Officers**

As described on page 58, certain directors and executive officers of Pixelworks have interests in the merger that may be different from, or in addition to, the interests of other Pixelworks shareholders. As of the assumed record date, the directors and executive officers of Pixelworks together with their affiliates beneficially owned in the aggregate, 10,173,329 shares of Pixelworks common stock. These shares represent approximately 22.5% of the shares of Pixelworks common stock entitled to vote at the Pixelworks special meeting. The directors of Pixelworks have each executed agreements with Genesis Microchip to vote their shares in favor of the issuance of shares of Pixelworks common stock in the merger. As of the assumed record date, these voting agreements covered a total of 2,534,502 shares of Pixelworks common stock, or approximately 5.6% of Pixelworks shares entitled to vote at the special meeting.

## **Voting of Proxies**

All shares of Pixelworks common stock represented by properly executed unrevoked proxies received before or at the Pixelworks special meeting will be voted according to the instructions contained in the proxy at the special meeting and at any adjournment or postponement. Properly executed unrevoked proxies that do not contain instructions (other than broker or nominee non-votes) will be voted **FOR** approval of the issuance of Pixelworks common stock pursuant to the merger, **FOR** approval of an amendment to the company's articles of incorporation to change the company's name to Genesis Pixelworks, Inc., and according to the best judgment of the proxyholder in regard to any other matter that properly comes before the special meeting.

If you are a registered holder of your shares, you may vote your shares by completing, signing, dating and returning the enclosed proxy card in the enclosed return envelope as soon as possible. You may also attend the Pixelworks special meeting and vote in person instead of submitting a proxy. However, in order to assure that we obtain your vote, please vote as instructed on your proxy card even if you currently plan to attend the Pixelworks special meeting in person.

If your shares are held in street name, you should contact your broker and follow the directions that your broker provides to you so that you can instruct your broker to vote your shares. Your broker will not vote your shares unless the broker receives instructions from you. Shareholders that have instructed a broker to vote their shares must follow directions received from such broker in order to change their vote at the Pixelworks

special meeting.

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The Pixelworks board of directors does not know of any matters other than those described in the notice of the Pixelworks special meeting that are to be presented for action at such meeting. If any other matters are properly presented for consideration at the Pixelworks special meeting, the persons appointed as proxies will generally have discretion to vote on such matters in accordance with their judgment.

## **Revoking Your Proxy**

Any person giving a proxy may revoke it at any time before its exercise by delivering to the Secretary of Pixelworks an instrument of revocation or a duly executed proxy bearing a later date at our principal executive offices, located at 8100 SW Nyberg Road, Tualatin, Oregon 97062, telephone (503) 454-1750. Although attendance at the Pixelworks special meeting will not in itself constitute revocation of a proxy, a shareholder attending the Pixelworks special meeting may withdraw his or her proxy and vote in person.

## **Dissenting Shareholder Rights**

Pixelworks shareholders are not entitled to any appraisal or dissenters' rights with respect to the merger.

## **Solicitation of Proxies**

Pixelworks and Genesis Microchip will generally equally share expenses incurred in connection with the filing, printing and mailing of this joint proxy statement/prospectus, but each will pay its own cost of soliciting approvals. Brokers and nominees should forward Pixelworks solicitation materials to the beneficial owners of shares held of record by such brokers and nominees. Pixelworks will reimburse such persons for their reasonable forwarding expenses.

In addition to the use of the mails, Pixelworks' directors, officers and regular employees may solicit proxies in person or by telephone, facsimile, electronic mail or other means of communication. These persons will not be paid but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation.

**Pixelworks shareholders should not send in any Pixelworks stock certificates.**

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**THE GENESIS MICROCHIP SPECIAL MEETING**

Genesis Microchip is furnishing this joint proxy statement/prospectus to its stockholders in connection with the solicitation of proxies by the management of Genesis Microchip for use at the Genesis Microchip special meeting of stockholders in connection with the merger and at any adjournment or postponement of the meeting.

**Date, Time, and Place**

Genesis Microchip will hold its special meeting on • , 2003, at 9:00 a.m., Pacific Time, at 2150 Gold Street, Alviso, California.

**Purpose of the Special Meeting**

At the Genesis Microchip special meeting, Genesis Microchip stockholders will be asked:

1. to consider and vote on a proposal to adopt the merger agreement by and among Genesis Microchip, Pixelworks, Inc. and Display Acquisition Corporation, a newly formed, wholly-owned subsidiary of Pixelworks, pursuant to which Genesis Microchip will become a wholly-owned subsidiary of Pixelworks; and
2. to consider such other business as may properly come before the Genesis Microchip special meeting or any adjournment or postponement of the meeting.

Adoption of the merger agreement will constitute approval of the merger. Copies of the merger agreement and certain other merger related documents are attached to this joint proxy statement/prospectus as *Annexes A* through *E*. Genesis Microchip stockholders are encouraged to read these documents and the other information in this joint proxy statement/prospectus carefully before deciding how to vote.

**Genesis Microchip Board of Directors Recommendation**

The Genesis Microchip board of directors, after careful consideration, has unanimously determined that the merger, the merger agreement and the transactions contemplated in the merger agreement are advisable and fair to, and in the best interest of, Genesis Microchip and its stockholders. The Genesis Microchip board unanimously recommends a vote **FOR** the adoption of the merger agreement.

**Record Date; Shares Entitled to Vote**



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Only holders of record of Genesis Microchip common stock at the close of business on May 21, 2003, the date assumed for purposes of this document as the record date, will be entitled to notice of and to attend in person, or appoint a proxy nominee to attend, the Genesis Microchip special meeting and to vote at the special meeting. As of the Genesis Microchip record date, 31,276,061 shares of Genesis Microchip common stock were issued and outstanding. Stockholders of Genesis Microchip common stock as of the record date are entitled to one vote per share of Genesis Microchip common stock on the proposal to adopt the merger agreement.

### **Quorum**

A quorum of Genesis Microchip stockholders is required to hold a valid special meeting. A quorum will be present at the Genesis Microchip special meeting if a majority of the shares of Genesis Microchip common stock issued, outstanding and entitled to vote on the Genesis Microchip record date are represented at the special meeting in person or by proxy. The failure to return your proxy may contribute to a failure to obtain a quorum at the special meeting.

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### **Vote Required**

The adoption of the merger agreement must be approved by the holders of a majority of the shares of Genesis Microchip common stock outstanding and entitled to vote, in person or by proxy, at the Genesis Microchip special meeting. As to all matters to be considered at the special meeting, abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting. Because the adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of Genesis Microchip common stock, abstentions, failures to vote and broker non-votes will have the same effect as a vote against adoption of the merger agreement. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a proposal because the broker does not have discretionary voting power and has not received instructions from the beneficial owner with respect to the proposal.

### **Shares Owned by Genesis Microchip Directors and Executive Officers**

As described on page 58, certain directors and executive officers of Genesis Microchip have interests in the merger that may be different from, or in addition to, the interests of other Genesis Microchip stockholders. As of the assumed record date, the directors and executive officers of Genesis Microchip and their affiliates beneficially owned, in the aggregate, 999,623 shares of Genesis Microchip common stock. These shares represent approximately 3.1% of the shares of Genesis Microchip common stock entitled to vote at the special meeting with respect to the adoption of the merger agreement. The directors of Genesis Microchip as of March 17, 2003, the date of the merger agreement, have each executed agreements with Pixelworks to vote their shares in favor of adoption of the merger agreement. As of the assumed record date, these voting agreements covered a total of 308,609 shares of Genesis Microchip common stock, or approximately 1.0% of Genesis Microchip common stock entitled to vote at the special meeting.

### **Voting of Proxies**

All shares of Genesis Microchip common stock represented by properly executed unrevoked proxies received before or at the Genesis Microchip special meeting will be voted according to the instructions contained in the proxy at the special meeting and at any adjournment or postponement thereto. Properly executed unrevoked proxies that do not contain instructions (other than broker or nominee non-votes) will be voted **FOR** the adoption of the merger agreement and according to the best judgment of the proxyholder in regard to any other matter that properly comes before the special meeting.

If you are the registered holder of your shares, you may vote your shares by completing, signing, dating and returning the enclosed proxy card in the enclosed return envelope as soon as possible. You may also attend the Genesis Microchip special meeting and vote in person instead of submitting a proxy. However, in order to assure that we obtain your vote, please vote as instructed on your proxy card even if you currently plan to attend the Genesis Microchip special meeting in person.

If your shares are held in street name, you should contact your broker and follow the directions that your broker provides to you so that you can instruct your broker to vote your shares. Your broker will not vote your shares unless the broker receives instructions from you. Stockholders that have instructed a broker to vote their shares must follow directions received from such broker in order to change their vote at the Genesis Microchip special meeting.

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The Genesis Microchip board of directors does not know of any matters other than those described in the notice of the Genesis Microchip special meeting that are to be presented for action at such meeting. If any other matters are properly presented for consideration at the Genesis Microchip special meeting, the persons appointed as proxies will generally have discretion to vote on such matters in accordance with their judgment.

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### **Revoking Your Proxy**

Any person giving a proxy may revoke it at any time before its exercise by delivering to the Secretary of Genesis Microchip an instrument of revocation or a duly executed proxy bearing a later date at our principal executive offices, located at 2150 Gold Street, Alviso, California 95002, telephone (408) 262-6599. Although attendance at the Genesis Microchip special meeting will not in itself constitute revocation of a proxy, a stockholder attending the Genesis Microchip special meeting may withdraw his or her proxy and vote in person.

### **Dissenting Stockholder Rights**

Genesis Microchip stockholders are not entitled to any appraisal or dissenters' rights with respect to the merger.

### **Solicitation of Proxies**

Pixelworks and Genesis Microchip will generally equally share expenses incurred in connection with the filing, printing and mailing of this joint proxy statement/prospectus, but each will pay its own cost of soliciting approvals. Brokers and nominees should forward Genesis Microchip solicitation materials to the beneficial owners of shares held of record by such brokers and nominees. Genesis Microchip will reimburse such persons for their reasonable forwarding expenses.

In addition to the use of the mails, Genesis Microchip's directors, officers and regular employees may solicit proxies in person or by telephone, facsimile, electronic mail or other means of communication. These persons will not be paid but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation.

**Genesis Microchip stockholders should not send in their stock certificates with their proxy card. A transmittal letter with instructions for the surrender of stock certificates will be mailed to Genesis Microchip stockholders promptly following completion of the merger.**

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**THE MERGER**

*The following is a description of the material aspects of the merger. While we believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. We encourage you to carefully read the merger agreement and the other documents attached to this joint proxy statement/prospectus as Annexes A through E for a more complete understanding of the merger.*

**Background of the Merger**

Both Pixelworks and Genesis Microchip continually evaluate strategic opportunities as part of their evaluation of changes in the industry in which they operate and evaluate opportunities to strengthen their respective businesses. In addition, from time to time senior management of Pixelworks and Genesis Microchip have met with each other at various investor conferences and trade shows.

On April 26, 2001, Mr. Allen Alley, chairman, chief executive officer and president of Pixelworks, met with Mr. Amnon Fisher, then chief executive officer of Genesis Microchip. Messrs. Alley and Fisher discussed the potential for a combination of the companies.

In mid-to-late May 2001, Messrs. Alley and Fisher discussed combining the two companies. During that same period, Citigroup Global Markets Inc., which is referred to in this document as Citigroup, began assisting Pixelworks in its role as a financial advisor.

In late May and early June 2001, Messrs. Alley and Fisher discussed terms of a proposed business combination, including management, board composition and relative ownership of a combined company. In mid-June 2001, Dresdner Kleinwort Wasserstein, Inc., or DrKW, assisted Genesis Microchip as a financial advisor, pursuant to a previously executed engagement letter with Genesis Microchip.

On June 13, 2001, representatives of each of Pixelworks and Genesis Microchip, together with their respective financial advisors, met. At that meeting, Pixelworks and Genesis Microchip executed a nondisclosure agreement and exchanged initial financial information regarding their respective companies.

During the week of June 18, 2001, representatives of each of Pixelworks and Genesis Microchip continued to discuss the terms of a proposed business combination. The parties were unable to reach agreement and ceased their discussions at the end of that week. No additional meetings were scheduled at that time.

On April 8, 2002, at the invitation of Mr. Alex Lushtak, then chairman of the Genesis Microchip board of directors, Messrs. Alley and Lushtak met for dinner and agreed to initiate new discussions regarding a potential business combination. On April 9, 2002, Messrs. Alley and Fisher had lunch together for further discussions.

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From mid-to-late April 2002, representatives of each of Pixelworks and Genesis Microchip further discussed a proposed business combination. On April 12, 2002, Genesis Microchip entered into a new engagement agreement with DrKW specific to a potential transaction between Pixelworks and Genesis Microchip.

During the first week of May 2002, several members of the Genesis Microchip board of directors met with Mr. Alley and discussed the culture of the two companies.

On May 16 and 17, 2002, representatives of each of Pixelworks and Genesis Microchip, together with their respective financial and legal advisors, met to discuss the terms of a potential business combination, and engaged in financial and business due diligence. At these meetings, the parties discussed combining the two companies in a merger-of-equals transaction in which Genesis Microchip would issue its shares to Pixelworks shareholders in exchange for their Pixelworks shares, with no premium. At this time, the parties also discussed the relative ownership of a combined company. The proposed ownership percentages ranged from 35% to 40% for

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Pixelworks shareholders and from 60% to 65% for Genesis Microchip stockholders. The parties also discussed an eight-member board with equal representation and the potential management structure of a combined company.

From May 16, 2002 to May 21, 2002, legal counsel for each of Pixelworks and Genesis Microchip conducted due diligence reviews. During this period, representatives of the parties continued their discussions of the terms of a potential business combination, including a combined company ownership percentage of 37.5% for the shareholders of Pixelworks and 62.5% for the stockholders of Genesis Microchip based on the treasury stock method. On May 21, 2002, Wilson Sonsini Goodrich & Rosati, Professional Corporation, legal counsel to Genesis Microchip, delivered a draft merger agreement to O Melveny & Myers LLP, special counsel to Pixelworks. Representatives of each of Pixelworks and Genesis Microchip met on May 23, 2002 and mutually agreed to defer further discussions. No additional meetings were scheduled at that time.

On December 13 and 14, 2002, Mr. Alley and Mr. James Donegan, the chief executive officer of Genesis Microchip, together with representatives of each of Pixelworks and Genesis Microchip and their respective financial and legal advisors, met and discussed initiating new discussions regarding a potential business combination. At the conclusion of these meetings, the parties agreed to continue their discussions in January 2003.

During January and early February 2003, representatives of each of Pixelworks and Genesis Microchip held meetings to discuss the organizational structure of a combined company and the timing of a possible business combination.

On February 13, 2003, at the request of Mr. Lushtak, Messrs. Alley and Lushtak met and discussed combining the two companies in a merger-of-equals transaction in which Pixelworks would issue its shares to Genesis Microchip stockholders in exchange for their Genesis Microchip shares, at a premium. Messrs. Alley and Lushtak also discussed a proposed management structure, in which Mr. Alley would serve as chief executive officer of a combined company.

On February 21, 2003, representatives of each of Pixelworks and Genesis Microchip, together with their respective financial advisors, met and discussed issues relating to a premium Genesis Microchip stockholders might receive in the proposed merger-of-equals transaction and the composition of a combined company's nine-person board of directors.

On February 25, 2003, the Pixelworks board of directors met to review the proposed transaction.

Beginning February 26, 2003 and continuing through March 16, 2003, representatives of each of Pixelworks and Genesis Microchip, together with their respective financial advisors, conducted business and financial due diligence. During that same period, the parties' respective legal counsel, including Ater Wynne LLP, general outside counsel to Pixelworks, conducted legal due diligence. On February 27, 2003, representatives of Wilson Sonsini Goodrich & Rosati delivered a draft merger agreement to legal counsel for Pixelworks.

In the first week of March 2003, the Pixelworks board of directors met to review the proposed transaction. During that same period, the Genesis Microchip board of directors also met to review the proposed transaction and representatives of the parties began negotiating the terms of the merger agreement and continued financial and legal due diligence.

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During the week of March 10, 2003, representatives of each of Pixelworks and Genesis Microchip met to discuss in detail the composition of the board of directors, management and organizational structure of a combined company.

During that same period, the parties' respective legal counsel, in consultation with their respective clients, continued negotiations of the terms of the merger agreement, including provisions relating to the organizational



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structure of a combined company, the businesses of the parties during the period after execution of the merger agreement but prior to consummation of the merger, the situations under which the parties could terminate the merger agreement and under which termination fees would be payable and the circumstances under which the parties could review and accept alternative proposals. Concurrently, each of Pixelworks and Genesis Microchip negotiated change of control severance agreements with certain of their key employees. During that same period, the Genesis Microchip board of directors met to review the transaction.

On March 16, 2003, the Pixelworks board of directors held a meeting to review in depth the proposed business combination. Members of Pixelworks management reviewed the proposed business combination with the Pixelworks board of directors, including the strategic reasons for the business combination, the principal terms of the business combination, a summary of Genesis Microchip's financial condition and business operations and the results of Pixelworks's due diligence. Representatives of Citigroup (formerly Salomon Smith Barney) presented the Pixelworks board of directors with a summary of its financial analyses related to the consideration to be exchanged in the proposed business combination. Citigroup then delivered its oral opinion, subsequently confirmed in writing, that the ratio for exchanging shares of Pixelworks common stock for shares of Genesis Microchip common stock contemplated by the merger agreement was fair, from a financial point of view, to Pixelworks. Representatives of O Melveny & Myers, together with representatives of Ater Wynne, legal counsel to Pixelworks, presented the Pixelworks board of directors with a summary of the terms of the draft merger agreement and related documents, which had been previously distributed to the board of directors, and discussed the fiduciary duties of directors in considering a business combination transaction.

Upon completing its deliberations at its meeting on March 16, 2003, the Pixelworks board of directors unanimously approved the merger agreement and related agreements and the transactions contemplated by those agreements, declared them advisable, fair to and in the best interests of the company and its shareholders and resolved to recommend that the shareholders of Pixelworks approve the issuance of shares of Pixelworks common stock in the merger.

On March 16, 2003, the Genesis Microchip board of directors held a meeting to review in depth the proposed business combination. Members of Genesis Microchip management reviewed the proposed business combination with the Genesis Microchip board of directors, including the strategic reasons for the business combination, the principal terms of the business combination, a summary of Pixelworks's financial condition and business operations and the results of Genesis Microchip's due diligence. Representatives of DrKW presented the Genesis Microchip board of directors with a summary of its financial analyses related to the consideration to be received in the proposed business combination. DrKW then delivered its oral opinion, subsequently confirmed in writing, that the ratio for exchanging shares of Genesis Microchip common stock for shares of Pixelworks common stock contemplated by the merger agreement was fair, from a financial point of view, to the stockholders of Genesis Microchip. Representatives of Wilson Sonsini Goodrich & Rosati, legal counsel to Genesis Microchip, presented the Genesis Microchip board of directors with a summary of the terms of the draft merger agreement and related documents, which had been previously distributed to the board of directors, and discussed the fiduciary duties of directors in considering a business combination transaction.

