

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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|                                      |  |   |
|--------------------------------------|--|---|
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| <b>(650) 473-2600</b>                |  |   |

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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 |           | Years ended December 31, |           |           |           |        |
|--|--------------|-----------|--------------------------|-----------|-----------|-----------|--------|
|  | ended        |           |                          |           |           |           |        |
|  | 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<br>months<br>ended<br>December 31,<br>2002<br><br>(unaudited) | Years ended March 31, |           |           | Ten<br>months<br>ended<br>March 31,<br>1999 | Year<br>ended<br>May 31,<br>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,<br>2002<br><br>(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,<br>2003  |
|   | (In thousands,     |
|   | except             |
|   | per share<br>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,<br>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<br>Microchip | Genesis<br>Pixelworks | Genesis<br>Microchip<br>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<br>Common Stock |          | Genesis Microchip<br>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<br>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<br>Ownership |                      | Implied<br>Exchange<br>Ratio |
|------------------------------|-------------------------------------|----------------------|------------------------------|
|                              | Pixelworks                          | Genesis<br>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.

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.

|  | <u>Range</u> |        | <u>Median</u> | <u>Mean</u> | <u>Trading Value on 3/14/03</u> | <u>Value Implied by Exchange Ratio of 2.3366x</u> |
|--|--------------|--------|---------------|-------------|---------------------------------|---|
| <b>Genesis Microchip</b>                   |              |        |               |             |                                 |   |
| <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:

| <u>Acquiring Company</u> | <u>Target Company</u> |
|--------------------------|-----------------------|
| 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.

|  |              |               |             |                                 | <b>Genesis Microchip</b>                          |  |
|--|--------------|---------------|-------------|---------------------------------|---|--|
|  | <b>Range</b> | <b>Median</b> | <b>Mean</b> | <b>Trading Value on 3/14/03</b> | <b>Value Implied by Exchange Ratio of 2.3366x</b> |  |
| <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.

|   | <b>Range</b> | <b>Median</b> | <b>Mean</b> | <b>Premiums Implied by Exchange Ratio of 2.3366x</b> |
|---|--------------|---------------|-------------|--|
| <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: AFKO). 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 Electrical Engineering from the University of Copenhagen.

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**Organizational Structure**

The combined company will be organized so that each of the executive vice president, products and marketing, chief technology officer, executive vice president, corporate development, chief operating officer and chief financial officer report directly to the president and chief executive officer. As described under the heading Management of the Combined Company on page 86 each of these positions, other than the chief technology officer, will be filled by a current officer of either Pixelworks or Genesis Microchip. The chief technology officer of the combined company will be selected either by mutual consent of Pixelworks and Genesis Microchip prior to completion of the merger or by approval of a majority of at least 70% of the combined company's board of directors immediately following completion of the merger. After completion of the merger, the combined company will have a new organizational structure which will include configuring the combined company's product development and marketing group into three business units: flat-panel monitors, projectors and digital television applications.

For a period of 12 months following completion of the merger, a change in the organizational structure summarized below will require approval of a majority of at least 70% of the combined company's board of directors:



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**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

The following selected unaudited pro forma condensed combined consolidated financial statements give effect to the merger of Genesis Microchip with and into Display Acquisition Corporation, a wholly-owned subsidiary of Pixelworks, under the purchase method of accounting. The pro forma adjustments are made as if the merger had been completed at the beginning of the year for results of operations data for the year ended March 31, 2003 and on March 31, 2003 for balance sheet purposes.

Under the purchase method of accounting, the total estimated purchase price, calculated as described in note 2 to these unaudited pro forma condensed combined consolidated financial statements, is allocated to the net tangible and intangible assets of Pixelworks acquired in connection with the merger, based on their fair values as of the completion of the merger. A final determination of these fair values cannot be made prior to the completion of the merger. The final valuation will be based on the actual net tangible and intangible assets of Pixelworks that exist as of the date of the completion of the merger.

The unaudited pro forma condensed combined financial statements do not include any adjustments for liabilities resulting from integration planning, as management of Pixelworks and Genesis Microchip are in the process of making these assessments and estimates of these costs are not currently known. However, costs will ultimately be recorded for severance or relocation of Pixelworks employees, costs for vacating certain leased facilities of Pixelworks or other costs of exiting activities, such as the potential cancellation of projects in development and the associated assets that would affect amounts in the pro forma financial statements. In addition, Genesis Microchip may incur significant restructuring charges upon completion of the merger or in subsequent quarters for severance or relocation of Genesis Microchip employees, costs for vacating certain leased facilities of Genesis Microchip or other costs of exiting activities.

These unaudited pro forma condensed combined consolidated financial statements have been prepared based on preliminary estimates of fair values. They do not include liabilities resulting from integration planning which are not presently estimable as discussed above. 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 acquired intangible assets. Therefore, the actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma condensed combined consolidated financial statements. In addition, the impact of ongoing integration activities, the timing of completion of the merger and other changes in Pixelworks' net tangible and intangible assets that occur prior to completion of the merger could cause material differences in the information presented.

These unaudited pro forma condensed combined consolidated financial statements should be read in conjunction with the historical consolidated financial statements and accompanying notes of Pixelworks and Genesis Microchip incorporated by reference into this joint proxy statement/prospectus and the summary selected historical consolidated financial data included in this joint proxy statement/prospectus under the heading "Incorporation by Reference" on page 114. The unaudited pro forma condensed combined consolidated financial statements are not intended to represent or be indicative of the consolidated results of operations or financial condition of the combined company that would have been reported had the merger been completed as of the dates presented, and are not necessarily representative of future consolidated results of operations or financial condition of the combined company.

**Accounting Treatment of the Merger**

The merger of Pixelworks and Genesis Microchip will be accounted for as a reverse acquisition under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Under this accounting treatment, Genesis

Microchip will be considered the acquiring

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entity and Pixelworks will be considered the acquired entity. The financial statements of the combined company after the merger will reflect the financial results of Genesis Microchip on a historical basis after giving effect to the exchange ratio to historical share-related data, and will include the results of operations of Pixelworks from the effective date of the merger.