Upon completing its deliberations at its meeting on March 16, 2003, the Genesis Microchip board of directors unanimously approved the merger agreement and related agreements and the transactions contemplated by those agreements, declared them advisable, fair to and in the best interests of the company and its stockholders and resolved to recommend that the stockholders of Genesis Microchip adopt the merger agreement.

After negotiation of the final terms of the merger agreement and the related agreements, on March 17, 2003, representatives of both Pixelworks and Genesis Microchip executed the merger agreement. In addition, the members of the Pixelworks board of directors entered into voting agreements with Genesis Microchip, in which they agreed to vote their shares in favor of the issuance of shares of Pixelworks common stock in the merger. The members of the Genesis Microchip board of directors entered into voting agreements with Pixelworks, in which they agreed to vote their shares in favor of adoption of the merger agreement.



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On March 17, 2003, the parties issued a joint press release announcing the proposed business combination between Pixelworks and Genesis Microchip.

## **Reasons for the Merger**

### *Overview*

The boards of directors of Pixelworks and Genesis Microchip, at separate meetings held on March 16, 2003, each unanimously approved the merger agreement and the related agreements and the transactions contemplated by those agreements, and declared them advisable, fair to and in the best interests of their respective companies and shareholders. The Pixelworks board of directors resolved to recommend that its shareholders approve the issuance of shares in connection with the merger, and the Genesis Microchip board of directors resolved to recommend that its stockholders adopt the merger agreement.

In reaching their separate decisions, each board consulted with its senior management, financial and legal advisors, and considered a number of factors. In view of the complexity and wide variety of information and factors, both positive and negative, considered by each board, neither board found it practical to qualify, rank or otherwise assign any relative or specific weights to the factors it considered. In addition, neither board reached any specific conclusion with respect to each of the factors it considered, or any aspect of any particular factor. Instead, each board conducted an overall analysis of the factors it considered. In considering those factors, individual members of each board may have given different weights to different factors. Each board considered all of those factors as a whole and believed that those factors supported its decision.

### *Benefits of the Merger*

We believe that the proposed merger represents an opportunity for the combined company to increase shareholder value by:

creating a company poised to take advantage of the emerging digital television industry; and

improving the combined company's ability to continue its product diversification.

*Digital Television Opportunity.* We believe that the merger presents an opportunity to enhance our combined competitive position in key industries by leveraging the strengths of each of Pixelworks and Genesis Microchip. Pixelworks is the leading supplier of semiconductors to projector manufacturers, and Genesis Microchip is the leading supplier of semiconductors to flat panel monitor manufacturers. Together, we believe that we will continue to be leaders in our current business and to capitalize on the expected unit growth in semiconductors for the digital television industry.

Pixelworks believes that it has become a leader in its industry by developing integrated circuits, complex software and systems solutions for projector manufacturers. Pixelworks' unit sales of semiconductors for projectors have grown in the past two years, as has the projector industry generally, despite a decline in worldwide information technology spending. Pixelworks attributes its unit growth to its ability to:

develop products that are compatible with a wide range of computers and video sources; and

design products that anticipate changes in user requirements and advances in projection technologies.

Genesis Microchip believes that it has become a leader in its industry by developing advanced semiconductor solutions for flat panel monitor manufacturers in high volumes. Genesis Microchip's unit sales of semiconductors for flat panel monitors has grown rapidly, as has the flat panel monitor industry generally. Genesis Microchip attributes its unit growth to its ability to:

integrate analog and digital processing into a single chip;

manage high volume manufacturing and distribution; and

design products that anticipate changes in user requirements and advances in display technologies.

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Together, we believe that the combined company will be able to use the individual strengths of Pixelworks and Genesis Microchip to capitalize on the expected unit growth in semiconductors for the digital television industry because we believe that a successful participant in the digital television industry will need to:

cost-effectively manufacture and distribute semiconductors in high volumes;

design products that are compatible with a wide range of end-user products and input sources;

integrate multiple analog and digital technologies on a single chip; and

design products that anticipate changes in user requirements and advances in digital television technologies.

As a combined company, our strategy will be to become the leading semiconductor supplier to digital television manufacturers, while maintaining leadership positions in each of the projector and flat panel monitor industries.

*Diversification Opportunities and Other Benefits.* In addition to the opportunities for growth in semiconductors for the digital television industry, we believe the merger will enable the combined company to diversify its business by:

adding more products to reduce reliance on any one product;

establishing a financially stronger company with over \$200 million in cash and marketable securities; and

creating a company with a broader base that could be used as a platform to acquire other businesses, products or technologies.

In addition, we believe the merger will also create a more efficient and competitive industry participant by:

creating significant opportunities for cost reduction through the elimination of redundant manufacturing overhead, sales, marketing and administrative costs;

combining each company's global geographic strengths to create an efficient and competitive global sales network;

combining the manufacturing know-how and talent of the companies in order to work effectively with their foundries to bring new and improved products to market more quickly and at greater volume; and

combining the companies' engineering resources and complementary technologies to focus on innovative technologies for consumer electronics applications.

**Recommendations of the Pixelworks Board of Directors:**

Pixelworks' board of directors consulted with senior management of Pixelworks and with Pixelworks' financial and legal advisors and considered a number of factors, including those set forth below, in reaching its decision to approve and adopt the merger agreement and approve the transactions contemplated by the merger agreement, and to recommend that Pixelworks' shareholders vote **FOR** approval of the issuance of shares of common stock of Pixelworks in connection with the merger, and **FOR** the change in the company's name to Genesis Pixelworks Inc.

Pixelworks' board of directors considered factors that it believes will contribute to the success of the combined company, including the following:

improved position of the combined company in the digital television industry creating a company that can more effectively compete with much larger multi-national integrated circuits suppliers and in-house customer developed solutions;

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lower operating costs as a combined company from elimination of redundancies and the ability to focus development on the digital television industry;

increased depth of industry knowledge and intellectual property, including but not limited to analog design intellectual property, that will be available to the combined company;

enhanced ability to reach and provide service to customers in the advanced display industry segments;

added management experience and strength the combined company will enjoy in high volume design, sales and delivery of semiconductor products; and

enhanced purchasing power of the combined company, which should result in lower purchase prices from suppliers through greater volume purchasing.

Pixelworks' board of directors also considered the detailed financial analysis and pro forma and other information with respect to the companies presented to the board of directors, including the opinion of Citigroup (formerly Salomon Smith Barney), that, as of the date of its opinion, the exchange ratio to be used in the merger is fair from a financial point of view to Pixelworks. This opinion is subject to assumptions and limitations noted in the opinion and described under the heading "Opinion of Citigroup Global Markets Inc." below and you should carefully read both that section and the opinion that is attached to this joint proxy statements/prospectus as *Annex B*.

Pixelworks' board of directors also considered factors that it considers risks associated with signing the merger agreement, and with completing the merger, including:

difficulties in integrating the culture of the two companies;

difficulties in implementing the agreed-upon organizational structure or ineffectiveness of the organizational structure;

shorter customer order lead times and therefore less revenue visibility, compared to Pixelworks, of the higher volume, lower price products from Genesis Microchip;

risks that suppliers and customers may, in anticipation of the merger, reduce future business which would then be lost even if the merger does not close;

dilution of Pixelworks shareholders as a result of the issuance of stock in the merger;

risk that Silicon Image may prevail or achieve a favorable outcome in its case against Genesis Microchip; and

other applicable risks described in this joint proxy statement/prospectus described under the heading "Risk Factors" beginning on page 19.

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The Pixelworks board of directors concluded that the potential benefits of the merger outweighed these factors.

After taking into account these and other factors, the Pixelworks board of directors unanimously determined that the merger agreement was in the best interest of Pixelworks and its shareholders and that Pixelworks should enter into the merger agreement and complete the merger.

### **Opinion of Citigroup Global Markets Inc. (formerly Salomon Smith Barney Inc.)**

Salomon Smith Barney Inc. was retained to act as financial advisor to Pixelworks in connection with the merger. On April 7, 2003 Salomon Smith Barney Inc. changed its name to Citigroup Global Markets Inc. Pursuant to Citigroup's letter agreement with Pixelworks, dated March 14, 2003, Citigroup rendered an oral opinion to the Pixelworks board of directors on March 16, 2003, which was confirmed by delivery of a written opinion dated as of March 17, 2003, to the effect that, based upon and subject to the considerations and



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limitations set forth in the opinion, Citigroup's work described below and other factors it deemed relevant, as of that date, the ratio of Pixelworks common stock to be issued for each share of Genesis Microchip common stock pursuant to the merger agreement, referred to as the exchange ratio, was fair, from a financial point of view, to Pixelworks.

The full text of the opinion of Citigroup, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as *Annex B* to this document. The summary of Citigroup's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **Shareholders are urged to read Citigroup's opinion carefully and in its entirety.**

In arriving at its opinion, Citigroup reviewed a draft of the merger agreement, dated March 15, 2003, and held discussions with certain senior officers and other representatives and advisors of each of Pixelworks and Genesis Microchip concerning the business, operations and prospects of Pixelworks and Genesis Microchip. Citigroup examined certain publicly available business and financial information relating to Pixelworks and Genesis Microchip, and certain financial forecasts and other information and data relating to Pixelworks and Genesis Microchip which were provided to or otherwise discussed with Citigroup by the managements of Pixelworks and Genesis Microchip, including information regarding certain strategic implications and operational benefits anticipated to result from the merger. Citigroup reviewed the financial terms of the merger as set forth in the merger agreement in relation to, among other things:

current and historical market prices and trading volumes of Pixelworks common stock and Genesis Microchip common stock;

the historical and projected earnings and other operating data for Pixelworks and Genesis Microchip; and

the historical and projected capitalization and financial condition of Pixelworks and Genesis Microchip.

Citigroup also considered, to the extent publicly available, the financial terms of certain other similar transactions recently effected that Citigroup considered relevant in evaluating the exchange ratio and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Pixelworks and Genesis Microchip. Citigroup also evaluated the pro forma financial impact of the merger on Pixelworks. In addition to the foregoing, Citigroup conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data furnished to or otherwise reviewed by or discussed with it and further relied upon the assurances of the managements of Pixelworks and Genesis Microchip that they were not aware of any facts that would make any of such information inaccurate or misleading. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with it, Citigroup was advised by the managements of Pixelworks and Genesis Microchip that such forecasts and other information and data had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Pixelworks and Genesis Microchip as to the future financial performance of Pixelworks and Genesis Microchip, respectively, and the strategic implications and operational benefits anticipated to result from the merger. Citigroup expressed no view with respect to such forecasts and other information and data or the assumptions on which they were based. Citigroup assumed, with the consent of the Pixelworks board of directors, that the merger will be treated as a tax-free reorganization for United States federal income tax purposes. Citigroup did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities, contingent or otherwise of Pixelworks or Genesis Microchip nor did it make any physical inspection of the properties or assets of Pixelworks or Genesis Microchip. Citigroup assumed, and had been advised by Pixelworks, that the final terms of the merger agreement would not vary materially from those set forth in the draft of the merger agreement reviewed by Citigroup. Citigroup further assumed that the merger would be consummated in accordance with the terms of the merger agreement without waiver of any of the conditions precedent to the merger contained in the merger agreement.



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Citigroup noted that its opinion addressed only the relative values of Pixelworks and Genesis Microchip. Citigroup did not express any opinion as to what the value of the Pixelworks common stock actually will be when issued in the merger or the price at which it will trade subsequent to the merger. Citigroup was not requested to consider, and its opinion did not address, the relative merits of the merger as compared to any alternative business strategies that might exist for Pixelworks or the effect of any other transaction in which Pixelworks might engage. The opinion of Citigroup necessarily was based on information available to it, and financial, stock market and other conditions and circumstances existing and disclosed to it as of the date of its opinion.

**The advisory services and opinion of Citigroup were provided for the information of the Pixelworks board of directors in its evaluation of the proposed merger and did not constitute a recommendation of the proposed merger to Pixelworks or a recommendation to any shareholder as to how that shareholder should vote on any matters relating to the proposed merger.**

In connection with rendering its opinion, Citigroup made a presentation to the Pixelworks board of directors on March 16, 2003, with respect to the material analyses performed by Citigroup in evaluating the fairness of the exchange ratio. The following is a summary of that presentation. The summary includes information presented in tabular format. **In order to understand fully the financial analyses used by Citigroup, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to March 14, 2003, and is not necessarily indicative of current or future market conditions.

***Implied Historical Exchange Ratio***

Citigroup derived implied historical exchange ratios by dividing the closing price per share of Genesis Microchip common stock by the closing price per share of Pixelworks common stock for each day in the period from March 14, 2002 through March 14, 2003. Citigroup calculated that the implied exchange ratio as of March 14, 2003 was 1.7216x. Citigroup also calculated the high, low and average implied exchange ratios for each of the following calendar periods ended March 14, 2003:

	<u>High</u>	<u>Low</u>	<u>Average</u>
Last Twelve Months	2.8430x	0.8601x	1.8645x
Last One Hundred Eighty Days	2.8430x	0.8601x	1.7940x
Last Ninety Days	2.6438x	1.4096x	2.0491x
Last Sixty Days	2.6438x	1.4096x	1.9192x
Last Thirty Days	2.0111x	1.4096x	1.5851x
Last Twenty Days	1.7849x	1.4096x	1.5493x

Based on this analysis, Citigroup derived a reference range of 1.7x to 2.4x for the implied historical exchange ratio. Citigroup noted that the exchange ratio in the merger of 2.3366x was within this range.

***Contribution Analysis***

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Citigroup analyzed the relative contribution of each of Pixelworks and Genesis Microchip to the pro forma merged entity with respect to certain market and financial data, including:

actual revenue for calendar year 2002, and estimated revenue for each of calendar years 2003 and 2004;

actual gross profit for calendar year 2002, and estimated gross profit for each of calendar years 2003 and 2004;

actual earnings before interest expense, taxes and amortization or EBITA, for calendar year 2002, and estimated EBITA for each of calendar years 2003 and 2004; and

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actual net income for calendar year 2002, and estimated net income for each of calendar years 2003 and 2004.

In performing this analysis, Citigroup did not take into account any purchase accounting adjustments or any of the possible benefits that may be realized following the merger. In performing this analysis, Citigroup adjusted certain income statement data of Pixelworks and Genesis Microchip based on the leverage, or net debt, that each company had as of December 31, 2002 and eliminated certain non-recurring expenses for Genesis Microchip for calendar year 2003. Estimated financial data for Pixelworks and Genesis Microchip for each of calendar year 2003 and 2004 were based on internal projections of Pixelworks and Genesis Microchip, respectively. Actual financial data for calendar year 2002 were adjusted by the management of each of Pixelworks and Genesis Microchip to eliminate certain non-cash and non-recurring expenses. The following table sets forth the results of Citigroup's relative contribution analysis.

	Contribution / Implied Ownership		Implied Exchange Ratio
	Pixelworks	Genesis Microchip	
<b>Revenue</b>			
Calendar Year 2002 Actual	34.4%	65.6%	2.326x
Calendar Year 2003 Estimated	40.3%	59.7%	1.947x
Calendar Year 2004 Estimated	41.9%	58.1%	1.851x
<b>Gross Profit</b>			
Calendar Year 2002 Actual	40.2%	59.8%	1.949x
Calendar Year 2003 Estimated	43.5%	56.5%	1.770x
Calendar Year 2004 Estimated	44.0%	56.0%	1.743x
<b>EBITA</b>			
Calendar Year 2002 Actual	22.4%	77.6%	3.459x
Calendar Year 2003 Estimated	35.9%	64.1%	2.219x
Calendar Year 2004 Estimated	39.8%	60.2%	1.973x
<b>Net Income</b>			
Calendar Year 2002 Actual	30.2%	69.8%	3.307x
Calendar Year 2003 Estimated	34.1%	65.9%	2.771x
Calendar Year 2004 Estimated	37.0%	63.0%	2.440x

Based on this information, Citigroup derived a reference range of 1.8x to 2.7x for the implied exchange ratio. Citigroup noted that the exchange ratio in the merger of 2.3366x was within this range.

**Comparable Companies Analysis**

Citigroup compared financial, operating and stock market data and forecasted financial information for selected publicly traded companies that Citigroup deemed appropriate to similar information for Pixelworks and Genesis Microchip. The selected comparable companies considered by Citigroup were:

**Multimedia Integrated Circuits DVD/Audio**

ESS Technology, Inc.  
Micronas Semiconductor Holding AG  
Oak Technology, Inc.

**Multimedia Integrated Circuits Image Processing Sensors**

Pixelworks  
Omnivision Technologies, Inc.  
Silicon Image, Inc.

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Zoran Corporation

Genesis Microchip

The multimedia integrated circuits DVD/Audio category includes companies that produce integrated circuits for multimedia and consumer applications that support compression / encoding or decompression / decoding of digital audio and video. The multimedia integrated circuits Image Processing / Sensors category includes companies that produce integrated circuits for the processing of digital image or video information for transmission or display on electronic monitors.

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The forecasted financial information used by Citigroup for Pixelworks and Genesis Microchip was based on internal projections of Pixelworks and Genesis Microchip, respectively. The forecasted financial information used by Citigroup for the other selected comparable companies in the course of these analyses was based on information published by First Call Corporation. First Call Corporation compiles summaries of financial forecasts published by various investment banking firms.

For each of the selected comparable companies, Citigroup derived and compared, among other things:

the ratio of each company's firm value as of March 14, 2003, to its estimated revenue for each of calendar years 2003 and 2004; and

the ratio of the closing price per common share of each company as of March 14, 2003, to its estimated earnings per share, or EPS, for each of calendar years 2003 and 2004.

Firm value was calculated as the sum of the value of:

all shares of common stock on a fully-diluted basis valued at the closing price per share on March 14, 2003, less any proceeds that would be received from the exercise of in-the-money options or conversion of in-the-money securities; plus

non-convertible indebtedness and out-of-the-money convertible indebtedness; plus

non-convertible preferred stock and out-of-the-money convertible preferred stock; plus

minority interest; less

cash and investments in unconsolidated affiliates.

The following tables set forth the results of these analyses:

	Comparable Companies at			
	March 14, 2003 Closing Price			
	Range	Median	Mean	
<b>Ratio of Firm Value to:</b>				
(a) Estimated Revenue for Calendar Year 2003	0.6x	3.2x	1.4x	1.6x
(b) Estimated Revenue for Calendar Year 2004	0.5x	2.2x	1.2x	1.3x
<b>Ratio of Price per Share to:</b>				
(a) Estimated EPS for Calendar Year 2003	12.6x	71.8x	27.9x	32.4x
(b) Estimated EPS for Calendar Year 2004	10.1x	24.8x	17.9x	18.0x

Based on this information, Citigroup derived a reference range for the implied equity value per share of Pixelworks common stock of \$6.00 to \$9.00, and an implied equity value per share of Genesis Microchip common stock of \$12.00 to \$19.00. Citigroup noted that the implied offer price per share of Genesis Microchip common stock of \$17.87 based on the closing price of Pixelworks common stock on March 14, 2003 was within the reference range for the implied equity value per share of Genesis Microchip common stock of \$12.00 to \$19.00. Based on this information, Citigroup derived a reference range for the implied exchange ratio of 1.9x to 2.6x. Citigroup noted that the exchange ratio in the merger of 2.3366x was within this range.

*Precedent Transaction Analysis*

Citigroup reviewed publicly available information for thirteen merger or acquisition transactions announced since February 22, 2000 involving publicly traded companies that it deemed appropriate in analyzing the merger. The precedent transactions considered by Citigroup were the following (in each case, the acquiror's name is listed first and the acquired company's name is listed second):

Creative Technology Limited / 3Dlabs Inc., Ltd.

Intersil Corp. / Elantec Semiconductor, Inc.

Digi International Inc. / NetSilicon Inc.



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Globespan Inc. / Virata Corp.

Genesis Microchip / Sage, Inc.

Vishay Intertechnology, Inc. / General Semiconductor Inc.

LSI Logic Corporation / C-Cube Semiconductor Inc.

Maxim Integrated Products, Inc. / Dallas Semiconductor Corp.

Pixelworks / Panstera Inc.

Microchip Technology Incorporated / Telcom Semiconductor, Inc.

Micronas Semiconductor Holding AG / Infineon Technologies AG's Consumer Integrated Circuits Business

Zoran Corporation / Nogatech, Inc.

Sage, Inc. / Faroudja, Inc.

For each precedent transaction, Citigroup derived and compared, among other things:

the ratio of the firm value of the acquired company to:

- (a) revenue of the acquired company for the twelve-month period ending prior to the announcement of the transaction; and
- (b) estimated revenue of the acquired company for either the twelve-month period or the calendar year following the announcement of the transaction;

the ratio of the purchase price per share of the acquired company to:

- (a) EPS of the acquired company for the twelve-month period ending prior to the announcement of the transaction; and
- (b) estimated EPS of the acquired company for either the twelve-month period or the calendar year following the announcement of the transaction.

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With respect to the financial information for the companies involved in the precedent transactions, Citigroup relied on information from company press releases, Securities Data Corp. and Wall Street equity research. Securities Data Corp. compiles summaries of merger and financing information published by certain investment banks, market research firms and trade associations.

The following table sets forth the results of these analyses:

	<b>Comparable Companies at</b>			
	<b>March 14, 2003 Closing Price</b>			
	<b>Range</b>	<b>Median</b>	<b>Mean</b>	
<b>Ratio of the Firm Value to:</b>				
(a) Revenue for the twelve-month period prior to announcement	0.9x	13.2x	3.3x	4.9x
(b) Estimated revenue for either the twelve-month period or calendar year following announcement	0.7x	12.6x	4.5x	5.0x
<b>Ratio of the Purchase Price per Share to:</b>				
(a) EPS for the twelve-month period prior to announcement	19.1x	130.7x	28.4x	57.0x
(b) Estimated EPS for either the twelve-month period or calendar year following announcement	15.0x	158.5x	39.2x	69.8x

Based on this information, Citigroup derived a reference range for the implied equity value per share of Pixelworks common stock of \$6.00 to \$9.00, and a reference range for the implied equity value per share of

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Genesis Microchip common stock of \$15.00 to \$21.00. Citigroup noted that the implied offer price per share of Genesis Microchip common stock of \$17.87 based on the closing price of Pixelworks common stock on March 14, 2003 was within the reference range for the implied equity value per share of Genesis Microchip common stock of \$15.00 to \$21.00. Based on this information, Citigroup derived a reference range for the implied exchange ratio of 2.2x to 3.0x. Citigroup noted that the exchange ratio in the merger of 2.3366x was within this range.

***Discounted Cash Flow Analysis***

Citigroup performed a discounted cash flow analysis for each of Pixelworks and Genesis Microchip common stock using, respectively, Pixelworks and Genesis Microchip's management projections for the years 2003 and 2004, and with respect to 2005, Citigroup applied third-party estimates of market growth rates for Pixelworks and Genesis Microchip's respective product categories to Pixelworks and Genesis Microchip's management projections for 2004. In the course of this analysis, Citigroup calculated the estimated present value of each of Pixelworks and Genesis Microchip's unlevered free cash flows for the years 2003 through 2005. Citigroup added to that the estimated present value of forecasted terminal value of each of Pixelworks and Genesis Microchip at the end of the year 2005. For purposes of this analysis, Citigroup utilized discount rates ranging from 14.0% to 18.0%, based upon an analysis of the weighted average cost of capital of comparable companies, and terminal values based on multiples of projected terminal revenue at the end of the forecast period ranging from 1.25x to 2.25x. Based on this data, Citigroup derived a reference range of implied equity value per share of Pixelworks common stock of \$7.00 to \$9.00 and a reference range of implied equity value per share of Genesis Microchip common stock of \$16.00 to \$20.00. Based on this analysis, Citigroup derived a reference range of 2.0x to 2.7x for the implied exchange ratio. Citigroup noted that the exchange ratio in the merger of 2.3366x was within this range.

The preceding discussion is a summary of the material financial analyses furnished by Citigroup to the Pixelworks board of directors, but it does not purport to be a complete description of the analyses performed by Citigroup or of its presentation to the Pixelworks board of directors. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Citigroup made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of all the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly, Citigroup believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and of the factors considered by Citigroup, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Citigroup and its opinion. With regard to the comparable companies and precedent transaction analyses summarized above, Citigroup selected comparable public companies and precedent transactions on the basis of various factors, including size and similarity of the line of business of the relevant entities; however, no company utilized in these analyses is identical to Pixelworks or Genesis Microchip and no precedent transaction is identical to the merger. As a result, these analyses are not purely mathematical, but also take into account differences in financial and operating characteristics of the subject companies and other factors that could affect the transaction or public trading value of the subject companies to which Pixelworks and Genesis Microchip are being compared.

In its analyses, Citigroup made numerous assumptions with respect to Pixelworks, Genesis Microchip, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Pixelworks and Genesis Microchip. Any estimates contained in Citigroup's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of Pixelworks, Genesis Microchip, the Pixelworks board of directors, the Genesis Microchip board of directors, Citigroup or any other person assumes responsibility if future results or actual values differ materially from the estimates.

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The analyses of Citigroup were prepared solely as part of Salomon Smith Barney's analysis of the fairness of the exchange ratio in the merger and were provided to the Pixelworks board of directors in that connection. The opinion of Citigroup was only one of the factors taken into consideration by the Pixelworks board of directors in making its determination to approve and adopt the merger agreement and approve the merger. A discussion of factors considered by the Pixelworks board of directors is included under the heading "Background of the Merger," beginning on page 37.

Citigroup is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Pixelworks selected Citigroup to act as its financial advisor on the basis of Citigroup's international reputation and Citigroup's familiarity with Pixelworks. Citigroup and its predecessors and affiliates have previously provided and currently are providing investment banking services to Pixelworks unrelated to the merger, for which Citigroup has received and will receive compensation. In the ordinary course of its business, Citigroup and its affiliates may actively trade or hold the securities of both Pixelworks and Genesis Microchip for its own account and for the account of customers and, accordingly, may at any time hold a long or short position in those securities. Citigroup and its affiliates, including Citigroup Inc. and its affiliates, may maintain relationships with Pixelworks and Genesis Microchip and their respective affiliates.

Pursuant to its letter agreement with Citigroup, Pixelworks agreed to pay Citigroup a transaction fee of \$5 million, contingent upon consummation of the merger. A fee of \$500,000 became payable following delivery of Citigroup's fairness opinion. This fee will be credited against payment of the full transaction fee. In the event the transaction does not close, Citigroup will be entitled to 25% of any termination, break-up, or similar fee paid to Pixelworks. Pixelworks has also agreed to reimburse Citigroup for its reasonable travel and other out-of-pocket expenses incurred in connection with its engagement, including the reasonable fees and expenses of its counsel, and to indemnify Citigroup against specific liabilities and expenses relating to or arising out of its engagement, including liabilities under the federal securities laws. Pixelworks has not paid any other fees to Citigroup in the last two years.

## **Recommendations of the Genesis Microchip Board of Directors**

Genesis Microchip's board of directors consulted with senior management of Genesis Microchip and Genesis Microchip's financial and legal advisors and considered a number of factors, including those set forth below, in reaching its decision to approve the merger agreement and the transactions contemplated by the merger agreement, and to recommend that Genesis Microchip's stockholders vote **FOR** adoption of the merger agreement. Genesis Microchip's board of directors considered factors that it believes will contribute to the success of the combined company, including the following:

the ability to broaden the combined company's product offerings by combining the projector image processing integrated circuit products of Pixelworks with the flat panel monitor controller integrated circuit products of Genesis Microchip;

the enhanced in-house intellectual property expertise and know-how gained through the consolidation of the research and development groups of both companies;

the increased manufacturing efficiencies and the elimination of redundant costs in the combined entity;

the expansion of the combined company through the combination of the Chinese operations of Pixelworks with the flat panel television group of Genesis Microchip;

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the terms of the merger agreement, including the fact that the exchange ratio represented an approximately 36% premium to the Genesis Microchip common stock closing price on March 14, 2003, which was the last trading day immediately prior to the public announcement of the merger; and

the expectation that the merger will generally be a tax-free transaction to Genesis Microchip and its stockholders.

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Genesis Microchip's board of directors also considered the detailed financial analysis and pro forma and other information with respect to the companies presented to the board of directors, including the opinion of Dresdner Kleinwort Wasserstein, Inc., or DrKW, that, as of the date of its opinion, the exchange ratio to be used in the merger is fair from a financial point of view to Genesis Microchip's stockholders. This opinion is subject to assumptions and limitations noted in the opinion and described under the heading "Opinion of Dresdner Kleinwort Wasserstein" beginning on page 50 and you should carefully read both that section and the opinion that is attached to this joint proxy statements/prospectus as *Annex C*.

In addition, Genesis Microchip's board of directors considered the following potentially negative factors in its deliberation concerning the merger:

the risk that management of the combined company may not be able to successfully integrate and manage the businesses and realize the expected benefits of the merger;

the risk that the combined company will not be sufficiently diversified to eliminate reliance on sales from a small number of products and that additional diversification through merger and acquisition activity, or by other means, will be needed;

the risk that the merger might not be consummated in a timely manner, or at all, and the effect of the public announcement of the merger on the sales, stock price and operating results and ability to attract and retain key management and technical, sales and marketing personnel of each of Pixelworks and Genesis Microchip;

the risk that the sale of Pixelworks products, or that the average sale price of their products, will decline;

the risk that Genesis Microchip would not be profitable because of the decreasing prices of its products; and

other applicable risks described in this joint proxy statement/prospectus described under the heading "Risk Factors" beginning on page 19.

The Genesis Microchip board of directors concluded that the potential benefits of the merger outweighed these factors.

After taking into account these and other factors, the Genesis Microchip board of directors unanimously determined that the merger agreement was in the best interest of Genesis Microchip and its stockholders and that Genesis Microchip should enter into the merger agreement and complete the merger.

## **Opinion of Dresdner Kleinwort Wasserstein**

Pursuant to the terms of an engagement letter dated April 12, 2002, Genesis Microchip retained Dresdner Kleinwort Wasserstein, Inc., or DrKW, as its financial advisor in connection with the proposed merger of Genesis Microchip and Pixelworks.

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At the meeting of the board of directors of Genesis Microchip on March 16, 2003, DrKW rendered its oral opinion to the board of directors of Genesis Microchip, subsequently confirmed in writing, that, at the time of delivery of such confirmation, the exchange ratio provided for pursuant to the terms of the merger agreement was fair to the stockholders of Genesis Microchip from a financial point of view.

The full text of DrKW's opinion to the board of directors of Genesis Microchip, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached here as *Annex C* and is incorporated by reference into this joint proxy statement/prospectus.  **Holders of Genesis Microchip common stock are urged to read this opinion carefully and in its entirety.** DrKW's opinion is addressed to the board of directors of Genesis Microchip and relates only to the fairness from a financial point of view to the stockholders of Genesis Microchip of the exchange ratio in the

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merger. DrKW's opinion does not address any other aspect of the proposed merger or any related transaction and does not constitute a recommendation to any stockholder as to any matter relating to the merger. Specifically, DrKW's opinion does not address Genesis Microchip's underlying business decision to effect the transactions contemplated by the merger agreement. It should be noted that in the context of this engagement by Genesis Microchip, DrKW was not authorized to and did not solicit third party indications of interest in acquiring all or any part of Genesis Microchip, or investigate any alternative transactions that may be available to Genesis Microchip. The summary of DrKW's opinion in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, DrKW reviewed and considered:

a draft of the merger agreement, dated as of March 17, 2003, and assumed that the final form of the merger agreement did not differ in any material respect from the draft provided to DrKW;

certain publicly available business and financial information relating to Genesis Microchip and Pixelworks for recent years and interim periods; and

certain internal financial and operating information, including financial forecasts, analyses and projections prepared by or on behalf of Genesis Microchip and Pixelworks and provided to DrKW for purposes of its analysis.

In addition, DrKW met with the management of Genesis Microchip and Pixelworks to review and discuss, among other matters, Genesis Microchip's and Pixelworks' business, operations, assets, financial condition and future prospects.

DrKW also reviewed and considered:

certain financial and stock market data relating to Genesis Microchip and Pixelworks and compared that data with similar data for certain other publicly traded companies that DrKW believes may be relevant or comparable in certain respects to Genesis Microchip and Pixelworks or one or more of their respective businesses or assets; and

the financial terms of certain recent acquisitions and business combination transactions in the semiconductor industry specifically, and in the technology industry generally, that DrKW believes to be reasonably comparable to the merger or otherwise relevant to DrKW's inquiry.

DrKW also performed such other financial studies, analyses, and investigations and reviewed such other information as DrKW considered appropriate for purposes of its opinion.

In its review and analysis and in formulating its opinion, DrKW assumed and relied without independent verification upon:

the accuracy and completeness of all of the historical financial and other information provided to or discussed with DrKW or publicly available; and



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the reasonableness and accuracy of the financial projections, forecasts and analyses provided to DrKW, including estimates of certain cost savings and other operating efficiencies expected to result from consummation of the merger.

Furthermore, DrKW assumed that such projections, forecasts and analyses provided to it were reasonably prepared in good faith and on bases reflecting the best judgments and estimates of the Genesis Microchip and Pixelworks management available at that time. DrKW noted that actual historical results and estimated financial projections for Genesis Microchip and Pixelworks were adjusted by Genesis Microchip management and Pixelworks management, respectively, to exclude certain non-cash and non-recurring charges. DrKW expresses no opinion with respect to such projections, forecasts and analyses or the assumptions upon which they are based.

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In addition, DrKW did not review any of the books and records of Genesis Microchip or Pixelworks, or assume any responsibility for conducting a physical inspection of the properties or facilities of Genesis Microchip or Pixelworks, or for making or obtaining an independent valuation or appraisal of the assets or liabilities of Genesis Microchip or Pixelworks, and no such independent valuation or appraisal was provided to DrKW. DrKW is not an expert in the evaluation of litigation or other actual or threatened claims, and DrKW assumed that the allowances or other reserves of Genesis Microchip established to cover losses in connection with any such litigation or other claims will be adequate to cover all such losses. DrKW expresses no opinion with respect to such allowances or reserves or the assumptions upon which they are based.

DrKW noted that the merger is intended to qualify as a tax-free reorganization for United States Federal tax purposes, and DrKW assumed that the merger will so qualify.

DrKW assumed that obtaining all regulatory and other approvals and third party consents required for consummation of the merger will not have an adverse impact on Genesis Microchip or Pixelworks or on the anticipated benefits of the merger, and DrKW assumed that the transactions described in the merger agreement will be consummated without waiver or modification of any of the material terms or conditions contained therein by any party to the agreement. DrKW's opinion is necessarily based on economic and market conditions and other circumstances as they existed and could be evaluated by DrKW as of March 16, 2003. DrKW did not express any opinion as to the prices at which any securities of Pixelworks or Genesis Microchip will actually trade at any time.

In preparing its opinion to the Genesis Microchip board of directors, DrKW performed a variety of financial and comparative analyses including those described below. The summary of DrKW's analyses described below is not a complete description of the analyses underlying its opinion. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, DrKW made qualitative judgments as to the significance and relevance of each analysis and factor that it considered. Accordingly, DrKW believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, DrKW considered industry performance, regulatory, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Genesis Microchip and Pixelworks. No company, transaction or business used in DrKW's analyses as a comparison is identical to Genesis Microchip and Pixelworks or the proposed merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions being analyzed.

DrKW's opinion and financial analyses were only one of many factors considered by the board of directors of Genesis Microchip in its evaluation of the proposed merger and should not be viewed as determinative of the views of the board of directors of Genesis Microchip or Genesis Microchip management with respect to the merger or the exchange ratio. Although DrKW evaluated the exchange ratio in the merger agreement from a financial point of view, DrKW was not requested to, and did not, recommend the specific consideration payable in the merger, which consideration was determined between Genesis Microchip and Pixelworks.

The following is a summary of the material financial analyses underlying DrKW's opinion delivered to the board of directors of Genesis Microchip in connection with the merger.



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### ***Contribution Analysis***

DrKW performed a contribution analysis based on (1) historical results for Genesis Microchip and Pixelworks, (2) Genesis Microchip management's quarterly projections for calendar years 2003 and 2004 and (3) Pixelworks management's quarterly projections for Pixelworks as adjusted by Genesis Microchip management for calendar years 2003 and 2004. DrKW calculated that Genesis Microchip's contribution to a combined Genesis Microchip and Pixelworks ranged from 59.8% to 64.0% when calculated using historical and projected revenues, ranged from 55.2% to 59.7% when calculated using historical and projected gross profits, ranged from 47.2% to 67.5% when calculated using historical and projected operating income, ranged from 43.8% to 69.3% when calculated using historical and projected net income and was 51.3% when calculated using tangible book value for the latest reported period.

DrKW compared Genesis Microchip's revenue, gross profit and operating income contribution to Genesis Microchip's share of the combined company's enterprise value (defined as market capitalization of common stock plus book value of total debt, preferred stock, and minority interest less cash and cash equivalents) of approximately 65.6%. DrKW also compared Genesis Microchip's net income and tangible book value contribution to Genesis Microchip's share of the combined company's market capitalization, calculated using the treasury stock method, of 62.5%.

### ***Comparable Company Analysis***

DrKW compared certain financial, operating and stock market data of Genesis Microchip and Pixelworks to corresponding data of selected public multimedia chip companies and selected large market capitalization semiconductor vendors as listed below:

Multimedia Chip Companies:

NVIDIA Corporation;

ATI Technologies Inc.;

Micronas Semiconductor Holding AG;

Silicon Image, Inc.;

Zoran Corporation;

ESS Technology, Inc.;

Oak Technology, Inc.; and

Cirrus Logic, Inc.

Large-Cap. Semiconductor Vendors:

Intel Corporation;

Texas Instruments Incorporated;

Koninklijke Philips Electronics N.V.;

STMicroelectronics N.V.;

Broadcom Corporation;

National Semiconductor Corporation;

Intersil Corporation; and

LSI Logic Corporation.

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Using publicly available information, DrKW calculated enterprise values as a multiple of last twelve months, or LTM, revenues and estimated revenues for calendar years 2003 and 2004. DrKW also examined prices per share as a multiple of estimated earnings per share for calendar years 2003 and 2004. DrKW noted that the comparable company analysis does not take into account any acquisition or control premium.

The following table summarizes the results of this analysis. The information in the table below is based on closing stock prices on March 14, 2003.