The historical and pro forma data is presented on the basis of a March 31 year-end, which is the year-end of Genesis Microchip. Pixelworks reports its results of operations on the basis of a December 31 year-end. As such, the historical data for Pixelworks for the year ended March 31, 2003 was derived by combining the unaudited quarterly results for the quarters ended March 31, 2003, December 31, 2002, September 30, 2002 and June 30, 2002.

**Table of Contents****PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET****March 31, 2003****(In thousands)****(Unaudited)**

|  | <u>Historical</u> |                   | <b>Pro forma</b> |          | <b>Pro forma</b> |                    |  |                 |
|--|-------------------|-------------------|------------------|----------|------------------|--------------------|--|-----------------|
|  | <b>Genesis</b>    |                   |                  |          |                  | <b>Adjustments</b> |  | <b>Combined</b> |
|  | <u>Microchip</u>  | <u>Pixelworks</u> |                  |          |                  |                    |  |                 |
| <b>ASSETS</b>  |                   |                   |                  | (note 3) |                  |                    |  |                 |
| Current assets:  |                   |                   |                  |          |                  |                    |  |                 |
| Cash and cash equivalents                              | \$ 113,138        | \$ 89,471         | \$               |          | \$ 202,609       |                    |  |                 |
| Short-term marketable securities                       |                   | 15,084            |                  |          | 15,084           |                    |  |                 |
| Accounts receivable, net                               | 25,587            | 8,891             |                  |          | 34,478           |                    |  |                 |
| Inventories, net                                       | 14,269            | 10,395            | 7,023            | (f)      | 31,687           |                    |  |                 |
| Prepaid expenses and other current assets              | 6,797             | 3,210             | (1,682)          | (e)      | 8,325            |                    |  |                 |
|  | <u>159,791</u>    | <u>127,051</u>    | <u>5,341</u>     |          | <u>292,183</u>   |                    |  |                 |
| Total current assets                                   |                   |                   |                  |          |                  |                    |  |                 |
| Property and equipment, net                            | 12,770            | 9,160             |                  |          | 21,930           |                    |  |                 |
| Goodwill   | 189,579           | 82,548            | (82,548)         | (d)      |                  |                    |  |                 |
|  |                   |                   | 79,778           | (e)      | 269,357          |                    |  |                 |
| Acquired intangible assets                             | 36,933            | 5,508             | (5,508)          | (d)      |                  |                    |  |                 |
|  |                   |                   | 67,200           | (e)      | 104,133          |                    |  |                 |
| Other assets   | 3,581             | 6,901             | (2,500)          | (g)      |                  |                    |  |                 |
|  |                   |                   | (2,138)          | (e)      | 5,844            |                    |  |                 |
|  | <u>402,654</u>    | <u>231,168</u>    | <u>59,625</u>    |          | <u>693,447</u>   |                    |  |                 |
| Total assets   |                   |                   |                  |          |                  |                    |  |                 |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>             |                   |                   |                  |          |                  |                    |  |                 |
| Current liabilities:                                   |                   |                   |                  |          |                  |                    |  |                 |
| Accounts payable                                       | \$ 8,640          | \$ 6,743          | \$ 2,615         | (g)      | \$ 17,998        |                    |  |                 |
| Other accrued liabilities                              | 19,220            | 8,562             |                  |          | 27,782           |                    |  |                 |
|  | <u>27,860</u>     | <u>15,305</u>     | <u>2,615</u>     |          | <u>45,780</u>    |                    |  |                 |
| Total current liabilities                              |                   |                   |                  |          |                  |                    |  |                 |
| Deferred income tax liability                          | 961               |                   | 10,445           | (e)      | 11,406           |                    |  |                 |
|  | <u>28,821</u>     | <u>15,305</u>     | <u>13,060</u>    |          | <u>57,186</u>    |                    |  |                 |
| Total liabilities                                      |                   |                   |                  |          |                  |                    |  |                 |
| Shareholders' equity:                                  |                   |                   |                  |          |                  |                    |  |                 |
| Common stock and shares exchangeable into common stock | 382,618           | 298,315           | (298,315)        | (a)      |                  |                    |  |                 |
|  |                   |                   | 281,336          | (b)      | 663,954          |                    |  |                 |
| Cumulative other comprehensive loss                    | (94)              |                   |                  |          | (94)             |                    |  |                 |
| Deferred stock compensation                            | (6,809)           | (1,861)           | 1,861            | (a)      |                  |                    |  |                 |
|  |                   |                   | (1,308)          | (c)      | (8,117)          |                    |  |                 |
| Accumulated deficit                                    | (1,882)           | (80,591)          | 80,591           | (a)      |                  |                    |  |                 |
|  |                   |                   | (17,600)         | (e)      | (19,482)         |                    |  |                 |

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|  |                   |                   |                  |                   |
|--|-------------------|-------------------|------------------|-------------------|
| Total shareholders' equity                 | <u>373,833</u>    | <u>215,863</u>    | <u>46,565</u>    | <u>636,261</u>    |
| Total liabilities and shareholders' equity | <u>\$ 402,654</u> | <u>\$ 231,168</u> | <u>\$ 59,625</u> | <u>\$ 693,447</u> |

See accompanying notes to pro forma condensed combined consolidated financial statements.

**Table of Contents****PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS****YEAR ENDED MARCH 31, 2003****(In thousands, except per share data)****(Unaudited)**

|   | Historical           |             | Pro forma<br>Adjustments |          | Pro forma<br>Combined |
|---|----------------------|-------------|--------------------------|----------|-----------------------|
|   | Genesis<br>Microchip | Pixelworks  |                          |          |                       |
| Revenue   | \$ 194,325           | \$ 112,641  | \$                       | (note 3) | \$ 306,966            |
| Cost of revenue (exclusive of amortization of developed technology of \$7,700 and \$21,475 in Genesis Microchip and pro forma combined, respectively) | 119,410              | 58,467      | (528)                    | (h)      |                       |
|   |                      |             | 62                       | (k)      | 177,411               |
| Gross profit  | 74,915               | 54,174      | 466                      |          | 129,555               |
| Operating expenses:   |                      |             |                          |          |                       |
| Research and development  | 38,108               | 24,372      | 517                      | (k)      | 62,997                |
| Selling, general and administrative   | 36,231               | 22,718      | 569                      | (k)      | 59,518                |
| Amortization of acquired intangible assets  | 10,627               | 484         | (484)                    | (h)      |                       |
|   |                      |             | 13,775                   | (i)      |                       |
| Provision for costs associated with patent litigation   | 9,671                |             | 1,880                    | (i)      | 26,282                |
| Merger-related expenses   |                      | 1,580       | (1,580)                  | (n)      |                       |
| In-process research and development   |                      | 20,142      | (20,142)                 | (h)      |                       |
| Amortization of deferred stock-based compensation   |                      | 2,130       | (2,130)                  | (j)      |                       |
| Total operating expenses  | 94,637               | 71,426      | (7,595)                  |          | 158,468               |
| Loss from operations  | (19,722)             | (17,252)    | 8,061                    |          | (28,913)              |
| Interest and other income, net  | 946                  | 2,009       |                          |          | 2,955                 |
| Loss before income taxes  | (18,776)             | (15,243)    | 8,061                    |          | (25,958)              |
| Provision for (recovery of) income taxes  | (4,140)              | 1,454       | (5,362)                  | (m)      | (8,048)               |
| Net loss  | \$ (14,636)          | \$ (16,697) | \$ 13,423                |          | \$ (17,910)           |
| Net loss per share:   |                      |             |                          |          |                       |
| Basic and diluted   | \$ (0.47)            | \$ (0.38)   |                          |          | \$ (0.15)             |
| Weighted average shares used in computing net loss per share:   |                      |             |                          |          |                       |
| Basic and diluted   | 31,248               | 44,062      |                          |          | 118,218 (o)           |

See accompanying notes to pro forma condensed combined consolidated financial statements.



**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED****FINANCIAL STATEMENTS****(In thousands, except share and per share amounts)****(Unaudited)****1. Basis of presentation**

These unaudited pro forma condensed combined consolidated financial statements present the pro forma financial position and results of operations of the combined company based upon historical financial information after giving effect to the transaction and adjustments described in these footnotes. Under purchase accounting, the merger of Pixelworks and Genesis Microchip is accounted for such that Genesis Microchip is treated as the acquirer and Pixelworks as the acquired company. These unaudited pro forma condensed combined consolidated financial statements are not necessarily indicative of the results of operations that would have been achieved had the transaction actually taken place at the dates indicated and do not purport to be indicative of the effects that may be expected to occur in the future. The unaudited pro forma condensed combined consolidated financial statements should be read in conjunction with the historical financial statements described below which are incorporated by reference in this joint proxy statements/prospectus.

The financial statements of Genesis Microchip, Pixelworks and Sage are prepared in accordance with accounting principles generally accepted in the United States of America.

**2. Pro forma transaction**

On March 17, 2003, Pixelworks and Genesis Microchip entered into a merger agreement, whereby Pixelworks would acquire all of the issued and outstanding shares and stock options of Genesis Microchip in exchange for the issuance of shares and stock options of Pixelworks. For accounting purposes the purchase consideration is calculated based upon the implied consideration paid by Genesis Microchip to acquire all of the outstanding share capital of Pixelworks in order for the ratio of ownership interests in the combined company to remain at the levels designated in the merger agreement. These unaudited pro forma consolidated financial statements provide for the implied issuance of approximately 19.3 million shares of Genesis Microchip common stock, based upon an exchange ratio of 2.3366 shares of Pixelworks common stock exchanged for one share of Genesis Microchip common stock. The estimated fair value per share of Genesis Microchip common stock of \$13.29 is based on the average closing market price on the day prior to the announcement of the merger, the day of announcement and the day following the announcement.

The value of Pixelworks stock options, for purposes of the estimated purchase consideration, has been calculated based on the Black-Scholes option pricing model using an estimated per share fair market value of \$13.29 and the following assumptions:

|                         |         |
|-------------------------|---------|
| Risk-free interest rate | 2.82%   |
| Expected dividend yield | 0%      |
| Expected life           | 5 years |
| Volatility              | 94.36%  |





**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

The total purchase consideration is dependent on the actual number of shares, exchangeable shares, and options to purchase Pixelworks common stock outstanding on the date the merger closes.

The estimated total purchase consideration is as follows:

|   | <b>Pixelworks<br/>Shares</b> | <b>Shares<br/>Implied to<br/>be Issued<br/>by Genesis<br/>Microchip</b> | <b>Value</b>      |
|---|------------------------------|---|-------------------|
| Shares of common stock  | 44,246,626                   | 18,936,329  | \$ 251,664        |
| Shares exchangeable into common stock                           | 957,704                      | 409,871   | 5,447             |
| Stock options   | 6,246,585                    | 2,673,365   | 24,225            |
| Estimated acquisition costs to be incurred by Genesis Microchip |                              |   | 5,115             |
|   |                              |   | <u>\$ 286,451</u> |

The purchase consideration was allocated to assets acquired and liabilities assumed based on management's analysis and estimates of their fair values. Management believes that fair value of the tangibles assets and liabilities approximates their book values with the exception of inventory. The fair value of the inventory was derived by management based on the estimated selling price less the estimated cost to sell, which differs from its book value, which is based on its historical cost. For identifiable intangible assets, fair values are based on the discounted estimated future cash flows attributable to those assets. The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill. Management's estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable.