	Range		Median	Mean	Genesis Microchip	
					Trading Value on 3/14/03	Value Implied by Exchange Ratio of 2.3366x
<b>Multimedia Chip Companies</b>						
Enterprise Value / LTM Revenues	0.2x	4.5x	0.8x	1.2x	1.6x	2.4x
Enterprise Value / CY03E Revenues	0.3x	3.0x	0.8x	1.1x	1.5x	2.2x
Enterprise Value / CY04E Revenues	0.3x	2.2x	0.7x	0.9x	1.2x	1.9x
Price Per Share / CY03E Earnings Per Share	10.5x	71.8x	24.2x	29.4x	46.9x	63.7x
Price Per Share / CY04E Earnings Per Share	8.8x	23.1x	17.2x	15.8x	20.1x	27.3x
<b>Large-Cap. Semiconductor Vendors</b>						
Enterprise Value / LTM Revenues	0.8x	4.0x	2.5x	2.4x	1.6x	2.4x
Enterprise Value / CY03E Revenues	0.8x	3.7x	2.3x	2.2x	1.5x	2.2x
Enterprise Value / CY04E Revenues	0.7x	3.3x	2.0x	2.0x	1.2x	1.9x
Price Per Share / CY03E Earnings Per Share	15.8x	111.6x	27.7x	46.6x	46.9x	63.7x
Price Per Share / CY04E Earnings Per Share	9.4x	39.7x	22.3x	23.7x	20.1x	27.3x

No company included in the comparable company analyses is identical to Genesis Microchip or Pixelworks. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the selected companies.

**Comparable Transactions Analysis**

DrKW reviewed the financial terms, to the extent publicly available, of representative acquisition transactions in the semiconductor industry. Specifically, DrKW included in its review two groups of transactions. The first group consisted of selected public multimedia semiconductor transactions since 1997 involving targets engaged in businesses that were reasonably comparable to Genesis Microchip's business. These transactions were:

Acquiring Company	Target Company
Creative Technology Ltd.	3Dlabs Inc., Ltd.

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Genesis Microchip Inc.  
LSI Logic Corporation  
Zoran Corporation  
Sage, Inc.  
S3 Inc.  
Intel Corporation

Sage, Inc.  
C-Cube Microsystems Inc.  
Nogatech Inc.  
Faroudja, Inc.  
Diamond Multimedia Systems Inc.  
Chips and Technologies, Inc.

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The second group of comparable acquisition transactions consisted of selected public semiconductor deals since 1997 which included strategic mergers, strategic acquisitions for the primary purpose of acquiring access to a particular technology or product and acquisitions of early stage growth companies by established companies. Those selected transactions included the following:

<u>Acquiring Company</u>	<u>Target Company</u>
Creative Technology Ltd.	3Dlabs Inc., Ltd.
Intersil Corporation	Elantec Semiconductor, Inc.
GlobeSpan, Inc.	Virata Corporation
Genesis Microchip Inc.	Sage, Inc.
Vishay Intertechnology, Inc.	General Semiconductor, Inc.
TriQuint Semiconductor, Inc.	Sawtek Inc.
LSI Logic Corporation	C-Cube Microsystems Inc.
Maxim Integrated Products, Inc.	Dallas Semiconductor Corporation
Microchip Technology Incorporated	TelCom Semiconductor, Inc.
Marvell Technology Group Ltd.	Galileo Technology Ltd.
Applied Micro Circuits Corporation	MMC Networks, Inc.
PMC-Sierra, Inc.	Quantum Effect Devices, Inc.
Texas Instruments Incorporated	Burr-Brown Corporation
QLogic Corporation	Ancor Communications, Inc.
Conexant Systems, Inc.	Maker Communications, Inc.
Intel Corporation	DSP Communications, Inc.
Texas Instruments Incorporated	Unitrode Corporation
Intel Corporation	Level One Communications, Incorporated
Koninklijke Philips Electronics N.V.	VLSI Technology, Inc.
Texas Instruments Incorporated	Amati Communications Corporation
National Semiconductor Corporation	Cyrix Corporation
Intel Corporation	Chips and Technologies, Inc.

DrKW reviewed the enterprise values paid in the selected public multimedia semiconductor and other public semiconductor transactions as a multiple of LTM revenues and next twelve months, or NTM, revenues. DrKW also examined the equity values paid in the selected transactions as a multiple of LTM net income and NTM net income.



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DrKW then considered the multiples derived from the selected transactions that were announced during the period from January 1, 2001 to March 14, 2003. DrKW considered transactions announced during that period to be more relevant for the purposes of its analysis because DrKW deemed the market environment during that period to be more comparable to the market conditions present at the time of its analysis. The multiples for that subset of selected transactions are indicated in the following table. The information in the table is based on the closing prices of Genesis Microchip and Pixelworks common stock on March 14, 2003.

	Range		Median	Mean	Genesis Microchip	
					Trading Value on 3/14/03	Value Implied by Exchange Ratio of 2.3366x
<b>Selected Public Multimedia Semiconductor Transactions</b>						
Enterprise Value / LTM Revenues	2.0x	6.1x	3.2x	3.8x	1.6x	2.4x
Enterprise Value / NTM Revenues	3.0x	4.5x	3.8x	3.8x	1.5x	2.2x
Equity Value / LTM Net Income	28.9x	28.9x	28.9x	28.9x	27.7x	37.6x
Equity Value / NTM Net Income	34.8x	34.8x	34.8x	34.8x	46.9x	63.7x
<b>Selected Public Semiconductor Transactions</b>						
Enterprise Value / LTM Revenues	1.5x	13.2x	3.9x	4.9x	1.6x	2.4x
Enterprise Value / NTM Revenues	1.5x	12.0x	4.2x	5.3x	1.5x	2.2x
Equity Value / LTM Net Income	15.2x	124.2x	27.8x	43.3x	27.7x	37.6x
Equity Value / NTM Net Income	25.1x	104.8x	34.8x	50.3x	46.9x	63.7x

Although the public multimedia semiconductor and other public semiconductor transactions were used for comparison purposes, none of those transactions is directly comparable to the transaction contemplated by Genesis Microchip and Pixelworks, and none of the companies in those transactions is directly comparable to Genesis Microchip or Pixelworks. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the companies involved and other factors that could affect the acquisition value of the target companies.

**Stock Price Premiums Analysis**

DrKW reviewed the premiums paid in the second group of comparable transactions that consisted of the selected public semiconductor transactions since 1997. The following table presents the premium of the offer price over the trading prices one trading day, one week and one month prior to the announcement date for the selected comparable transactions and the premiums implied for Genesis Microchip, based on the exchange ratio in the merger and the closing prices of Genesis Microchip and Pixelworks common stock on March 14, 2003.

	Range		Median	Mean	Premiums Implied by Exchange Ratio of 2.3366x
<b>Selected Public Semiconductor Transactions</b>					

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1 Day Premium to Target Price	(7.6)%	95.3%	33.1%	41.7%	35.7%
1 Week Premium to Target Price	(6.9)%	115.4%	41.8%	46.4%	40.4%
1 Month Premium to Target Price	(21.9)%	153.7%	43.0%	49.3%	51.1%

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DrKW also calculated the premiums paid in 26 merger-of-equals transactions in the technology industry announced since 1994. The following table compares the premium of the offer price over the trading prices one trading day, one week and one month prior to the announcement date for the selected merger-of-equals transactions and the premiums implied for Genesis Microchip, based on the exchange ratio in the merger and the closing prices of Genesis Microchip and Pixelworks common stock on March 14, 2003.

	<u>Range</u>	<u>Median</u>	<u>Mean</u>	<u>Premiums Implied by Exchange Ratio of 2.3366x</u>
<b>Selected Technology Merger-of-Equals Transactions</b>				
1 Day Premium to Target Price	(15.6)% 47.0%	16.8%	18.2%	35.7%
1 Week Premium to Target Price	(47.5)% 63.7%	20.9%	15.2%	40.4%
1 Month Premium to Target Price	(61.3)% 84.6%	10.5%	12.0%	51.1%

**Exchange Ratio Analysis**

DrKW reviewed the recent historical stock market performance of Genesis Microchip common stock and Pixelworks common stock in relation to each other and reviewed the exchange ratios implied by those relative trading values. In addition, DrKW compared the merger agreement exchange ratio of 2.3366x to the average exchange ratios over certain specified time periods and noted the amount by which the 2.3366x exchange ratio constituted a premium to such period averages, including the information set forth below:

	<u>At 3/14/2003</u>	<u>Last 5 Trading Days</u>	<u>Last 10 Trading Days</u>	<u>Last 20 Trading Days</u>	<u>Last 30 Trading Days</u>	<u>Last 60 Trading Days</u>	<u>Last 90 Trading Days</u>	<u>Last 6 Months</u>	<u>Since 3/14/2002</u>
Mean	1.7216x	1.7268x	1.6441x	1.5493x	1.5992x	1.9328x	2.0582x	2.0052x	1.8661x
Implied Premium at 2.3366x	35.7%	35.3%	42.1%	50.8%	46.1%	20.9%	13.5%	16.5%	25.2%

**Has/Gets Analysis**

DrKW analyzed certain pro forma effects of the merger on the projected combined income statement of operations of Genesis Microchip and Pixelworks. DrKW calculated the effect that the merger would have on the projected revenue, operating income and net income of Genesis Microchip on a stand-alone basis as compared to the projected revenue, operating income and net income of the portion of the pro forma company to be received by former Genesis Microchip stockholders after the merger. This analysis was based upon (1) Genesis Microchip management's financial projections for Genesis Microchip, (2) Pixelworks management's financial projections for Pixelworks as adjusted by Genesis Microchip's management, (3) potential revenue changes and related impact on cost of goods sold resulting from the merger estimated by the management of Genesis Microchip and (4) estimates of potential cost savings and synergies prepared by the managements of Genesis Microchip and Pixelworks. For purposes of this analysis, DrKW assumed that Genesis Microchip stockholders would receive approximately 65.6% of the combined enterprise value and 62.5% of the combined equity value, based on the treasury stock method. DrKW observed that, based on the exchange ratio provided for in the merger agreement, the merger would result in increases to the projected revenues, operating income and net income attributable to former Genesis Microchip stockholders for the September 2003 quarter, the December 2003 quarter and calendar year 2004.

*Pro Forma Earnings Analysis*

DrKW considered the potential effect the merger could have on the after tax earnings per share of the combined entity as compared with the after tax earnings per share of Pixelworks on a stand-alone basis. This analysis was based upon (1) Genesis Microchip management's financial projections for Genesis Microchip, (2) Pixelworks management's financial projections for Pixelworks as adjusted by Genesis Microchip

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management, (3) potential revenue changes and related impact on cost of goods sold resulting from the merger estimated by the management of Genesis Microchip and (4) estimates of potential cost savings and synergies prepared by the managements of Genesis Microchip and Pixelworks. DrKW observed that, based on this analysis and the exchange ratio provided for in the merger agreement, the merger was accretive to Pixelworks' after tax earnings per share (excluding merger-related charges and non-cash charges for amortization of purchased developed technology, amortization of goodwill and assembled workforce, in-process research and development expense, and amortization of deferred stock compensation) for the September 2003 quarter, the December 2003 quarter and calendar year 2004.

The actual results achieved by the combined company after the merger may vary from such estimated results and the variations may be material.

DrKW has acted as Genesis Microchip's financial advisor in connection with the merger. Genesis Microchip selected DrKW as its financial advisor based on DrKW's experience, expertise and reputation. DrKW is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions and for other purposes.

DrKW acted as financial advisor to Genesis Microchip in connection with the proposed merger, and pursuant to the terms of an engagement letter dated April 12, 2002, Genesis Microchip has agreed to pay DrKW a transaction fee of \$3.6 million, contingent upon, among other things, consummation of the merger. Genesis Microchip has paid DrKW an opinion fee of \$1.1 million, which fee will be credited against payment of the full transaction fee. The terms of the fee arrangement with DrKW were negotiated at arm's length between Genesis Microchip and DrKW.

In addition, DrKW has performed various investment banking services for Genesis Microchip from time to time in the past and has received customary fees for rendering such services. Over the past two years Genesis Microchip has paid a total of \$2.5 million, not taking into account the \$1.1 million opinion fee referred to in the paragraph above, to DrKW for DrKW's provision of services to Genesis Microchip.

In the ordinary course of its business, DrKW may actively trade the debt and equity securities of Genesis Microchip and Pixelworks for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

## **Interests of Directors and Executive Officers of Pixelworks and Genesis Microchip in the Merger**

### *Interests of Directors and Executive Officers of Pixelworks*

In considering the recommendation of the Pixelworks board of directors to vote in favor of the issuance of shares of Pixelworks common stock in the merger, you should be aware that some of the directors and executive officers of Pixelworks have interests in the merger that are different from, and in addition to, the interests of the Pixelworks shareholders generally. These interests may make the Pixelworks board of directors and executive officers more likely to recommend the proposals relating to the merger than if they did not have these interests.

*Board of Directors.* Pixelworks has agreed to take all actions necessary to cause the board of directors of the combined company immediately following the merger to consist of nine persons, four of whom will have served on the board of directors of Pixelworks immediately prior to the merger, four of whom will have served on the board of directors of Genesis Microchip immediately prior to the merger, and one of whom will

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be designated by the four Pixelworks board designees and must be reasonably acceptable to the Genesis Microchip board designees.

Pixelworks has also agreed to take all actions necessary to ensure that the combined company's board of directors is divided into three equal classes, with Class I consisting of two Pixelworks board designees and one Genesis Microchip board designee, Class II consisting of one Pixelworks board designee and two Genesis Microchip board designees, and Class III consisting of one Pixelworks board designee, one Genesis Microchip board designee and the additional director.

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Until the later of the one year anniversary of the completion of the merger and the date immediately following the combined company's first annual meeting of shareholders following the merger, if any Pixelworks board designee resigns or is unable to continue to serve as a director, the remaining Pixelworks board designees then in office will select a replacement reasonably acceptable to a majority of the Genesis Microchip board designees then in office. In addition, after completion of the merger, each committee of the board of directors of the combined company will include at least one Pixelworks board designee.

Pixelworks has agreed that options to purchase Pixelworks common stock held by members of the Pixelworks board of directors who do not join the combined company's board of directors after the merger shall fully vest as of the date of the merger and will remain exercisable for a period of two years following the merger. In addition, directors of Pixelworks may have additional rights as described under the heading "Pixelworks Change of Control Resolutions" on page 60.

*Executive Officers of Pixelworks.* Pixelworks and Genesis Microchip have agreed that the following Pixelworks officers will hold the following positions with the combined company after the merger: Allen Alley, president and chief executive officer; Hans Olsen, executive vice president and chief operating officer; Jeffrey Bouchard, executive vice president and chief financial officer; Robert Greenberg, senior vice president, projector business unit; and Bradley Zenger, senior vice president, television business unit.

*Pixelworks Change of Control Severance Agreements.* Certain individuals, including the following executive officers of Pixelworks, have entered into Change of Control Severance Agreements with Pixelworks that will provide certain benefits upon an involuntary termination following the merger: Allen Alley, Hans Olsen, Jeffrey Bouchard, Robert Greenberg, Bradley Zenger, Michael West and Marc Fleischmann.

The Change of Control Severance Agreements generally provide that if, within 12 months after the merger, or any other change of control of the combined company following the merger, the executive's employment is involuntarily terminated and the executive signs a release of claims, then the executive will be entitled to the following severance benefits:

12 months (6 months in the case of certain executives) of the executive's base salary, payable in lump sum;

12 months of acceleration of vesting under all stock options, and 12 months of lapsing of Pixelworks' right of repurchase with respect to all restricted stock, held by the executive prior to the change of control;

the ability to exercise all vested stock options granted to the executive by Pixelworks prior to the change of control for a period of 2 years following the termination of employment; and

health coverage and benefits at the same level of coverage as was provided immediately prior to termination, for up to 12 months (6 months in the case of certain executives) following the termination of employment.

The Change of Control Severance Agreements also generally provide that if, in the second year after the merger, or any other change of control of the combined company following the merger, the executive's employment is involuntarily terminated and the executive signs a release of claims, then the executive will be entitled to the following severance benefits:

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a lump sum payment equal to the product of 100% (50% in the case of certain executives) of the executive's monthly base salary, multiplied by the number of months remaining in such second year as of the employment termination date;

12 months of acceleration of vesting under all stock options, and 12 months of lapsing of Pixelworks' right of repurchase with respect to all restricted stock, held by the executive prior to the change of control;



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the ability to exercise all vested stock options granted to the executive by Pixelworks prior to the change of control for a period of 2 years following the termination of employment; and

health coverage and benefits at the same level of coverage as was provided immediately prior to termination, for that number of months remaining in such second year.

*Pixelworks Change of Control Resolutions.* Pixelworks board of directors adopted resolutions in March 2002, approving a change of control and severance program for persons who were executive officers and directors of Pixelworks at that time. The resolutions apply to the following Pixelworks directors and executive officers: Oliver Curme, Mark Stevens, Frank Gill, Scott Gibson, Allen Alley, Hans Olsen, Jeffrey Bouchard, Robert Greenberg, Bradley Zenger, Michael West, Michael Barton and Marc Fleischmann.

Under the terms of the resolutions, upon a change of control, the vesting of those options held by the executive officers and directors that would have vested during the last twelve months of the vesting schedule associated with such options will accelerate in full. This will have the effect of accelerating approximately 17% of the aggregate 1,476,295 unvested stock options outstanding as of the record date held by such individuals. In addition, upon a change of control of Pixelworks, and the termination of an executive officer, or a substantial diminution in the executive officer's responsibilities within 3 months prior to or 12 months following the change of control, the terminated officer will be entitled to severance payments equal to six months of his base salary as in effect on the date of such termination and continuation of medical insurance benefits for a period of six months from the date of termination. The Pixelworks board of directors has determined that the merger would constitute a change of control under the resolutions and as such, would cause the acceleration of stock option vesting, and the obligation to make severance payments upon termination of an officer's employment, as described in this paragraph.

*Relocation Agreement.* The parties have agreed that Hans Olsen, who is currently Pixelworks chief operating officer, and who will become the chief operating officer of the combined company, will be based and have his primary office at the headquarters of the combined company in Alviso, California. In connection with the merger, Pixelworks intends to enter into a Relocation Agreement with Hans Olsen, its chief operating officer. The Relocation Agreement provides that Mr. Olsen will use all reasonable efforts to relocate to California at the request of Pixelworks within nine months after completion of the merger, and in any event within one year after the completion of the merger. Under the terms of the Relocation Agreement, Pixelworks will provide Mr. Olsen with funds to make repairs to his current home in preparation of sale, reimburse Mr. Olsen for any sales commission payable on the sale of his home of up to 6% of the sales price, and reimburse all reasonable non-recurring closing costs necessary to complete the sale. Those funds shall not exceed \$50,000. Mr. Olsen will also be reimbursed for temporary living expenses for up to twelve months after the completion of the merger, as well as the cost of leasing an automobile and weekly personal trips (either by Mr. Olsen or his spouse) between California and his current residence until the relocation of his principal residence. Pixelworks will lease to Mr. Olsen a house, purchased by Pixelworks, for a total cost of up to \$3,000,000, for the term of his employment with Pixelworks, plus eighteen months. The rent to be paid by Mr. Olsen to Pixelworks is to be determined. Mr. Olsen will be reimbursed for any additional tax expenses associated with imputed benefits of the lease of his California home, on a grossed-up basis. In addition, Mr. Olsen will be reimbursed for moving expenses, not to exceed \$50,000. In the event of Mr. Olsen's involuntary termination or retirement, the combined company will reimburse Mr. Olsen for reasonable expenses, not to exceed \$50,000, incurred in relocating to the Portland area, provided such expenses are incurred within eighteen months of termination and are not reimbursed by any other entity.