The intrinsic value of the unvested stock options was allocated to deferred stock-based compensation. The allocation of the purchase price between goodwill and identifiable intangibles and deferred stock-based compensation will be affected by the closing price of Genesis Microchip common shares on the closing date of the merger. For purposes of the pro forma financial statements, a completion date market price of \$13.29 for Genesis Microchip shares has been used in the calculation of the intrinsic value allocated to deferred stock-based compensation.

The allocation of the purchase price, which is subject to change based on a final valuation of the assets acquired and liabilities assumed as of the closing date, is as follows:

| Fair | Adjustment |
|------|------------|
|------|------------|

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|   | <u>Book<br/>Value</u> | <u>Value</u>      | <u>_____</u> |
|---|-----------------------|-------------------|--------------|
| Net tangible assets acquired:   |                       |                   |              |
| Net tangible assets (other than inventory and property and equipment) | \$ 104,432            | \$ 104,432        | \$           |
| Inventory   | 10,395                | 17,418            | 7,023        |
| Property and equipment  | 9,160                 | 9,160             |              |
| Intangible assets acquired:   |                       |                   |              |
| Acquired developed technology   |                       | 55,100            |              |
| Trademark   |                       | 2,700             |              |
| Customer relationships  |                       | 9,400             |              |
| Goodwill  |                       | 79,778            |              |
| In-process research and development                                   |                       | 17,600            |              |
| Deferred stock-based compensation                                     |                       | 1,308             |              |
| Deferred income tax asset (liability)                                 | 3,820                 | (10,445)          | (14,265)     |
|   |                       | <u>          </u> |              |
| Total estimated purchase price  |                       | \$ 286,451        |              |
|   |                       | <u>          </u> |              |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

A preliminary allocation of the total purchase price of Pixelworks to its identifiable intangible assets and in-process research and development, or IPR&D, projects has been made based upon management's estimation of their values. The related amortization of the identifiable intangible assets is reflected as a pro forma adjustment to the unaudited pro forma condensed consolidated statements of operations. The estimation of the fair value of the identifiable assets and IPR&D is preliminary and will be finalized at the date of closing. For purposes of these pro forma condensed consolidated financial statements, estimated values at March 31, 2003 have been used.

Acquired developed technology and IPR&D were identified and valued through analysis of data concerning developmental products, their stage of development, the time and resources needed to complete them, if applicable, their expected income generating ability, target markets and associated risks. The income approach, which includes an analysis of the markets, cash flows and risks associated with achieving such cash flows, was the primary technique utilized in valuing the developed technology and IPR&D.

Where developmental projects had reached technological feasibility, they were classified as acquired developed technology, and the value assigned was capitalized. Where the developmental projects had not reached technological feasibility and had no alternative uses, they were classified as IPR&D and will be charged to expenses upon closing of the merger.

The acquired developed technology includes products in most of Pixelworks' product lines. These include system-on-chip semiconductors and software which process and optimize video, computer graphics and web information for a wide variety of display devices used in both business and consumer markets, including flat panel monitors, digital and analog televisions and multimedia projectors. The combined company expects to amortize the acquired developed technology of approximately \$55,100 on a straight-line basis over an estimated remaining useful life of 4 years.

Pixelworks is currently developing new products in multiple product areas. For the purposes of determining which projects qualified as IPR&D, technological feasibility is defined as being equivalent to completion of design verification testing when the design is finalized and ready for pilot manufacturing. Current development efforts are focused on:

pursuing higher levels of integration of new features and functions;

extending our system-on-chip semiconductors, systems and software solutions into new digital television and advanced video applications; and

advancing technology solutions for video enhancement and decoding.

The customer relationships consist of the estimated fair value of the existing relationships with key customers. The combined company expects to amortize the assigned value of approximately \$9,400 on a straight-line basis over an estimated remaining useful life of 5 years.

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The trademark asset represents the estimated fair value of the Pixelworks trade name. This asset has an indefinite life and as such will not be amortized.

Goodwill represents the excess of the purchase price over the fair value of the underlying net identifiable assets.

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**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)****3. Pro forma adjustments**

The unaudited pro forma condensed combined consolidated financial statements give effect to the transaction described in note 2, as if it had occurred on March 31, 2003 for purposes of the pro forma condensed combined consolidated balance sheet and at the beginning of the period presented for purposes of the pro forma condensed combined consolidated statements of operations. The pro forma consolidated statement of operations does not include any material non-recurring charges (see (f), (g) and (l) below) that will arise as a result of the transaction described in note 2. The pro forma statement of operations does not include any charges for stock-based compensation that may result from the acceleration of vesting of certain stock options after the closing of the merger as the amounts cannot be estimated at this time. Adjustments in the pro forma condensed combined consolidated financial statements are as follows:

- (a) Adjustment to restate Pixelworks common stock and shares exchangeable into common stock and to eliminate Pixelworks historical deferred stock-based compensation and accumulated deficit.
- (b) Adjustment to reflect fair value of common stock, shares exchangeable into common stock and options deemed to be acquired in the merger.
- (c) Adjustment to record deferred stock-based compensation on Pixelworks outstanding options based upon the unvested portion of the intrinsic value of the options for which future services are required.
- (d) Adjustment to eliminate Pixelworks intangible assets and goodwill acquired in previous business combinations.
- (e) Adjustment to record acquired intangible assets including acquired developed technology, trademark, customer relationships, goodwill, in-process research and development and deferred income tax liability in accordance with the purchase price allocation. Pixelworks had deferred tax assets related to U.S. and Canadian net operating losses and credit carryforwards which were offset by a 100% valuation allowance. It is anticipated that due to the merger this valuation allowance would be released. The estimated impact of this change in valuation allowance is contemplated as part of the purchase price allocation. The estimated deferred income tax liability primarily consisted of acquired developed technology, customer relationships and inventory.
- (f) Adjustment to record the difference between the preliminary estimate of the fair value and the historical cost of Pixelworks inventory. This step-up in basis has been excluded from the pro forma statements of operations.
- (g) Adjustment to record estimated transaction costs of Genesis Microchip of \$5,115, of which \$2,500 is included in Genesis Microchip's other assets as of March 31, 2003. Amount excludes estimated transaction costs of \$10,500 to be incurred by Pixelworks.
- (h) Adjustment to reverse amortization of developed technology of \$528, in-process research and development expense of \$20,142, and assembled workforce of \$484 all of which relate to prior acquisitions by Pixelworks.
- (i)

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Adjustment to record amortization of the Pixelworks acquired developed technology of \$13,775 and customer relationships of \$1,880 over a period of 4 years and 5 years, respectively.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

- (j) Adjustment to reverse amortization of deferred stock-based compensation recognized by Pixelworks, which consists of amounts excluded from cost of goods sold, research and development expense and selling, general and administrative expenses as follows:

|                                     | <b>Year ended<br/>March 31,<br/>2003</b> |
|-------------------------------------|--|
| Cost of revenue                     | \$ 18                                    |
| Research and development            | 1,551                                    |
| Selling, general and administrative | 561                                      |
|                                     | <u>\$ 2,130</u>                          |

- (k) Adjustment to record amortization of deferred stock-based compensation on Pixelworks unvested stock options which is being amortized on a straight-line basis over the remaining vesting period of the respective options and has been classified in accordance with the nature of the services provided by the option holder.
- (l) The pro forma statement of operations adjustments do not include a non-recurring adjustment of \$17,600 to recognize in-process research and development identified as part of the purchase price allocation (note 2). This charge will be reflected in our actual statement of operations in the twelve-month reporting period following the closing of the business combination due to the immediate write-off of in-process research and development under accounting principles generally accepted in the United States of America.
- (m) Adjustment to reflect the tax effect of amortization of deferred stock-based compensation and amortization of acquired intangible assets.
- (n) Adjustment to reverse the expenses incurred by Pixelworks and included in its historical statements of operations that relate to the merger of Pixelworks and Genesis Microchip.
- (o) Pro forma weighted average basic and diluted shares outstanding was calculated as follows:

|  | <b>Year ended<br/>March 31,<br/>2003</b> |
|--|--|
| Genesis basic weighted average shares outstanding                      | 31,248                                   |
| Adjustment to effectuate the merger, based on exchange ratio of 2.3366 | 41,766                                   |
| Pixelworks shares outstanding at the announcement date                 | <u>45,204</u>                            |



|   |         |
|---|---------|
| Total pro forma basic weighted average shares outstanding | 118,218 |
|---|---------|

**Table of Contents****OWNERSHIP OF CAPITAL STOCK****Pixelworks Stock Ownership**

The following table contains information about the beneficial ownership of common shares as of May 21, 2003, for each Pixelworks director and all executive officers, all of the directors and executive officers as a group, and all persons known by Pixelworks to be beneficial owners of more than 5% of its outstanding capital stock.

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act and the information is not necessarily indicative of beneficial ownership for any other purpose. Under Rule 13d-3, beneficial ownership includes any shares over which the individual or entity has voting power or investment power and any shares that the individual has the right to acquire within sixty days of May 21, 2003 through the exercise of any stock options. Unless indicated, each person or entity has sole voting and investment power over the shares shown as beneficially owned, or shares those powers with his or her spouse.

The number of options exercisable within sixty days of May 21, 2003 is shown in the first column of the table, and is included in the number of common shares beneficially owned shown in the second column.

The number and percentage of shares beneficially owned is computed on the basis of common shares outstanding as of May 21, 2003, inclusive of shares exchangeable into common shares. Common shares that a person has the right to acquire within sixty days of May 21, 2003 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group.

Please see the footnotes below for the disclosure required by the Securities Exchange Act of 1934, as amended, for each of the parties listed below. Pixelworks obtained the information presented below for shareholders other than officers, directors and nominees from Schedule 13Gs and amendments thereto, which reflect beneficial ownership, unless stated otherwise, as of December 31, 2002. Unless otherwise indicated, the principal address of each of the shareholders listed below is c/o Pixelworks, Inc., 8100 SW Nyberg Road, Tualatin, Oregon 97062.

| <b>Name and Address of Beneficial Owner</b>  | <b>Shares Issuable Pursuant to Options</b> | <b>Number of Shares Beneficially Owned</b> | <b>Percentage of Shares</b> |
|--|--|--|-----------------------------|
| Mazama Capital Management, Inc. (1)<br>One SW Columbia, Suite 1860<br>Portland, OR 97258             |  | 10,427,150                                 | 23.0%                       |
| Sequoia Capital Entities (2)<br>3000 Sand Hill Road<br>Building 4, Suite 280<br>Menlo Park, CA 94025 |  | 2,418,779                                  | 5.3                         |
| Genesis Microchip Inc. (3)<br>2150 Gold Street   | 212,744                                    | 2,660,510                                  | 5.9                         |

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|  |         |            |       |
|--|---------|------------|-------|
| Allen H. Alley   | 77,917  | 2,311,223  | 5.1   |
| Oliver D. Curme (4)                                      | 31,563  | 1,616,674  | 3.6   |
| C. Scott Gibson  |         |            | *     |
| Frank Gill   | 90,938  | 106,221    | *     |
| Mark A. Stevens (2)                                      | 28,021  | 2,601,011  | 5.7   |
| Jeffrey B. Bouchard                                      | 133,404 | 139,790    | *     |
| Marc Fleischmann   | 87,413  | 89,005     | *     |
| Robert Y. Greenberg                                      | 45,469  | 921,259    | 2.0   |
| Hans H. Olsen  | 65,470  | 298,470    | *     |
| Michael G. West  | 38,698  | 968,758    | 2.1   |
| Bradley A. Zenger  | 40,781  | 887,295    | 2.0   |
| Directors and Executive Officers as a group (12 persons) | 803,581 | 10,173,329 | 22.5% |