### ***Interests of Directors and Executive Officers of Genesis Microchip***

In considering the recommendation of the Genesis Microchip board of directors to vote for the adoption of the merger agreement, you should be aware that some of the directors and executive officers of Genesis Microchip have interests in the merger that are different from, and in addition to, the interests of Genesis Microchip stockholders generally. These interests may make the Genesis Microchip board of directors and executive officers more likely to recommend the proposals relating to the merger than if they did not have these interests.



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*Board of Directors.* Pixelworks has agreed that the board of directors of the combined company immediately following the merger will include four members who served on the Genesis Microchip board of directors immediately prior to the merger. In addition, Pixelworks has agreed to implement a classified board structure, as described under the heading *Interests of Directors and Executive Officers of Pixelworks Board of Directors* on page 58.

Until the later of the one year anniversary of the completion of the merger and the date immediately following the combined company's first annual meeting of shareholders following the merger, if any Genesis Microchip board designee resigns or is unable to continue to serve as a director, the remaining Genesis Microchip board designees then in office shall select a replacement reasonably acceptable to a majority of the Pixelworks board designees then in office. In addition, for at least one year following the completion of the merger, each committee of the board of directors of the combined company will include at least one Genesis Microchip board designee.

Genesis Microchip has agreed that the options to purchase Genesis Microchip common stock held by members of the Genesis Microchip board of directors who do not join the combined company's board of directors after the merger will fully vest as of the date of the merger and shall remain exercisable for a period of two years following the merger.

*Executive Officers of Genesis Microchip.* Pixelworks and Genesis Microchip have agreed that the following Genesis Microchip officers will hold the following positions with the combined company after completion of the merger: Anders Frisk, executive vice president, products and marketing; Eric Erdman, executive vice president, corporate development; Matthew Ready, senior vice president, sales; Tzoyao Chan, senior vice president, corporate engineering; and Mohammad Tafazzoli, vice president, operations.

*Genesis Microchip Change of Control Severance Agreements.* Certain individuals, including the following Genesis Microchip executive officers, have entered into Change of Control Severance Agreements with Genesis Microchip that will provide certain benefits upon an involuntary termination of employment following the merger: Anders Frisk, Matthew Ready, Tzoyao Chan, Ken Murray, and Mohammad Tafazzoli.

The Change of Control Severance Agreements generally provide that if, within 12 months after the merger, or any other change of control of the combined company following the merger, the executive's employment is involuntarily terminated and signs a release of claims, then the executive will be entitled to the following severance benefits:

12 months (6 months in the case of certain executives) of the executive's base salary, payable in lump sum;

12 months of acceleration of vesting under all stock options, and 12 months of lapsing of Genesis Microchip's right of repurchase with respect to all restricted stock, held by the executive prior to the change of control;

the ability to exercise all vested stock options being assumed by Pixelworks that were originally granted to the executive by Genesis Microchip prior to the change of control for a period of 2 years following the termination of employment; and

health coverage and benefits at the same level of coverage as was provided immediately prior to termination, for up to 12 months (6 months in the case of certain executives) following the termination of employment.

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The Change of Control Severance Agreements also generally provide that if, in the second year after the merger, or any other change of control of the combined company following the merger, the executive's employment is involuntarily terminated, then the executive will be entitled to the following severance benefits:

a lump sum payment equal to the product of 100% (50% in the case of certain executives) of the executive's monthly base salary, multiplied by the number of months remaining in such second year as of the employment termination date;

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12 months of acceleration of vesting under all stock options, and 12 months of lapsing of Genesis Microchip's right of repurchase with respect to all restricted stock, held by the executive prior to the change of control;

the ability to exercise all vested stock options granted to the executive by Genesis Microchip prior to the change of control for a period of 2 years following the termination of employment; and

health coverage and benefits at the same level of coverage as was provided immediately prior to termination, for that number of months remaining in such second year as of the employment termination date.

The Change of Control Severance Agreement between Anders Frisk and Genesis Microchip includes an additional provision stating that if Mr. Frisk's employment is involuntarily terminated at any time, Mr. Frisk will be entitled to a lump sum payment equal to 12 months of his base salary in effect as of the date of termination.

*Employment Agreements.* Genesis Microchip entered into an employment letter agreement with Eric Erdman, its Vice President, Finance and Chief Financial Officer, dated March 18, 2002, which provides that if Mr. Erdman is removed from the position of Vice President, Finance and Chief Financial Officer for any reason other than gross misconduct or voluntary resignation, and he is not offered an alternate position that he accepts, Mr. Erdman will be entitled to the following severance benefits: 12 months base salary; the continuation of company-provided health coverage and benefits until the earlier of 12 months from his date of termination or the date on which he secures alternative employment; immediate vesting of any unvested stock options and up to 18 months to exercise such stock options; and payment of his corporate bonus as if he had achieved 100% of the plan's objectives, such bonus to be prorated based upon the number of months he was employed by Genesis Microchip during the then current fiscal year. Mr. Erdman has been offered the position of Executive Vice President, Corporate Development, with the combined company but as of the date of this joint proxy statement/prospectus, he has not accepted this position. The location of his principal office at the combined company if he accepts the position has not been determined.

***Indemnification; Directors and Officers Liability Insurance***

Pixelworks has agreed to maintain all indemnification obligations of Genesis Microchip to its directors and officers that exist immediately prior to the completion of the merger, unless otherwise required by law, for at least six years after the completion of the merger. In addition, the articles of incorporation and bylaws of the combined company will contain provisions with respect to exculpation and indemnification that are at least as favorable to the directors and officers who were indemnified by Genesis Microchip immediately prior to completion of the merger as the exculpation and indemnification provisions that were contained in the certificate of incorporation and bylaws of Genesis Microchip in effect at the time the merger agreement was executed. The corporate charters and bylaws of Pixelworks and Genesis Microchip generally provide the directors and officers of the respective companies indemnification to the fullest extent permitted by applicable law.

In addition, for six years after completion of the merger, the combined company will maintain directors and officers liability insurance covering those directors and officers of Genesis Microchip who had been covered by such insurance at the time the merger agreement was executed, on terms comparable, if available, to those applicable to Genesis Microchip's directors and officers on the date the merger agreement was executed. After two years following completion of the merger, the combined company will not be required to pay, in total, an annual premium for the insurance described in this paragraph in excess of 175% of the greater of the annual premium paid by Genesis Microchip in the year prior to the merger, or the annual premium paid by the combined company in either of the two years following the merger. However, if the annual premiums of such insurance coverage exceed that amount, the combined company will obtain a policy with the greatest coverage available not exceeding that amount.



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### **The Merger Agreement**

The following is a summary of the material provisions of the merger agreement. The provisions of the merger agreement are complicated and not easily summarized. This summary may not contain all the information about the merger agreement that is important to you. The merger agreement is attached to this joint proxy statement/prospectus as *Annex A* and is incorporated by reference into this joint proxy statement/prospectus, and we urge you to read it carefully for a more complete understanding of the merger agreement.

### ***Structure of the Merger***

The merger agreement provides for the merger of a newly formed, wholly-owned subsidiary of Pixelworks with Genesis Microchip, such that Genesis Microchip will become a wholly-owned subsidiary of Pixelworks. In the merger, each outstanding share of Genesis Microchip common stock will be converted into a right to receive 2.3366 shares of Pixelworks common stock.

### ***Completion and Effectiveness of the Merger***

We will complete the merger when all the conditions to completion of the merger contained in the merger agreement described under the heading *Conditions to Completion of the Merger* beginning on page 74, are satisfied or waived, including approval of the issuance of shares of Pixelworks common stock in connection with the merger by the shareholders of Pixelworks and adoption of the merger agreement by stockholders of Genesis Microchip. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of Delaware or such later time as we may agree.

We are working to complete the merger as quickly as possible. We currently expect to complete the merger by ●, 2003. However, because completion of the merger is subject to governmental and regulatory approvals and other conditions, we cannot predict the exact timing.

### ***Conversion of Genesis Microchip Common Stock in the Merger***

Upon completion of the merger, each share of Genesis Microchip common stock outstanding immediately prior to the effective time will be canceled and automatically converted into the right to receive 2.3366 shares of Pixelworks common stock, rounded down to the nearest whole share. The Pixelworks common stock will be issued upon surrender of certificates representing shares of Genesis Microchip common stock in the manner described below. After completion of the merger, Pixelworks will also assume outstanding options to purchase Genesis Microchip common stock as described under the heading *Treatment of Genesis Microchip Stock Options* beginning on page 71 below.

The exchange ratio in the merger is fixed, but will be adjusted to reflect the effect of any reclassification, stock split, reverse stock split, stock dividend, reorganization, recapitalization, or other similar change with respect to Pixelworks common stock or Genesis Microchip common stock occurring or having a record date on or after the date of the merger agreement and prior to completion of the merger.

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Each share of Genesis Microchip common stock held by Genesis Microchip or owned by Pixelworks or any of their direct or indirect wholly-owned subsidiaries immediately prior to the merger will be automatically canceled, and none of Genesis Microchip, Pixelworks or any of their direct or indirect subsidiaries will receive any securities of Pixelworks or other consideration in exchange for those shares.

Based on the exchange ratio and the number of shares of Genesis Microchip common stock and options to purchase Genesis Microchip common stock outstanding as of May 21, 2003, a total of approximately 73,079,644 shares of Pixelworks common stock will be issued in connection with the merger to holders of Genesis Microchip common stock and a total of approximately 17,758,775 shares of Pixelworks common stock will be reserved for issuance upon the exercise of outstanding options to purchase Genesis Microchip common



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stock assumed by Pixelworks in connection with the merger. In addition, Pixelworks will assume Genesis Microchip's stock plans, under which, as of May 21, 2003, approximately 556,149 shares of Genesis Microchip common stock, equivalent to 1,299,498 shares of Pixelworks common stock as adjusted to reflect the exchange ratio, were available for future grant.

### ***Fractional Shares***

Pixelworks will not issue any fractional shares of common stock in connection with the merger. Instead, each holder of Genesis Microchip common stock exchanged in the merger who would otherwise be entitled to receive a fraction of a share of Pixelworks common stock will receive cash, without interest, in an amount equal to such fraction multiplied by the average last reported sales price of one share of Pixelworks common stock at the end of regular trading hours on the Nasdaq National Market for the ten consecutive trading days ending on the last trading day prior to the date the merger is completed.

### ***Exchange of Genesis Microchip Stock Certificates for Pixelworks Stock Certificates***

Promptly after completion of the merger, Mellon Investor Services LLC, the exchange agent for the merger, will mail to each record holder of Genesis Microchip common stock a letter of transmittal and instructions for surrendering the record holder's stock certificates in exchange for a statement indicating book-entry ownership of Pixelworks common stock or, if requested, a certificate representing Pixelworks common stock. Only those holders of Genesis Microchip common stock who properly surrender their Genesis Microchip stock certificates in accordance with the exchange agent's instructions will receive (1) a statement indicating book-entry ownership of Pixelworks common stock or, if requested, a certificate representing Pixelworks common stock, (2) cash in lieu of any fractional share of Pixelworks common stock, and (3) any dividends or distributions, if any, to which they are entitled under the terms of the merger agreement. The surrendered certificates representing Genesis Microchip common stock will be canceled. After the effective time of the merger, each certificate representing shares of Genesis Microchip common stock that has not been surrendered will represent only the right to receive each of the items enumerated in the preceding sentence.

**Holders of Genesis Microchip common stock should not send in their Genesis Microchip stock certificates until they receive a letter of transmittal from Mellon Investor Services LLC, the exchange agent for the merger, with instructions for the surrender of Genesis Microchip stock certificates.**

### ***Distributions with Respect to Unexchanged Shares***

Holders of Genesis Microchip common stock are not entitled to receive any dividends or other distributions on Pixelworks common stock until the merger is completed. After the merger is completed, holders of Genesis Microchip common stock certificates will be entitled to dividends and other distributions declared or made after completion of the merger, if any, with respect to the number of whole shares of Pixelworks common stock which they are entitled to receive upon exchange of their Genesis Microchip stock certificates, but they will not be paid any dividends or other distributions on Pixelworks common stock until they surrender their Genesis Microchip stock certificates to the exchange agent in accordance with the exchange agent instructions.

### ***Transfers of Ownership and Lost Stock Certificates***

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Pixelworks will only issue (1) a statement indicating book-entry ownership of Pixelworks common stock or, if requested, a stock certificate for Pixelworks common stock, (2) cash in lieu of a fractional share and (3) any dividends or distributions that may be applicable in a name other than the name in which a surrendered Genesis Microchip stock certificate is registered if the person requesting the exchange presents to the exchange agent all documents required to show and effect the unrecorded transfer of ownership and to show that such person paid any applicable stock transfer taxes. If a Genesis Microchip stock certificate is lost, stolen, or destroyed, the holder of the certificate may need to deliver an affidavit or bond prior to receiving any statement indicating book-entry ownership of Pixelworks common stock or a stock certificate for Pixelworks common stock.

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***Representations and Warranties***

The merger agreement contains generally reciprocal representations and warranties made by each of Pixelworks and Genesis Microchip regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. These representations and warranties relate to the following subject matters with respect to each party:

corporate organization, qualifications to do business, corporate standing and corporate power;

effectiveness and absence of any breach of the corporate charters, bylaws and similar organizational documents of each party and its subsidiaries;

capitalization;

identity, ownership interests, corporate organization, qualifications to do business, corporate standing and corporate power of subsidiaries;

ownership interest in business entities other than subsidiaries;

corporate authorization to enter into and carry out the obligations of the merger agreement and the enforceability of the merger agreement;

approvals by the board of directors;

absence of any conflict or violation of any corporate charter, bylaws or similar organizational documents of each party and its subsidiaries, any lien or contract, and applicable legal requirements, as a result of the execution, delivery and the performance of the obligations of the merger agreement;

governmental and regulatory approvals required to complete the merger;

filings and reports with the Securities and Exchange Commission;

financial statements;

accuracy of information supplied in this joint proxy statement/prospectus and the related registration statement filed by Pixelworks with the Securities and Exchange Commission;

the absence of undisclosed liabilities;

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absence of any material adverse change in its business since the date of its balance sheet dated December 31, 2002;

taxes;

owned and leased real property;

intellectual property;

effectiveness and absence of breaches of contracts;

litigation;

environmental matters;

employees and employee labor relations;

employee benefit plans;

compliance with applicable laws and agreements;

absence of investigations or reviews by any governmental or regulatory body;

possession of and compliance with all permits required for the operation of business;

absence of liens and encumbrances;

insurance;

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no existing discussions with any other party with respect to an acquisition proposal;

fairness opinions received;

inapplicability of state takeover statutes;

payment, if any, required to be made to brokers and agents on account of the merger; and

the vote required for Genesis Microchip stockholders to adopt the merger agreement, and the vote required for Pixelworks shareholders to approve the issuance of common stock in the merger.

In addition, Pixelworks represented that Display Acquisition Corporation was formed solely to effect the merger and had not engaged in any business during any period of its existence other than conducting operations as contemplated by the merger agreement. Genesis Microchip made an additional representation regarding the amendment of its stockholder rights agreement so that the merger does not trigger any rights outstanding under that agreement, and the termination of that agreement, immediately prior to the completion of the merger.

The representations and warranties of Pixelworks and Genesis Microchip contained in the merger agreement expire upon completion of the merger. The representations and warranties of the parties contained in the merger agreement are complicated and not easily summarized. You are urged to carefully read the sections of the merger agreement entitled *Representations and Warranties of Genesis* and *Representations and Warranties of Pixelworks and Merger Sub*.

***Conduct of Business Before Completion of the Merger***

Under the merger agreement, Pixelworks and Genesis Microchip have agreed that, until the earlier of the completion of the merger or the termination of the merger agreement, except as permitted or required by the merger agreement or unless the other party consents in writing, it will carry on its business in all material respects, in the ordinary course of business, and in compliance with all applicable laws, pay its debts and taxes when due, pay or perform other material obligations when due, and use its commercially reasonable efforts consistent with past practices and policies to:

preserve intact its present business organization;

keep available the services of its present officers and employees; and

preserve its relationships with customers, suppliers, distributors, licensors, licensees, and others with which it has significant business dealings.

Under the merger agreement, each of Pixelworks and Genesis Microchip also agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless the other party consents in writing, subject to specified exceptions, it will conduct its business in compliance with specific restrictions relating to the following:

declaring or paying dividends, or making any other distributions;

effecting any stock splits, recapitalizations and similar transactions;

purchasing, redeeming or acquiring its capital stock or any other of its securities, warrants, or options;

issuing, delivering, selling, granting, pledging, or otherwise disposing of or encumbering its capital stock or any rights, warrants or options to acquire such shares other than:

- issuances of common stock upon the exercise of stock options outstanding prior to the date of the merger agreement in accordance with their then present terms;
- grants of options to purchase common stock within permitted limits set forth in the merger agreement; and
- grants of options and issuances of common stock pursuant to employee stock purchase plans;

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modifying or amending its corporate charter and bylaws or the corporate charter, bylaws or similar organizational documents of its subsidiaries, and with respect to Pixelworks, the charters of any committee of the Pixelworks board of directors;

acquiring any business or entity, or purchasing all or a substantial portion of the assets or stock of any business or entity;

acquiring any assets that are material to it and its subsidiaries;

except in the ordinary course of business, selling, leasing, licensing, pledging or otherwise disposing of or encumbering any properties or assets;

whether or not in the ordinary course of business, selling, disposing of or otherwise transferring any material assets, except the selling or licensing of products in the ordinary course of business;

with respect to Genesis Microchip, redeeming the rights under the Genesis Microchip stockholder rights agreement, amending, waiving or otherwise modifying or terminating the Genesis Microchip stockholder rights agreement, or rendering the Genesis Microchip stockholder rights agreement inapplicable to any acquisition proposal, except as otherwise specifically required by the merger agreement or by a court of competent jurisdiction;

with respect to Pixelworks, adopting or implementing any shareholder rights agreement;

entering into an agreement with respect to:

- any merger, consolidation, liquidation or business combination;
- any acquisition or disposition of all or substantially all assets or securities; or
- any other acquisition proposal, as defined in the merger agreement;

incurring or permitting to exist any indebtedness for borrowed money or guaranteeing any such indebtedness of another person;

issuing, selling or amending any of its debt securities or warrants or other rights to acquire any of its debt securities, or guaranteeing any debt securities of another person;

entering into any agreement to maintain any financial statement condition of another person;

other than with respect to subsidiaries and routine advances to employees in the ordinary course of business, making loans, advances, capital contributions to, or investments in, any person;

making any capital expenditures or other expenditures with respect to property, plant or equipment in excess of \$5,000,000 in the aggregate, other than as set forth in such party's budget for capital expenditures;

making any changes in accounting methods, principles or practices, except as required by the Securities and Exchange Commission or a change in accounting principles generally accepted in the United States;

except in the ordinary course of business, modifying, amending or terminating any material contract or agreement;

except in the ordinary course of business, entering into any material contract or agreement;

licensing any material intellectual property rights to or from any third party;

except as required by applicable law or existing agreements, plans or arrangements, taking any action to:

- adopt, enter into, terminate or amend any employment, severance or similar agreement or benefit plan, employee stock purchase or employee stock option plan, for the benefit of any current or former director or officer;
  
- adopt, enter into, terminate or amend any employment, severance or similar agreement or benefit plan, employee stock purchase or employee stock option plan, for the benefit of any employee or consultant or any collective bargaining agreement except in the ordinary course of business;



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- increase in any material respect the compensation or fringe benefits of, or pay any bonus to, any director, officer, employee or consultant (except for annual increases of the salaries of employees in the ordinary course of business and option grants to officers within permitted limits set forth in the merger agreement);
- accelerate, amend, modify or waive the payment, right to payment, vesting or period of exercisability or other material terms of any compensation or benefits;
- reprice or exchange options or warrants granted under any employee, consultant or director stock plans or otherwise, or authorize cash payments in exchange for any options, warrants or restricted stock granted under any of such plans;
- pay any material benefit not provided for under any benefit plan at the time of the merger agreement;
- grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or benefit plan; or
- other than in the ordinary course of business, fund or in any way secure the payment of compensation or benefits under any benefit plan, agreement, contract or arrangement;

making or rescinding any material tax election, settling or compromising any material tax liability or amending any material tax return;

initiating, compromising or settling any material litigation or arbitration proceeding;

failing to maintain present insurance levels;

failing to pay accounts payable and other obligation in the ordinary course of business;

making any payments outside the ordinary course of business in excess of \$2,500,000 in the aggregate;

amending, modifying or changing, in any way, the agreed organizational structure of the combined company following the merger;  
and

authorizing any of, or committing or agreeing, in writing or otherwise, to take any of the above actions.

***Pixelworks and Genesis Microchip Prohibited from Soliciting Other Offers***

Under the merger agreement, subject to certain limited exceptions described below, each of Pixelworks and Genesis Microchip has agreed that it will not, and will not authorize or permit any of its or its subsidiaries' respective directors, officers, employees, investment bankers, attorneys, accountants or other advisors or representatives to directly or indirectly:

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solicit, initiate, induce, encourage, or take any other action to facilitate inquiries with respect to, or the making of, any proposal or offer that constitutes, or could reasonably be expected to lead to an acquisition proposal, as defined below, including amending or granting any waiver or release under any agreement with respect to its common stock; or

enter into, continue or otherwise participate in any discussions or negotiations regarding, furnish any person any information with respect to, assist or participate in any effort or attempt by any person with respect to or otherwise cooperate in any way with any acquisition proposal.

Under the merger agreement, an acquisition proposal is any offer or proposal, with respect to Pixelworks or Genesis Microchip, including:

the acquisition or purchase by any person entity or group of more than a 15% interest in the total outstanding voting securities of the party or any of its subsidiaries;

any tender or exchange offer that if completed would result in any person, entity or group owning 15% or more of the total outstanding voting securities of the party or any of its subsidiaries;

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any merger, consolidation, business combination or similar transaction involving the party or any of its subsidiaries pursuant to which the shareholders of the party hold less than 85% of the equity interests of the surviving or resulting entity;

any sale, lease outside the ordinary course of business, exchange, transfer, license outside the ordinary course of business, acquisition or disposition of more than 15% of the assets of the party; or

any liquidation, dissolution, recapitalization or other significant corporate reorganization of the party.

Each of Pixelworks and Genesis Microchip is obligated to immediately advise the other orally, with written confirmation to follow within two business days, of any acquisition proposal or any request for nonpublic information in connection with any acquisition proposal or of any inquiry with respect to or that could reasonably be expected to lead to an acquisition proposal. The notice must include the material terms and conditions of the acquisition proposal or inquiry and the identity of the person or entity making the acquisition proposal, request or inquiry. Neither Pixelworks nor Genesis Microchip may provide any information to, or participate in discussions or negotiations with, a person making any acquisition proposal until two business days after the party receiving the acquisition proposal has first notified the other party. The party receiving an acquisition proposal must keep the other party fully informed, on a current basis, of the status and details of any acquisition proposal or inquiry including any change, whether written or oral, to the terms thereof. The party receiving an acquisition proposal must also provide the other party copies of all correspondence or written material sent, provided or received in connection with any acquisition proposal concurrently with the delivery of such information to the third party or promptly after the receipt of such correspondence or written material from the third party. If the other party makes a counterproposal, the party receiving the acquisition proposal must consider and cause its financial and legal advisors to negotiate on its behalf in good faith with respect to the terms of that counterproposal.

Notwithstanding the prohibitions contained in the merger agreement with respect to acquisition proposals, prior to, in the case of Pixelworks, the approval of the issuance of shares of Pixelworks common stock in the merger at the Pixelworks special meeting, or, in the case of Genesis Microchip, prior to adoption of the merger agreement at the Genesis Microchip special meeting, in response to an acquisition proposal received by Pixelworks or Genesis Microchip, the receiving party may, assuming it has complied with all requirements with respect to acquisition proposals, request clarifications from or furnish information to, but not enter into discussions with, any person or entity that makes an unsolicited, bona fide written acquisition proposal, if:

such action is taken subject to a confidentiality agreement containing customary terms and conditions no less restrictive than those in the confidentiality agreement with the party receiving the acquisition proposal;

such action is taken solely for the purpose of obtaining information reasonably necessary to ascertain whether the acquisition proposal is, or is reasonably likely to lead to, a superior proposal, as defined below; and

the receiving party's board of directors reasonably determines in good faith, after consultation with outside legal counsel and independent nationally recognized financial advisors, that it is necessary to take such actions in order to comply with its fiduciary duties under applicable law.

In addition, prior to, in the case of Pixelworks, the approval of the issuance of shares of Pixelworks common stock in the merger at the Pixelworks special meeting, or, in the case of Genesis Microchip, prior to adoption of the merger agreement at the Genesis Microchip special meeting, in response to an acquisition proposal received by Pixelworks or Genesis Microchip, the receiving party may participate in discussions with, request clarifications from, or furnish information to, any person who makes an unsolicited, bona fide written acquisition proposal if:

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such action is taken subject to a confidentiality agreement containing customary terms and conditions no less restrictive than those in the confidentiality agreement with the party receiving the acquisition proposal;

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the receiving party's board of directors reasonably determines in good faith, after consultation with outside legal counsel and independent nationally recognized financial advisors, that the acquisition proposal is a superior proposal; and

the receiving party's board of directors reasonably determines in good faith, after consultation with outside legal counsel, that it is necessary to take such actions to comply with its fiduciary duties under applicable law.

Under the merger agreement, a superior proposal is an unsolicited bona fide written offer made by a third party to acquire, directly or indirectly, pursuant to a tender offer, exchange offer, merger, consolidation or other business combination, all or substantially all of the company's assets or a majority of its total outstanding voting securities, and as a result of which the shareholders of the company immediately preceding the transaction would hold less than 50% of the equity interests in the surviving or resulting entity of such transaction, or any direct or indirect parent or subsidiary thereof, on terms that the receiving party's board of directors has in good faith concluded, after consultation with outside legal counsel and independent nationally recognized financial advisors, after taking into account, among other things, all legal, financial, regulatory and other aspects of the offer and the person or group making the offer (1) to be more favorable, from a financial point of view, to its shareholders, in their capacity as shareholders, than the terms of the merger and (2) is reasonably capable of being completed and is not conditioned on any financing.

Nothing in the non-solicitation provisions of the merger agreement prohibits either party or its board of directors from taking and disclosing to such company's shareholders a position with respect to a tender offer contemplated by Rule 14d-9 or Rule 14e-2(a) under the Securities Exchange Act with respect to an acquisition proposal as long as the content of any such disclosure complies with the merger agreement.

Under the merger agreement, each of Pixelworks and Genesis Microchip agreed to cease, as of March 17, 2003, all existing discussions or negotiations with any parties that constituted, or could reasonably be expected to lead to an acquisition proposal.

### ***Obligations of the Pixelworks Board of Directors and Genesis Microchip Board of Directors with Respect to Recommendations and Shareholder Meetings***

Under the merger agreement, Pixelworks, through its board of directors, must promptly and duly call, give notice of, convene and hold as promptly as practicable after the declaration of effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part, a meeting of its shareholders for the purpose of considering and voting upon the issuance of shares of Pixelworks common stock in the merger. Except for a limited right to withdraw its recommendation in connection with a superior proposal, and to the fullest extent permitted by applicable law, the Pixelworks board of directors must recommend approval of the issuance of shares of Pixelworks common stock in the merger by the shareholders of Pixelworks, and must include such recommendation in this joint proxy statement/prospectus. Neither the Pixelworks board of directors nor any committee thereof may withdraw or modify, or propose or resolve to withdraw or modify in a manner adverse to Genesis Microchip, the recommendation of the Pixelworks board of directors that Pixelworks' shareholders vote in favor of the issuance of shares of Pixelworks common stock in the merger. The Pixelworks board of directors must take all reasonable and lawful action to solicit from its shareholders proxies in favor of the issuance of shares of Pixelworks common stock in the merger.

Under the merger agreement, Genesis Microchip, through its board of directors, must promptly and duly call, give notice of, convene and hold as promptly as practicable after the declaration of effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part, a meeting of its stockholders for the purpose of considering and voting upon the adoption of the merger agreement. Except for a limited right to withdraw its recommendation in connection with a superior proposal, and to the fullest extent permitted by applicable law, the Genesis Microchip board of directors must recommend adoption of the merger agreement by



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the stockholders of Genesis Microchip and must include such recommendation in this joint proxy statement/ prospectus. Neither the Genesis Microchip board of directors nor any committee thereof may withdraw or modify, or propose or resolve to withdraw or modify in a manner adverse to Pixelworks, the recommendation of the Genesis Microchip board of directors that Genesis Microchip's stockholders vote in favor of the adoption of the merger agreement. The Genesis Microchip board of directors must take all reasonable and lawful action to solicit from its stockholders proxies in favor of adoption of the merger agreement.

Neither party's board of directors may withdraw or modify its recommendations to its shareholders as described above or recommend or declare advisable any superior proposal, unless each of the following requirements are met:

such action is in response to a superior proposal that did not result from a breach of the non solicitation provisions of the merger agreement as described under the heading Pixelworks and Genesis Microchip Prohibited from Soliciting Other Offers beginning on page 68 above;

after consultation with its outside legal counsel and independent nationally recognized financial advisors, it determines in good faith such action is required to comply with the board of directors' fiduciary duties;

in the case of Pixelworks, such action occurs prior to the approval of the issuance of shares of Pixelworks common stock pursuant to the merger by the Pixelworks shareholders, or, in the case of Genesis Microchip, such action occurs prior to the adoption of the merger agreement by the Genesis Microchip stockholders;

such action occurs more than five business days following receipt by the other party of written notice from the party taking the action indicating that it desires to take such action and identifying the material terms and conditions of the superior proposal and the third party making such superior proposal; and

within three business days following receipt of such written notice, the other party has not proposed modifications to the terms of the merger or the merger agreement or, after consideration of any such proposed modifications and consultation with outside legal counsel and independent nationally recognized financial advisors, the board of directors of the party proposing to withdraw or modify its recommendation reasonably determines in good faith that such action is still necessary to comply with its fiduciary duties.

Regardless of any such withdrawal or modification of recommendation, Pixelworks and Genesis Microchip will each remain obligated to call through their respective boards of directors, provide notice of, convene and hold a meeting of its shareholders to, in the case of Pixelworks, consider and vote upon the approval of the issuance of shares of Pixelworks common stock in the merger and, in the case of Genesis Microchip, consider and vote upon the adoption of the merger agreement. In the event of a withdrawal or modification of recommendation, the withdrawing party must, upon request, provide the non-withdrawing party with a current, accurate shareholder list so that the non-withdrawing party may solicit proxies of the shareholders of the withdrawing party. Nothing in the merger agreement prohibits the board of directors of Pixelworks or Genesis Microchip from complying with its duty of candor, if any, under Oregon or Delaware law.

### ***Treatment of Genesis Microchip Stock Options***

When the merger is completed, Pixelworks will assume all outstanding options to purchase shares of Genesis Microchip common stock and such options will be converted into options to purchase shares of Pixelworks common stock. Each Genesis Microchip option assumed by Pixelworks will be converted into an option to purchase that number of shares of Pixelworks common stock equal to the number of shares of Genesis Microchip common stock covered by the option immediately prior to the completion of the merger, multiplied by 2.3366, rounded down to the nearest whole number. The exercise price per share of Pixelworks' common stock subject to each assumed option will be equal to the exercise

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price per share of Genesis Microchip common stock applicable to the option, divided by 2.3366, rounded up to the nearest whole cent. Each assumed option will be



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subject to all other terms and conditions set forth in the applicable documents evidencing such option immediately prior to the completion of the merger, including any repurchase rights, or vesting provisions. As of May 21, 2003, options to purchase approximately 7,600,263 shares of Genesis Microchip common stock were outstanding in the aggregate under various Genesis Microchip stock option plans. In addition, Pixelworks will assume Genesis Microchip's stock option plans.

Promptly after completion of the merger, Pixelworks will file a registration statement on Form S-8 with the Securities and Exchange Commission, to the extent available, for the shares of Pixelworks common stock issuable with respect to Genesis Microchip options assumed by Pixelworks in connection with the merger and will use commercially reasonable efforts to maintain the effectiveness of that registration statement for as long as the assumed stock options remain outstanding.

### ***Treatment of Rights under the Genesis Microchip Employee Stock Purchase Plan***

Participation in Genesis Microchip's employee stock purchase plan permits eligible Genesis Microchip employees to purchase Genesis Microchip common stock at a discount. As of the time the merger is completed, the Genesis Microchip employee stock purchase plan will be terminated. Any offering period then underway under the Genesis Microchip employee stock purchase plan will be shortened, if necessary, to make the last business day prior to the day the merger is completed the last day of such offering period. Pro rata adjustments to the rights of employees in the Genesis Microchip employee stock purchase plan will be made to reflect the shortened offering period. Each shortened offering period will otherwise be treated as a fully effective and completed offering period for all purposes under the Genesis Microchip employee stock purchase plan. Rights to purchase shares of Genesis Microchip common stock outstanding under the plan at the end of each shortened offering period will then be exercised in accordance with the plan. Each share of Genesis Microchip common stock purchased pursuant to such exercises will, without any action on the part of the holder, be converted into the right to receive a number of shares of Pixelworks common stock determined by multiplying the number of shares of Genesis Microchip common stock by the exchange ratio.

### ***Genesis Microchip Employee Benefits***

In the merger agreement, Pixelworks has agreed that, with respect to Genesis Microchip employees that become employees of the combined company after the merger, Pixelworks will:

take reasonable actions to provide health and welfare benefits at least equivalent to the health and welfare benefits provided to similarly situated employees of Pixelworks;

recognize prior service with Genesis Microchip or its subsidiaries for purposes of eligibility, vesting and levels of benefits under any of the combined company's employee benefit plans;

provide an employer matching contribution under the combined company's 401(k) plan at a level not less than that provided to Genesis Microchip employees under Genesis Microchip's 401(k) plan as of the date of the merger agreement;

permit participation in corporate bonus or similar programs;

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establish an employee stock purchase loan program similar to Genesis Microchip's 2001 Employee Stock Purchase Loan Plan if permitted by applicable law and subject to certain other requirements and conditions in the merger agreement; and

establish a special offering period under its employee stock purchase plan for the benefit of the Genesis Microchip employees that become employees of the combined company no later than ten business days following the completion of the merger assuming the merger becomes effective on or after August 1, 2003, subject to certain requirements and conditions in the merger agreement.

**Genesis Microchip employees, whether or not they become employees of the combined company after completion of the merger, are not contractual beneficiaries to the provisions regarding employee benefits contained in the merger agreement and have no contractual rights thereunder.**

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### ***Board of Directors and Management of the Combined Company Following the Merger***

The Pixelworks board of directors has agreed to take all actions necessary to cause the board of directors of the combined company immediately after the merger to consist of nine persons, four of whom will have served on the board of directors of Pixelworks immediately prior to the merger, four of whom will have served on the board of directors of Genesis Microchip immediately prior to the merger, and one whom will be designated by the four Pixelworks board designees and will be reasonably acceptable to the Genesis Microchip board designees. In addition, the Pixelworks board of directors has agreed to take all actions necessary to ensure that the combined company's board of directors is divided into three equal classes, with Class I consisting of two Pixelworks board designees and one Genesis Microchip board designee, Class II consisting of one Pixelworks board designee and two Genesis Microchip board designees, and Class III consisting of one Pixelworks board designee, one Genesis Microchip board designee and the additional director.

Until the later of the one year anniversary of the merger and the date immediately following the combined company's first annual meeting of shareholders after the merger, if any Pixelworks board designee resigns, declines or is unable to continue to serve as a director, the remaining Pixelworks board designees then in office will select a replacement reasonably acceptable to a majority of the Genesis Microchip board designees then in office. Until the later of the one year anniversary of the completion of the merger and the date immediately after the combined company's first annual meeting of shareholders after the merger, if any Genesis Microchip board designee resigns, declines or is unable to continue to serve as a director, the remaining Genesis Microchip board designees then in office will select a replacement reasonably acceptable to a majority of the Pixelworks board designees then in office.

In addition, until the later of the one year anniversary of the merger and the date immediately after the combined company's first annual meeting of shareholders following the merger, each committee of the board of directors of the combined company will include at least one Pixelworks board designee and one Genesis Microchip board designee.

Effective upon completion of the merger, Pixelworks and Genesis Microchip have agreed that the following individuals will hold the following positions with the combined company: Allen Alley, President and chief executive officer; Hans Olsen, executive vice president and chief operating officer; Jeffrey Bouchard, executive vice president and chief financial officer; Anders Frisk, executive vice president, products and marketing and Eric Erdman, executive vice president, corporate development. For a period of twelve months after the merger, the approval of at least 70% of the members of the combined company's board of directors will be required to terminate the employment, significantly reduce the duties or position of, or approve a replacement for any of these officers. If any of these individuals decline or are unable to serve in such capacity prior to completion of the merger, a replacement may be selected by mutual consent of Pixelworks and Genesis Microchip. After completion of the merger, a replacement must be approved by at least 70% of the members of the combined company's board of directors.

### ***Regulatory Approvals; Antitrust Matters; Further Assurances***

Except as otherwise provided in the merger agreement, Pixelworks and Genesis Microchip have agreed to each use commercially reasonable efforts to, as promptly as practicable:

take all actions necessary, proper or advisable to complete the merger and the transactions contemplated by the merger agreement;

obtain from any governmental entity or other third party any consents, licenses, permits, waivers, approvals, authorizations, or orders necessary to complete the merger and the transactions contemplated by the merger agreement;

make all necessary filings and any other required submissions with respect to the merger agreement and merger under:

federal or state securities laws;

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the Hart-Scott-Rodino Act and comparable merger notification and antitrust laws of other applicable jurisdictions, including any related governmental requests thereunder; and

any other applicable law;

execute and deliver any additional instruments necessary to complete the transactions contemplated by, and to carry out the purposes of, the merger agreement; and

assist and cooperate with the other party in taking the foregoing actions, including:

consult with the other party prior to making any filings described above and accepting reasonable suggestions or changes from the other party thereto; and

furnish the other party with copies of filings made and all information necessary for any filing required by law in connection with the transactions contemplated by the merger agreement, including information required to be included in this joint proxy statement/prospectus and the registration statement of which this joint proxy statement/prospectus forms a part.