\* Less than 1%

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- (1) This information as to beneficial ownership is based on a Schedule 13G filed by Mazama Capital Management, Inc., ( Mazama ) with the Securities and Exchange Commission on November 8, 2002. The Schedule 13G states that Mazama is the beneficial owner of 10,427,150 shares of Common Stock over which it has sole dispositive power. Mazama shares voting power with respect to 6,431,150 of the shares of Common Stock it beneficially owns.
- (2) This information as to beneficial ownership is based on a Schedule 13G filed by Sequoia Capital VII ( SC VII ), SC VII-A Management, LLC ( SC VII-A ), Sequoia Technology Partners VII ( STP ), Sequoia International Partners ( SIP ), Michael Moritz ( MM ), Douglas Leone ( DL ), Mark Stevens ( MS ) and Thomas F. Stephenson ( TFS ) with the Securities and Exchange Commission on February 4, 2003. The Schedule 13G states that: (a) SC VII is the beneficial owner of 2,216,678 shares of Common Stock over which it has shared voting and dispositive power; (b) SC VII-A is the beneficial owner of 2,348,640 shares of Common Stock over which it has shared voting and dispositive power; (c) STP is the beneficial owner of 98,544 shares of Common Stock over which it has shared voting and dispositive power; (d) SIP is the beneficial owner of 33,418 shares of Common Stock over which it has shared voting and dispositive power; (e) MM is the beneficial owner of 2,524,095 shares of Common Stock including 2,348,640 shares as to which he has shared voting and dispositive power and 175,455 shares as to which he has sole dispositive power; (f) DL is the beneficial owner of 2,469,810 shares of Common Stock including 2,348,640 shares as to which he has shared voting and dispositive power and 121,170 shares as to which he has sole dispositive power; (g) MS is the beneficial owner of 2,516,662 shares of Common Stock including 2,348,640 shares as to which he has shared voting and dispositive power and 168,022 shares as to which he has sole dispositive power; (h) TFS is the beneficial owner of 2,457,345 shares of Common Stock including 2,348,640 shares as to which he has shared voting and dispositive power and 108,705 shares as to which he has sole dispositive power. MM, DL, MS and TFS are managing members of SC VII-A which is the General Partner of SC VII, STP and SIP. Also included are 44,887 shares held by SQP 1997 and 25,252 shares held by Sequoia 1997 LLC which were not reported on the Sequoia Schedule 13G.
- (3) In connection with the merger agreement, each of the members of the board of directors of Pixelworks entered into voting agreements with Genesis Microchip pursuant to which Genesis Microchip has the right to vote common stock of Pixelworks held by the directors of Pixelworks on the date of the meeting in favor of the merger related proposals. As a result, Genesis Microchip filed a Schedule 13D on March 27, 2003, which indicates that 2,660,510 shares of common stock were subject to a voting agreement among Genesis Microchip and the members of the board of directors of Pixelworks, in their individual capacities as of the date of the report. Genesis Microchip does not have dispositive or voting rights with respect to these shares other than the voting rights set forth above.
- (4) This information as to beneficial ownership includes 1,540,145 shares of Common Stock beneficially owned by Battery Ventures IV, L.P., Battery Partners IV, LLC and Battery Investment Partners IV, LLC. Mr. Curme is a General Partner of Battery Ventures and has authority to vote the shares held by Battery entities. Mr. Curme disclaims beneficial ownership of all such shares except to the extent of his individual pecuniary interest therein.

**Table of Contents****Genesis Microchip Stock Ownership**

The following table contains information about the beneficial ownership of common shares as of May 21, 2003, for each Genesis Microchip director and all named executive officers, all of the directors and executive officers as a group, and all persons known by Genesis Microchip to be beneficial owners of more than 5% of its outstanding capital stock.

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act and the information is not necessarily indicative of beneficial ownership for any other purpose. Under Rule 13d-3, beneficial ownership includes any shares over which the individual or entity has voting power or investment power and any shares that the individual has the right to acquire within sixty days of May 21, 2003 through the exercise of any stock options. Unless indicated, each person or entity has sole voting and investment power over the shares shown as beneficially owned, or shares those powers with his or her spouse.

The number of options exercisable within sixty days of May 21, 2003 is shown in the first column of the table, and is included in the number of common shares beneficially owned shown in the second column.

The number and percentage of shares beneficially owned is computed on the basis of common shares outstanding as of May 21, 2003. Common shares that a person has the right to acquire within sixty days of May 21, 2003 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group.

Unless otherwise indicated, the principal address of each stockholder is c/o Genesis Microchip, 2150 Gold Street, Alviso, California 95002.

| Name and Address of Beneficial Owner  | Shares Issuable<br>Pursuant to<br>Options | Number of Shares<br>Beneficially<br>Owned | Percentage<br>of Shares |
|---|---|---|-------------------------|
| Entities affiliated with FMR Corp. (1)<br>82 Devonshire Street<br>Boston, Massachusetts 02109                     |   | 3,125,000                                 | 10.0%                   |
| Entities affiliated with Barclays Global Investors, N.A. (2)<br>45 Fremont Street<br>San Francisco, CA 94105-2228 |   | 2,043,052                                 | 6.5                     |
| James E. Donegan  | 57,500                                    | 57,500                                    | *                       |
| Amnon Fisher (3)  |   |   |                         |
| Tzoyao Chan (4)   | 63,639                                    | 87,843                                    | *                       |
| Eric Erdman   | 103,776                                   | 105,919                                   | *                       |
| Anders Frisk  | 85,105                                    | 87,686                                    | *                       |
| Matthew Ready   | 50,106                                    | 51,719                                    | *                       |
| Mohammad Tafazzoli  | 51,502                                    | 51,502                                    | *                       |