With respect to filings under the Hart-Scott-Rodino Act referred to above, and comparable antitrust laws of other jurisdictions, in addition to the agreements set forth above, Pixelworks and Genesis Microchip will promptly:

supply each other with information required by such filings;

use reasonable efforts to certify compliance with any requests for additional information or material by any applicable governmental authority; and

use reasonable efforts to take all other actions consistent with applicable provisions of the merger agreement necessary to cause the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Act or other comparable antitrust laws of other jurisdictions.

In addition, Pixelworks and Genesis Microchip will use all reasonable efforts to obtain any material consents, waivers and approvals under any contract or other agreement to which they are a party that is required in connection with the merger.

***Conditions to Completion of the Merger***

The respective obligations of Pixelworks and Genesis Microchip to complete the merger are subject to the satisfaction or waiver of each of the following conditions:

the issuance of shares of Pixelworks common stock to stockholders of Genesis Microchip in connection with the merger has been approved by the vote of a majority of the votes cast at the Pixelworks special meeting, provided that a quorum is present;

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the merger agreement has been adopted by the vote of holders of a majority of the outstanding shares of Genesis Microchip common stock at the Genesis Microchip special meeting, provided that a quorum is present;

all waiting periods under the Hart-Scott-Rodino Act and comparable antitrust laws of any foreign jurisdiction reasonably determined by the parties to be applicable to the merger have expired or been terminated;

other than the filing of the certificate of merger, all authorizations, consents, orders or approvals of, or declaration or filings with, or expirations of waiting periods imposed by, any governmental entity in connection with the merger and the consummation of the other transactions contemplated by the merger agreement, the failure of which to file, obtain or occur is reasonably likely to have a Pixelworks material adverse effect or a Genesis Microchip material adverse effect, will have been filed, been obtained or occurred on terms and conditions which could not reasonably be likely to have a Pixelworks material adverse effect or a Genesis Microchip material adverse effect, which is defined below;

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the Securities and Exchange Commission has declared Pixelworks' registration statement effective, no stop order suspending its effectiveness has been issued and no proceedings for suspension of the registration statement's effectiveness, or a similar proceeding with respect to this joint proxy statement/prospectus, has been initiated or threatened in writing (and not abandoned or withdrawn) by the Securities and Exchange Commission;

no order, stay, decree, judgment, injunction, law, regulation or order has been enacted, issued, promulgated, enforced or entered by a governmental entity of competent jurisdiction which is in effect and has the effect of making the merger illegal or otherwise prohibiting completion of the merger or certain other transactions contemplated by the merger agreement, or the commencement of any action or proceeding seeking any of the foregoing; and

Pixelworks shall have submitted any required notice to the Nasdaq Stock Market for listing of additional shares with respect to the merger.

In addition, the respective obligations of Pixelworks and Genesis Microchip to effect the merger and the other transactions contemplated by the merger agreement, are subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of the other party will have been true and correct on March 17, 2003 and true and correct as of the date of completion of the merger as if made at and as of that time, except:

to the extent the representations and warranties of the other party address matters only as of a particular date, they must be true and correct as of that date;

if any of these representations and warranties are not true and correct but the effect of the inaccuracy in each case, or in the aggregate, does not constitute a material adverse effect, as defined below; and

with respect to the representations regarding capitalization, the representation must be true and correct as of March 17, 2003 and as of the date of completion of the merger in all material respects;

the other party will have performed in all material respects all obligations required by the merger agreement to be performed by it before completion of the merger;

the party shall have received from its tax counsel or the other party's tax counsel an opinion to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

all consents and approvals of third parties, other than a governmental entity, the failure of which to obtain, individually or in the aggregate, is reasonably likely to have a Pixelworks material adverse effect or a Genesis Microchip material adverse effect, as the case may be, have been obtained; and

in the case of Genesis Microchip, the combined company's organizational structure adopted by the Pixelworks board of directors will not have been amended, modified or waived, except to the extent someone named therein declines to serve.

***Definition of Material Adverse Effect***

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Under the merger agreement, a material adverse effect on either Pixelworks or Genesis Microchip means any change, effect, occurrence or state of facts, individually or when taken together with all other effects that have occurred prior to the date of determination of a material adverse effect, that is, or is reasonably expected to be, materially adverse to (a) the business, assets, liabilities, capitalization, condition (financial or other), or results of operations of that party and its subsidiaries, taken as a whole, or (b) the ability of that party to perform the transactions contemplated by the merger agreement. However, under the terms of the merger agreement, none of the following, alone or in combination, will be deemed to constitute a material adverse effect on Pixelworks or Genesis Microchip, as the case may be:

general economic conditions or conditions generally affecting any industry in which Pixelworks or Genesis Microchip, as the case may be, operates, except to the extent that party is materially disproportionately affected by those conditions;



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the outbreak or escalation of hostilities or terrorist activities, either in the United States or abroad;

the announcement or pendency of the merger;

a change in the stock price or trading volume, or any failure to meet published revenue or earnings projections, in and of itself, of Pixelworks or Genesis Microchip, as the case may be, although any underlying effect that caused the change or failure to meet published revenue or earnings projections will not be excluded;

any litigation arising out of or related to any alleged breach of fiduciary duty related to the merger agreement;

in the case of Genesis Microchip, the intellectual property litigation with Silicon Image, Inc. pending against Genesis Microchip as of March 17, 2003;

in the case of Pixelworks, any termination of projects under development with Analog Devices, Inc.; and

in the case of Pixelworks, a notice from Infineon Technologies AG, one of Pixelworks wafer suppliers, terminating its relationship with Pixelworks.

***Termination of the Merger Agreement***

The merger agreement may be terminated in accordance with its terms at any time prior to completion of the merger, whether before or after the adoption of the merger agreement by Genesis Microchip stockholders or the approval of the issuance of shares of Pixelworks common stock to Genesis Microchip stockholders by Pixelworks shareholders in connection with the merger:

by mutual written consent of the Pixelworks board of directors and the Genesis Microchip board of directors;

by Pixelworks or Genesis Microchip if the merger is not completed by September 17, 2003, which will be extended to November 17, 2003 if the merger has not been completed as a result of a failure to obtain required antitrust or governmental approvals or the existence of governmental regulation or order making the completion of the merger illegal or otherwise prohibiting the consummation of the merger or certain other transactions contemplated by the merger agreement. This right to terminate the merger agreement is not available to any party whose failure to fulfill any obligation under the merger agreement has been a principal cause of, or resulted in the failure of, the merger to occur on or before that date;

by Pixelworks or Genesis Microchip, if any governmental entity of competent jurisdiction issues a nonappealable final order, decree or ruling or takes any other nonappealable final action, in each case having the effect of permanently restraining, enjoining or prohibiting the merger;

by Pixelworks or Genesis Microchip if the requisite affirmative vote for adoption of the merger agreement at the meeting of Genesis Microchip stockholders is not obtained, except that this right to terminate the merger agreement is not available to a party whose failure to fulfill any obligation under the merger agreement has been a principal cause of or resulted in the failure to obtain the requisite vote;

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by Pixelworks or Genesis Microchip if the issuance of shares of Pixelworks common stock to Genesis Microchip stockholders in connection with the merger fails to receive the requisite affirmative vote by the shareholders of Pixelworks at the meeting of Pixelworks shareholders, except that this right to terminate the merger agreement is not available to party whose failure to fulfill any obligation under the merger agreement has been a principal cause of or resulted in the failure to obtain the requisite vote;

by Pixelworks, if any of the following triggering events occur with respect to Genesis Microchip:

the Genesis Microchip board of directors fails to give its recommendation for the adoption of the merger agreement in this joint proxy statement/prospectus, or withdraws or modifies such recommendation;

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after the receipt by Genesis Microchip of an acquisition proposal, Pixelworks requests in writing that the Genesis Microchip board of directors reconfirm its recommendation of adoption of the merger agreement and the Genesis Microchip board of directors fails to do so within five business days after its receipt of the Pixelworks request;

the Genesis Microchip board of directors or any committee thereof approves or recommends to the stockholders of Genesis Microchip an acquisition proposal;

a tender or exchange offer relating to outstanding shares of Genesis Microchip common stock is commenced, and the Genesis Microchip board of directors or any committee thereof recommends that the stockholders of Genesis Microchip tender their shares in such tender or exchange offer or, within ten business days after the commencement of such tender or exchange offer, the Genesis Microchip board of directors fails to recommend against acceptance of such offer;

Genesis Microchip breaches its non solicitation obligations as described under the heading Pixelworks and Genesis Microchip Prohibited from Soliciting Other Offers beginning on page 68 above;

Genesis Microchip breaches its obligations with respect to the recommendation of its board of directors and the holding of a meeting of its stockholders as described under the heading Obligations of the Pixelworks Board of Directors and Genesis Microchip Board of Directors with Respect to Recommendations and Shareholder Meetings beginning on page 70 above; or

Genesis Microchip fails to hold a stockholder meeting and submit the merger agreement to its stockholders for adoption by the date which is one business day prior to September 17, 2003 or, under certain circumstances, November 17, 2003;

by Genesis Microchip, if any of the triggering events described above with respect to Genesis Microchip or the Genesis Microchip board of directors occurs with respect to Pixelworks or the Pixelworks board of directors;

by Pixelworks, if there has been a breach of or a failure to perform any representation, warranty, covenant or agreement on the part of Genesis Microchip in the merger agreement, which breach:

would cause the conditions with respect to representations, warranties or performance of obligations of Genesis Microchip not to be satisfied; and

shall not have been cured within 30 days following receipt by Genesis Microchip of written notice of such breach from Pixelworks; or

by Genesis Microchip, if there has been a breach of or a failure to perform any representation, warranty, covenant or agreement on the part of Pixelworks in the merger agreement, which breach:

would cause the conditions with respect to representations, warranties or performance of obligations of Pixelworks not to be satisfied; and

shall not have been cured within 30 days following receipt by Pixelworks of written notice of such breach from Genesis Microchip.

***Payment of a Termination Fee***

Genesis Microchip has agreed to pay Pixelworks a fee of \$20 million if the merger agreement is terminated:

by Pixelworks or Genesis Microchip if the merger has not been consummated by September 17, 2003, which date shall be extended to November 17, 2003 under certain circumstances as described under the heading "Termination of the Merger Agreement" beginning on page 76 above, and

prior to the termination of the merger agreement, an acquisition proposal for Genesis Microchip has been publicly announced or has become publicly known and not withdrawn, and

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within 12 months following the termination of the merger agreement, either a third-party acquisition, as defined below, is consummated, or Genesis Microchip enters into a definitive agreement providing for a third-party acquisition and this third-party acquisition is consummated within 12 months following execution of such definitive agreement;

by Pixelworks or Genesis Microchip if at the Genesis Microchip special meeting of stockholders, the requisite vote of the stockholders in favor of the adoption of the merger agreement has not been obtained, except that this right to terminate the merger agreement will not be available to any party whose failure to fulfill any obligation under the merger agreement was a principal cause of or resulted in the failure to obtain this requisite vote, and

prior to the termination of the merger agreement, an acquisition proposal for Genesis Microchip has been publicly announced or has become publicly known and not withdrawn, and

within 12 months following the termination of the merger agreement, either a third-party acquisition is consummated, or Genesis Microchip enters into a definitive agreement providing for a third-party acquisition and this third-party acquisition is consummated within 12 months following execution of the definitive agreement;

by Pixelworks if any of the triggering events occur with respect to actions taken by Genesis Microchip in opposition to the merger or with respect to Genesis Microchip's failure to take certain actions required in support of the merger, as described under the heading Termination of the Merger Agreement beginning on page 76 above; or

by Pixelworks if there has been a breach of or failure to perform any representation, warranty, covenant or agreement on the part of Genesis Microchip of the type described under the heading Termination of the Merger Agreement beginning on page 76 above, where:

Genesis Microchip's breach is willful or intentional and intended to facilitate, assist or otherwise benefit, or the breach has the effect, directly or indirectly, of facilitating or assisting or otherwise benefiting, an acquisition proposal for Genesis Microchip or the party making the acquisition proposal,

prior to the termination of the merger agreement, an acquisition proposal for Genesis Microchip has been publicly announced or has become publicly known and not withdrawn, and

within 12 months following the termination of the merger agreement, either a third-party acquisition is consummated, or Genesis Microchip enters into a definitive agreement providing for a third-party acquisition and the third-party acquisition is consummated within 12 months following execution of the definitive agreement.

Pixelworks has agreed to pay Genesis Microchip a fee of \$20 million if the merger agreement is terminated:

by Pixelworks or Genesis Microchip if the merger has not been consummated by September 17, 2003, which date shall be extended to November 17, 2003 under certain circumstances as described under the heading Termination of the Merger Agreement beginning on page 76 above, and

prior to the termination of the merger agreement, an acquisition proposal for Pixelworks has been publicly announced or has become publicly known and not withdrawn, and

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within 12 months following the termination of the merger agreement, either a third-party acquisition is consummated, or Pixelworks enters into a definitive agreement providing for a third-party acquisition and this third-party acquisition is consummated within 12 months following execution of such definitive agreement;

by Pixelworks or Genesis Microchip if at the Pixelworks special meeting of shareholders, the requisite vote of the shareholders in favor of the issuance of shares of Pixelworks common stock to Genesis Microchip stockholders in connection with the merger has not been obtained, except that this right to terminate the merger agreement will not be available to any party whose failure to fulfill any obligation

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under the merger agreement was a principal cause of or resulted in the failure to obtain this requisite vote, and

prior to the termination of the merger agreement, an acquisition proposal for Pixelworks has been publicly announced or has become publicly known and not withdrawn, and

within 12 months following the termination of the merger agreement, either a third-party acquisition is consummated, or Pixelworks enters into a definitive agreement providing for a third-party acquisition and this third-party acquisition is consummated within 12 months following execution of the definitive agreement;

by Genesis Microchip if any of the triggering events occur with respect to actions taken by Pixelworks in opposition to the merger or with respect to Pixelworks' failure to take certain actions required in support of the merger, as described under the heading "Termination of the Merger Agreement" beginning on page 76 above; or

by Genesis Microchip if there has been a breach of or failure to perform any representation, warranty, covenant or agreement on the part of Pixelworks of the type described under the heading "Termination of the Merger Agreement" beginning on page 76 above, where:

Pixelworks' breach is willful or intentional and intended to facilitate, assist or otherwise benefit, or the breach has the effect, directly or indirectly, of facilitating or assisting or otherwise benefiting, an acquisition proposal for Pixelworks or the party making the acquisition proposal,

prior to the termination of the merger agreement, an acquisition proposal for Pixelworks has been publicly announced or has become publicly known and not withdrawn, and

within 12 months following the termination of the merger agreement, either a third-party acquisition is consummated, or Pixelworks enters into a definitive agreement providing for a third-party acquisition and the third-party acquisition is consummated within 12 months following execution of the definitive agreement.

Under the merger agreement, a third-party acquisition means, with respect to each of Pixelworks and Genesis Microchip, any of the following transactions, other than the transactions contemplated by the merger agreement:

a merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction as a result of which the shareholders of Pixelworks or the stockholders of Genesis Microchip, as the case may be, immediately preceding such transaction hold less than 50% of the aggregate equity interests in the surviving or resulting entity of such transaction,

a sale or other disposition of assets representing in excess of 30% of the aggregate fair market value of the business of Pixelworks or Genesis Microchip, as the case may be, immediately prior to such sale, or

the acquisition by any person or group (including by way of a tender offer or an exchange offer or issuance), directly or indirectly, of beneficial ownership or a right to acquire beneficial ownership of shares representing in excess of 30% of the voting power of the then outstanding shares of capital stock of Pixelworks or Genesis Microchip, as the case may be.

***Effects of Termination***

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If the merger agreement is terminated in accordance with any of the provisions described under the heading Termination of the Merger Agreement beginning on page 76 above, the merger agreement will become void and all obligations of the parties will terminate, except for provisions of the merger agreement and obligations of the parties relating to expenses and termination and under a separate confidentiality agreement between the parties. However, no termination will relieve any party from liability for any willful breach of the merger agreement.



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### ***Extension, Waiver and Amendment of the Merger Agreement***

At any time before the completion of the merger, either of Pixelworks or Genesis Microchip may extend the time for the performance of each other's obligations, waive inaccuracies in representations and warranties, and waive compliance with agreements or conditions that were for its benefit.

The parties may amend the merger agreement in writing, but, after approval by the shareholders of Pixelworks or Genesis Pixelworks, any amendment may also require the further approval of such shareholders.

### **No Appraisal Rights**

Pixelworks shareholders will not be entitled to any dissenters' rights under the Oregon Business Corporation Act in connection with the merger. Genesis Microchip stockholders will not be entitled to any appraisal rights under the General Corporation Law of the State of Delaware in connection with the merger.

### **Accounting Treatment of the Merger**

The transaction will be accounted for as a reverse acquisition using the purchase method of accounting under accounting principles generally accepted in the United States. Although the merger is structured so that Genesis Microchip will be a subsidiary of Pixelworks after the merger, Genesis Microchip will be treated as the acquiring company for accounting purposes in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations.

Under this method of accounting, the estimated purchase price of Pixelworks will be the market value of the common stock that Genesis Microchip is deemed, for accounting purposes, to have issued in connection with the merger, the fair value of the options to purchase shares of Pixelworks common stock that Genesis Microchip is deemed to have assumed in connection with the merger, and the amount of direct transaction costs incurred by Genesis Microchip associated with the merger. The market value was calculated based on the average closing price of Genesis Microchip common stock on the day prior to the announcement of the merger, the day of the announcement (March 17, 2003) and the day following the announcement.

The purchase price will be allocated to the net tangible and amortizable intangible assets acquired (including developed technology and customer relationships), intangible assets with indefinite lives and in-process research and development, based on their fair values at the date of the completion of the merger. Any excess of the estimated purchase price over those fair values will be accounted for as goodwill.

Amortizable intangible assets, currently estimated at \$64.5 million, will be amortized over their useful lives ranging from four to five years, resulting in an estimated accounting charge for amortization attributable to these items of approximately \$15.7 million on an annual basis. In-process research and development, which is currently estimated at \$17.6 million, will be expensed during the fiscal quarter in which the merger is completed. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, intangible assets with indefinite lives and

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goodwill will not be amortized but instead will be tested for impairment at least annually. The amount of the estimated purchase price allocated to goodwill and intangible assets with indefinite lives, which is based on certain assumptions, is estimated to be approximately \$82.5 million. The allocation is preliminary, and the actual allocation will be determined at the date of completion of the merger based on the fair value of Pixelworks' assets and liabilities on that date. If management should change the assumptions used in the allocation of the purchase price, amounts preliminarily allocated to intangible assets with indefinite lives may significantly decrease or be eliminated, and amounts allocated to intangible assets with definite lives may increase significantly, which could result in a material increase in amortization of intangible assets.