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|  |         |         |      |
|--|---------|---------|------|
| Tim Christoffersen                                       | 12,291  | 12,291  | *    |
| Jeffrey Diamond (5)                                      | 26,249  | 40,803  | *    |
| George A. Duguay   | 30,000  | 30,000  | *    |
| Robert H. Kidd   | 12,291  | 12,291  | *    |
| Alexander S. Lushtak                                     | 44,791  | 44,791  | *    |
| Chandrashekar M. Reddy                                   | 63,013  | 357,068 | 1.1  |
| Directors and executive officers as a group (14 persons) | 660,473 | 999,623 | 3.1% |

\* Less than 1%

(1) The ownership information set forth in this table is based on information contained in a joint statement on Schedule 13G, dated February 14, 2003, filed with the Securities and Exchange Commission by FMR Corp.,

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- Edward C. Johnson 3d and Abigail P. Johnson with respect to ownership of shares of common stock. The filing indicated that: Fidelity Management & Research Company ( Fidelity ), a wholly-owned subsidiary of FMR Corp. and a registered investment advisor, is deemed to be the beneficial owner of 3,125,000 shares. Mr. Johnson, FMR Corp., through its control of Fidelity, and the Fidelity Funds each has the power to dispose of the securities. Power to vote the securities is held by the Fidelity Funds Board of Trustees. Mr. Johnson and Ms. Johnson are chairman of the board of directors and a director, respectively, of FMR Corp., and members of the Johnson family, through their stock ownership and stockholder voting agreement, form a controlling group with respect to FMR Corp. Fidelity carries out the voting of the shares under written guidelines established by the Fidelity Funds Boards of Trustees.
- (2) The ownership information set forth in this table is based on information contained in a joint statement on Schedule 13G, dated February 12, 2003, filed by entities affiliated with Barclays Global Investors, NA. Barclays Global Investors, NA, is deemed to be the beneficial owner of 1,844,453 shares and has sole voting and dispositive power with respect to such shares. Barclays Global Fund Advisors is deemed to be the beneficial owner of 179,483 shares and has sole voting and dispositive power with respect to such shares. Barclays Capital Investments is deemed to be the beneficial owner of 19,116 shares and has sole voting and dispositive power with respect to such shares.
  - (3) Mr. Fisher resigned as President, Chief Executive Officer and as a director on June 25, 2002.
  - (4) Includes 2,700 shares owned by YTCC Foundation and 17,189 shares owned by T Chan & W Chen Charitable Remainder Unitrust.
  - (5) Includes 14,554 shares owned by Diamond Family Trust.

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**COMPARISON OF RIGHTS OF SHAREHOLDERS OF PIXELWORKS AND  
STOCKHOLDERS OF GENESIS MICROCHIP**

When Pixelworks and Genesis Microchip complete the merger, Genesis Microchip stockholders will become Pixelworks shareholders. There are some similarities and some material differences between the rights of holders of Pixelworks common stock and Genesis Microchip common stock. While we believe that the description below covers the material differences between the two, this summary may not contain all of the information that is important to you. You should carefully read this joint proxy statement/prospectus and the other documents to which we refer, including those incorporated by reference into this joint proxy statement/prospectus, for a more complete understanding of the differences between being a shareholder of Pixelworks and being a stockholder of Genesis Microchip. You may obtain the information incorporated by reference without charge by following the instructions under the heading "Where You Can Find Additional Information" on page 117.

The rights of Genesis Microchip stockholders are currently governed by the Delaware General Corporation Law and Genesis Microchip's certificate of incorporation and amended and restated bylaws. After the merger, the rights of Genesis Microchip stockholders who receive common stock of Pixelworks will be governed by the Oregon Business Corporation Act and Pixelworks' amended and restated articles of incorporation and bylaws, which will be amended in connection with the merger.

|                                       | <b>Pixelworks (Oregon)</b>  | <b>Genesis Microchip (Delaware)</b>  |
|---------------------------------------|---|--|
| <b>Authorized Capital Stock</b>       | Pixelworks' articles of incorporation authorize the issuance of 300,000,000 shares of capital stock, consisting of: 250,000,000 shares of common stock, \$0.001 par value per share, and 50,000,000 shares of preferred stock, \$0.0001 par value per share. The board of directors designated one share a Special Voting Share Series Preferred Stock in connection with Pixelworks' acquisition of Jaldi Semiconductor, Inc.  | Genesis Microchip's certificate of incorporation authorizes the issuance of 105,000,000 shares of capital stock consisting of: 100,000,000 shares of common stock, \$0.001 par value per share, and 5,000,000 shares of preferred stock, \$0.001 par value per share. The board of directors has designated 100,000 shares as Series A Participating Preferred Stock in connection with the Genesis Microchip stockholder rights plan. |
| <b>Size of the Board of Directors</b> | <p><i>Prior to Merger:</i></p> <p>Under Oregon law, the board of directors or the shareholders may change the number of directors within a range established by the articles of incorporation or bylaws.</p> <p>Pixelworks' articles of incorporation provide that there shall be not less than three nor more than twelve directors, with the exact number to be established from time to time by the board of directors. Pixelworks currently has five directors.</p> | Genesis Microchip's bylaws provide that the board of directors may establish the number of directors from time to time. Genesis Microchip currently has seven directors.   |