In the event that the management of the combined company determines that the value of goodwill or intangible assets with indefinite lives has become impaired, the combined company will incur an accounting

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charge for the amount of impairment during the fiscal quarter in which the determination is made. In addition, in the event that the management of the combined company determines that the useful life of any intangible assets with indefinite lives has become definite, the intangible asset will be amortized over its remaining useful life, and the combined company will incur an accounting charge related to such amortization during each fiscal quarter of the intangible asset's remaining useful life. The amounts listed in the above paragraph are preliminary estimates, and actual amounts may differ from these estimates.

## **Regulatory Approvals Required to Complete the Merger**

Under the Hart-Scott-Rodino Act, as amended, the merger may not be consummated unless certain filings are submitted to the Federal Trade Commission and the Department of Justice and certain waiting period requirements are satisfied. We filed the notification and report forms required under the Hart-Scott-Rodino Act with the Federal Trade Commission and the Department of Justice on • 2003. In addition, we may be required to make certain filings or seek certain approvals from other foreign jurisdictions to be determined. The Federal Trade Commission and the Department of Justice frequently scrutinize the legality of transactions such as the merger under the antitrust laws. At any time before or after the completion of the merger, the Federal Trade Commission or the Department of Justice could take a variety of actions under the antitrust laws, including seeking to prevent the merger or seeking the divestiture of substantial assets of Pixelworks or Genesis Microchip. In addition, certain private parties as well as state attorneys general and other antitrust authorities may challenge the merger under United States or foreign antitrust laws. We intend to make any applicable foreign such filings if we determine that they are required.

## **Listing of Pixelworks Common Stock Issued Pursuant to the Merger**

It is a condition to the merger that Pixelworks, if required, submit to the Nasdaq National Market a notification form for listing additional shares with respect to the Pixelworks common stock issuable in the merger.

## **Delisting of Genesis Microchip Common Stock**

If the merger is completed, the Genesis Microchip common stock will be delisted from the Nasdaq National Market and deregistered under the Securities and Exchange Act of 1934.

## **Restrictions on Sales of the Pixelworks Common Stock Issued Pursuant to the Merger**

The shares of Pixelworks common stock to be issued in the merger will be freely transferable under the Securities Act, except for shares of Pixelworks common stock issued to any person who is an affiliate of Genesis Microchip prior to the merger. Affiliates of Genesis Microchip prior to the merger may not sell any Pixelworks common stock received by them in the merger except pursuant to:

an effective registration statement under federal securities laws covering the resale of those shares;

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under paragraph (d) of Rule 145 under the Securities Act of 1933; or

any applicable exemption under federal securities laws.

Affiliates of Genesis Microchip are individuals or entities that control, are controlled by, or are under common control with Genesis Microchip and include directors and executive officers of Genesis Microchip. Each Genesis Microchip affiliate at the time the merger agreement was executed delivered a written agreement to Pixelworks agreeing that they will not sell, transfer or dispose of any of the Pixelworks common stock issued to them in the merger in violation of federal securities laws. In addition, the merger agreement requires Genesis Microchip to cause any person who becomes an affiliate of Genesis Microchip prior to the completion of the merger to enter into a similar agreement that they will not sell, transfer or otherwise dispose of any of the Pixelworks common stock issued to them in the merger in violation of federal securities laws.

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### **Material United States Federal Income Tax Considerations**

#### ***General***

The following discussion is a summary of the material United States federal income tax consequences to stockholders who exchange Genesis Microchip common stock for Pixelworks common stock pursuant to the merger. This discussion is based on the Internal Revenue Code of 1986, as amended, which we refer to as the Code, United States Treasury Regulations under the Code, administrative rulings and pronouncements and judicial decisions as of the date of this joint proxy statement/prospectus, all of which are subject to change, possibly with retroactive effect. Any such change could alter the tax consequences discussed in this joint proxy statement/prospectus.

This discussion does not address the effects of any state, local, or foreign tax laws. Furthermore, this discussion relates only to persons who hold Genesis Microchip common stock, and will hold Pixelworks common stock, as capital assets within the meaning of Section 1221 of the Code, generally property held as an investment. The tax treatment of a Genesis Microchip stockholder may vary depending upon such stockholder's particular situation, and certain stockholders may be subject to special rules not discussed below. Such stockholders would include, for example, foreign persons or entities, insurance companies, tax-exempt organizations, financial institutions, investment companies, broker-dealers, domestic stockholders whose functional currency is not the United States dollar, stockholders who are subject to alternative minimum tax provisions of the Code, stockholders who hold Genesis Microchip common stock as part of a hedge, straddle, constructive sale or conversion transaction, and individuals who receive Genesis Microchip common stock pursuant to the exercise of employee stock options or otherwise as compensation.

**You are strongly urged to consult with your tax advisor with respect to the tax consequences to you of the merger in light of your own particular circumstances, including tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States federal or other tax laws.**

#### ***Consequences of the Merger***

Based on factual representations contained in letters provided by Pixelworks and Genesis Microchip, and on certain customary factual assumptions, all of which must continue to be true and accurate as of the effective time of the merger, each of O Melveny & Myers LLP, special counsel to Pixelworks, and Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel to Genesis Microchip, has delivered its opinion (attached as exhibits 8.1 and 8.2, respectively, to the registration statement on Form S-4, of which this joint proxy statement/prospectus forms a part) that the merger will qualify as a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code. The following material United States federal income tax consequences will result from such qualification:

stockholders of Genesis Microchip will not recognize any gain or loss as a result of the receipt of shares of Pixelworks common stock in exchange for shares of Genesis Microchip common stock pursuant to the merger, except with respect to cash received instead of fractional shares of Pixelworks common stock;

the aggregate tax basis of the Pixelworks common stock received by a Genesis Microchip stockholder in exchange for Genesis Microchip common stock pursuant to the merger will equal such stockholder's aggregate tax basis in the Genesis Microchip common stock surrendered, reduced by the tax basis allocable to any fractional share interest in Pixelworks common stock for which cash is received;

a Genesis Microchip stockholder who receives cash instead of fractional shares of Pixelworks common stock will be treated as having received such cash in exchange for such fractional shares and generally will recognize capital gain or loss on such deemed exchange in an amount equal to the difference between the amount of cash received and the tax basis of the Genesis Microchip common stock exchanged for such fractional share;

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the holding period for the Pixelworks common stock received by a Genesis Microchip stockholder pursuant to the merger will include the holding period of the Genesis Microchip common stock surrendered in exchange therefor; and

no gain or loss will be recognized by Pixelworks or Genesis Microchip as a result of the merger.

The completion of the merger is conditioned upon the delivery by each of O Melveny & Myers LLP, special counsel to Pixelworks, and Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel to Genesis Microchip, of its opinion to the effect that, on the basis of the facts, assumptions and representations set forth in such opinion, the merger will constitute a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code. Although the merger agreement allows Pixelworks and Genesis Microchip to waive this condition to complete the merger, neither Pixelworks nor Genesis Microchip currently anticipates doing so. If either Pixelworks or Genesis Microchip does waive this condition, stockholders of Pixelworks and Genesis Microchip will be informed of this decision, and asked to approve the merger related proposals taking this waiver into consideration.

Neither Genesis Microchip nor Pixelworks will request a ruling from the Internal Revenue Service regarding the tax consequences of the merger to Genesis Microchip stockholders. The tax opinions do not bind the Internal Revenue Service and do not prevent the Internal Revenue Service from successfully asserting a contrary opinion. In addition, if any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the tax consequences of the merger could be adversely affected.

A successful Internal Revenue Service challenge to the reorganization status of the merger would result in Genesis Microchip stockholders recognizing taxable gain or loss with respect to each share of Genesis Microchip common stock surrendered equal to the difference between each stockholder's basis in such share and the fair market value, as of the effective time, of the Pixelworks common stock received in exchange therefor. In such event, a stockholder's aggregate basis in the Pixelworks common stock so received would equal its fair market value as of the closing date of the merger, and the stockholder's holding period for such stock would begin the day after the merger.

### ***Excess Parachute Payments***

The acceleration of vesting of certain options and restricted stock held by directors and employees of Pixelworks and Genesis Microchip at the time of completion of the merger or, in some cases, following such individuals' termination of employment, as well as the payment of other severance or relocation benefits, may constitute excess parachute payments as defined in Section 280G of the Code. More information regarding these interests may be found under the heading "Interests of Directors and Executive Officers of Pixelworks and Genesis Microchip in the Merger" on page 58. Excess parachute payments are not deductible, and, as a result, the combined company following completion of the merger may not be entitled to the tax deduction otherwise available for federal income tax purposes when such options are exercised, when such restricted stock vests, or when those severance or relocation payments are made for the amounts determined to be excess parachute payments.

### ***Backup Withholding and Information Reporting***

Certain United States holders may be subject to information reporting with respect to the amount of cash, if any, received in lieu of a fractional share of Pixelworks common stock. United States holders who are subject to information reporting and who do not provide appropriate information when requested may also be subject to backup withholding with respect to any cash to be received at the rate of 30%. Any amount withheld under such rules is not an additional tax and may be refunded or credited against such United States holder's federal income tax liability, provided that the required information is furnished to the Internal Revenue Service.





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**Voting Agreements**

***Pixelworks***

In connection with the signing of the merger agreement, Allen Alley, Oliver D. Curme, Frank Gill, Mark A. Stevens and Scott Gibson, who comprise the entire board of directors of Pixelworks have entered into agreements with Genesis Microchip whereby each, individually and only in his capacity as a shareholder of Pixelworks, agreed to vote in favor of the issuance of Pixelworks common stock in the merger and each of the transactions contemplated by the merger agreement. Furthermore, each agreed to vote his shares against any matter that is intended or could be expected to impede or adversely affect the consummation of the merger. As of May 21, 2003, these voting agreements covered a total of 2,534,502 shares, representing approximately 5.6% of the shares of Pixelworks common stock outstanding and entitled to vote at the Pixelworks special meeting. The form of Pixelworks voting agreement is attached as *Annex D* to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus.

***Genesis Microchip***

In connection with the signing of the merger agreement, James E. Donegan, Chandrashekar M. Reddy, Tim Christoffersen, Jeffrey Diamond, George A. Duguay, Robert H. Kidd and Alexander S. Lushtak, who comprised the entire board of Genesis Microchip at the time the merger agreement was entered into, have entered into agreements with Pixelworks whereby each, individually and only in his capacity as a stockholder of Genesis Microchip, agreed to vote in favor of the adoption of the merger agreement and each of the transactions contemplated by the merger agreement. Furthermore, each agreed to vote his shares against any matter that is intended or could be expected to impede or adversely affect the consummation of the merger. As of May 21, 2003, these voting agreements covered a total of 308,609 shares, representing approximately 1.0% of the Genesis Microchip common stock outstanding and entitled to vote at the Genesis Microchip special meeting of stockholders. The form of Genesis voting agreement is attached as *Annex E* to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus.

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**AMENDMENT TO THE PIXELWORKS ARTICLES OF INCORPORATION NAME CHANGE**

Pixelworks' articles of incorporation provide that the name of Pixelworks is Pixelworks, Inc. Pursuant to the merger agreement, Pixelworks has agreed to propose and recommend to its shareholders that the articles of incorporation be amended effective upon completion of the merger to change Pixelworks' name to Genesis Pixelworks, Inc. The Pixelworks board of directors has authorized this amendment to the articles of incorporation effective upon the completion of the merger, subject to shareholder approval. Under the proposed amendment, subject to and upon completion of the merger, Article 1 of the articles of incorporation would be amended and restated to read as follows:

The name of the corporation is Genesis Pixelworks, Inc.

The Pixelworks shareholders are being asked to approve this amendment. The affirmative vote of the holders of a majority of the votes cast at the Pixelworks special meeting will be required to approve the amendment of the articles of incorporation.

Pixelworks board of directors unanimously recommends that Pixelworks shareholders vote **FOR** the amendment of the Pixelworks articles of incorporation to change the corporate name of Pixelworks to Genesis Pixelworks, Inc. , subject to and upon completion of the merger.

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**ORGANIZATION OF THE COMBINED COMPANY**

**Overview**

The combined company will have a new board of directors, a new management team and a new organizational structure. In addition, subject to the approval of the Pixelworks shareholders, the combined company will operate under the name Genesis Pixelworks, Inc. with its headquarters in Alviso, California, the current headquarters of Genesis Microchip. The common stock of the combined company is expected to trade on the Nasdaq National Market under the trading symbol GNPX.

**Board of Directors of the Combined Company**

The board of directors of the combined company immediately following the merger will consist of nine directors, four of whom will have served on the Pixelworks board immediately prior to the merger and four of whom will have served on the Genesis Microchip board immediately prior to the merger. The ninth director will be selected by the Pixelworks board designees and must be reasonably acceptable to the Genesis Microchip board designees.

The board of directors of the combined company will be divided into three classes. All of the directors will stand for election at the combined company's 2004 annual meeting of shareholders. Class I will consist of two Pixelworks board designees and one Genesis Microchip board designee and will be nominated for election to a one-year term. Class II will consist of two Genesis Microchip board designees and one Pixelworks board designee and will be nominated for election to a two-year term. Class III will consist of one director from the Pixelworks board, one director from the Genesis Microchip board and the additional board designee and will be nominated for election to a three-year term. At each subsequent annual meeting one class of directors will be elected for a three-year term, beginning with Class I directors at the 2005 Annual Meeting of the combined company's shareholders. In addition, for at least one year following the completion of the merger, each committee of the combined company's board of directors will include at least one Pixelworks board designee and one Genesis Microchip board designee.

For at least the first twelve months following completion of the merger, the chairman of the board of directors of the combined company will be either the chairman of the board of directors of Genesis Microchip immediately prior to the merger, or one of the Genesis Microchip board designees designated by a majority of the Genesis Microchip designees. If the chairman resigns, declines or is unable to serve at any time during such twelve-month period, a majority of the Genesis Microchip board designees will have the right to select a new chairman who is reasonably acceptable to a majority of Pixelworks board designees then on the board.

Pixelworks and Genesis Microchip have also agreed that for a period of twelve months after completion of the merger, the bylaws of the combined company will provide that a vote of a majority consisting of at least 70% of the members of the board of directors of the combined company will be required to approve any change in the size of the board of directors.

**Management of the Combined Company**

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The executive management team of the combined company immediately following the completion of the merger will include certain executive officers from each of Pixelworks and Genesis Microchip. Pixelworks and Genesis Microchip have agreed that for a period of twelve months after completion of the merger, a majority consisting of at least 70% of the members of the board of directors of the combined company will be required to approve the termination or replacement of the executive officers listed below and certain other key employees of the combined company.

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The name, current position with Pixelworks or Genesis Microchip, respectively, position with the combined company after the merger and location of principal office of each member of the executive management team of the combined company immediately after the merger are set forth in the table below:

<b>Name</b>	<b>Current Position</b>	<b>Position After the Merger</b>	<b>Location of Principal Office at Combined Company</b>
Allen Alley	Chairman, President and Chief Executive Officer of Pixelworks	President and Chief Executive Officer	Oregon
Jeffrey Bouchard	Vice President, Finance, Chief Financial Officer and Secretary of Pixelworks	Executive Vice President and Chief Financial Officer	Oregon
Eric Erdman (1)	Director, Chief Financial Officer and Secretary of Genesis Microchip	Executive Vice President, Corporate Development	
Anders Frisk	Executive Vice President and Chief Operating Officer of Genesis Microchip	Executive Vice President, Products and Marketing	California
Hans Olsen (2)	Executive Vice President and Chief Operating Officer of Pixelworks	Executive Vice President and Chief Operating Officer	California

- (1) Mr. Erdman has been offered the position of executive vice president, corporate development, with the combined company but has not accepted this position. The location of his principal office at the combined company if he accepts has not been determined as of the date of this joint proxy statement/prospectus.
- (2) Mr. Olsen will relocate from Oregon to California within one year following completion of the merger.

**Allen Alley** co-founded Pixelworks and has served as president, chief executive officer and chairman of Pixelworks since its inception. From 1992 to 1996, Mr. Alley served as vice president, corporate development, engineering and product marketing for InFocus Systems, a leading electronic display company. While at InFocus, Mr. Alley also was the co-CEO of a joint venture with Motorola, Inc. called Motif. From 1986 to 1992, Mr. Alley was a General Partner of Battery Ventures, a venture capital investment firm. Mr. Alley serves on the board of directors of Applied Films, Inc (Nasdaq: AFCO). Additionally, Mr. Alley serves on the board of the Oregon Museum of Science and Industry and is the Chairman of the Oregon Council of Knowledge and Economic Development. Mr. Alley holds a B.S. degree in Mechanical Engineering from Purdue University.

**Jeffrey Bouchard** has served as vice president, finance, chief financial officer and secretary of Pixelworks since December 1999. During 1999, Mr. Bouchard served as chief financial officer at eVineyard, a start-up online retailer of premium wines. From 1993 to 1999, Mr. Bouchard held senior financial management positions at InFocus Systems, including Director of Investor Relations and Treasury (1998 to 1999) and director of finance (1995 to 1998) where he was responsible for the company's financial management and planning. From 1988 to 1992, Mr. Bouchard held a variety of senior financial positions at Sun Microsystems, an enterprise network computing company. Prior to joining Sun Microsystems, Mr. Bouchard held finance and accounting positions at several high-technology companies from 1983 to 1988. Mr. Bouchard holds a B.S. degree in Business Administration - Finance from San Jose State University and an M.B.A. degree from Santa Clara University.

**Eric Erdman** has served as chief financial officer of Genesis Microchip since March 2002 and previously held the position from December 1997 to February 2002. Mr. Erdman became a director on May 13, 2003 and previously served as a director from October 1995 to September 1996. Mr. Erdman has served as secretary since June 2002 and in the period from October 1995 to February 2002. From March 2002 to June

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2002, he served as assistant secretary. Mr. Erdman joined Genesis Microchip in July 1995 as director, finance and administration

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and served as vice president, finance and administration from July 1996 to May 1999. Mr. Erdman holds a Bachelor of Mathematics degree from the University of Waterloo, and he is a member of the Canadian Institute of Chartered Accountants and of the American Institute of Certified Public Accountants.

**Anders Frisk** joined Genesis Microchip in March 2000 as vice president, marketing. Since February 2003, Mr. Frisk has served as executive vice president and chief operating officer of Genesis Microchip. From February 1998 to March 2000, Mr. Frisk served as director of technology planning with Nokia, and as PC architecture manager at Fujitsu ICL Computers from April 1991 to January 1998. Mr. Frisk has served on the board of the Video Electronics Standards Association, or VESA, and chaired VESA's Monitor Committee for four years. Mr. Frisk holds a Master's degree in Electrical Engineering from Stockholm's Royal Institute of Technology.

**Hans Olsen** joined Pixelworks in July 1998 as vice president, operations. Mr. Olsen has served as executive vice president and chief operating officer since January 2001. From 1997 to 1998, Mr. Olsen held the positions of vice president, graphics marketing and vice president, North American sales at Trident Microsystems, a graphics controller semiconductor company. From 1996 to 1997, Mr. Olsen served as vice president, marketing at Paradigm Technology, Inc. which acquired IChips Corporation, a personal computer chipset and embedded memory technology provider, that he founded and was CEO of from 1993 to 1996. From 1982 to 1993, Mr. Olsen held the position of chief executive officer of Electronic Designs, Inc., a semiconductor memory company that he co-founded. Mr. Olsen holds a B.S. degree in Electrical Engineering from Copenhagen Technical University and a Master's degree in Electr