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|   | <b>Pixelworks (Oregon)</b>  | <b>Genesis Microchip (Delaware)</b>   |
|---|---|---|
| <b>Classification of the Board of Directors</b> | <p><i>After the Merger:</i></p> <p>The combined company's bylaws will provide that for at least one year after the completion of the merger, the number of members of the combined company's board of directors will be nine, four of whom will have served on the Genesis Microchip board before the merger, four of whom will have served on the Pixelworks board before the merger, and one of whom will be designated by a majority of the Pixelworks board designees and will be reasonably acceptable to a majority of the Genesis Microchip board designees.</p>   |   |
|   | <p><i>Prior to the Merger:</i></p> <p>Pixelworks' articles of incorporation provide that in the event the number of directors is six or more, there will be three classes of directors serving staggered three-year terms.</p>  | <p>Genesis Microchip's certificate of incorporation and bylaws provide for three classes of directors serving staggered three-year terms.</p> |
|   | <p><i>After the Merger:</i></p> <p>The combined company's board of directors will have nine members and will consist of three classes of directors, with each director to be nominated for election to staggered terms at the 2004 annual meeting.</p>  |   |
|   | <p>Class I will consist of two Pixelworks board designees and one Genesis Microchip board designee and will be nominated for a one-year term. Class II will consist of one Pixelworks board designee and two Genesis Microchip board designees and will be nominated for a two-year term. Class III will consist of one Pixelworks board designee, one Genesis Microchip board designee and the ninth board designee designated.</p> <p>Until the later of the one year anniversary after completion of the merger and immediately following the 2004 annual meeting, each of the committees of the combined company's board of directors will consist of not less than one of the Pixelworks board designees and one of the Genesis Microchip board designees.</p> |   |

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|  | <b>Pixelworks (Oregon)</b>  | <b>Genesis Microchip (Delaware)</b>  |
|--|---|--|
| <b>Chairman of the Board of Directors</b>          | <p><i>Prior to the Merger:</i></p> <p>Pixelworks' bylaws provide that the directors may elect a director to serve as the chairman of the board of directors.</p> <p><i>After the Merger:</i></p> <p>The combined company's bylaws will provide that for at least one year after completion of the merger, the chairman of the board of directors of the combined company will be the chairman of the board of directors of Genesis Microchip immediately prior to completion of the merger, or a Genesis Microchip board designee designated by a majority of the Genesis Microchip board designees. If, prior to the one year anniversary of completion of the merger, the chairman resigns, declines or is unable to continue to serve as a director or as the chairman, a majority of the remaining Genesis Microchip board designees then in office shall select a new chairman reasonably acceptable to a majority of the Pixelworks board designees then in office.</p> | <p>Genesis Microchip's bylaws do not contain provisions regarding the election of the chairman of the board of directors.</p>  |
| <b>Removal of Directors</b>                        | <p>Pixelworks' articles of incorporation provide that directors may be removed only for cause and at a meeting of shareholders called expressly for that purpose, by the vote of the holders of at least 75% of the shares entitled to vote at an election of directors.</p>  | <p>Genesis Microchip's certificate of incorporation states that directors can be removed from office at any time, but only for cause, and only by the vote of the holders of at least a majority of the outstanding shares entitled to vote at an election of directors.</p> |
| <b>Filling Vacancies on the Board of Directors</b> | <p><i>Prior to the Merger:</i></p> <p>Pixelworks' bylaws provide that vacancies on the board of directors may be filled by a majority vote of the shareholders entitled to vote at an election of directors, a majority of the remaining directors if less than a quorum of the board of directors or a sole remaining director.</p>  | <p>Genesis Microchip's bylaws provide that vacancies on the board of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and not by the stockholders.</p>                                     |

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|  | <b>Pixelworks (Oregon)</b>  | <b>Genesis Microchip (Delaware)</b>  |
|--|---|--|
|  | <i>After the Merger:</i>  |  |
|  | <p>The combined company's bylaws will provide that for at least one year after completion of the merger, if any Pixelworks or Genesis Microchip board designee resigns, declines or is unable to serve as a director, a majority of the remaining Pixelworks or Genesis Microchip board designees, as the case may be, will select a replacement, reasonably acceptable to a majority of the Genesis Microchip or Pixelworks board designees, respectively.</p> |  |
| <b>Power to Call Special Meetings of the Board of Directors</b>            | <i>Prior to the Merger:</i>   |  |
|  | <p>Under Pixelworks' bylaws, special meetings of the board of directors may be called by the president or any director then in office.</p>  | <p>Under Genesis Microchip bylaws, special meetings of the board of directors may be called by the chairman of the board, the president, or any two directors.</p>   |
|  | <i>After the Merger:</i>  |  |
|  | <p>The combined company's bylaws will provide that special meetings of the board of directors of the combined company may be called by the president, the chairman of the board or any two directors.</p>   |  |
| <b>Power to Call Special Meetings of Shareholders</b>                      | <p>Under Oregon law, a special meeting of shareholders may be called by the board of directors or by any other person authorized to do so in the articles of incorporation or the bylaws, or by written demand by the holders of at least 10% of the outstanding voting shares.</p>   | <p>Under Delaware law, a special meeting of stockholders may be called by the board of directors or any other person authorized by the certificate of incorporation or bylaws.</p>   |
|  | <p>Pixelworks' bylaws provide that a special meeting of shareholders may be called at any time by the board of directors, and will be called by the president (under certain circumstances by the secretary or any other officer) at the request of the holders of at least 10% of the outstanding shares entitled to vote at the meeting.</p>  | <p>Genesis Microchip's certificate of incorporation provides that a special meeting of the stockholders may be called by a majority of the board of directors, the chairman of the board of directors, the chief executive officer, or the president. Because no group of stockholders may call a special meeting of stockholders, it is more difficult for Genesis Microchip stockholders to effect corporate actions than is the case for Pixelworks shareholders.</p> |
|  |   | <i>After the Merger:</i>   |
| <b>Advance Notice Provisions for Shareholder Nominations and Proposals</b> | <p>Pixelworks' bylaws allow shareholders to nominate candidates for election to the board of directors or to propose other business at any annual or special shareholder meeting.</p>   | <p>Genesis Microchip's bylaws allow stockholders to nominate candidates for election to the board of directors or to propose other business at any annual or special stockholder meeting.</p>  |

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**Pixelworks (Oregon)**

**Genesis Microchip (Delaware)**

For a shareholder to properly call and bring business before a special meeting, that shareholder must deliver a written demand to the secretary of Pixelworks describing the purpose of the meeting, to properly bring business before an annual meeting, that shareholder generally must give notice to Pixelworks of a proposal not less than sixty nor more than ninety days prior to the meeting. However, if less than sixty days notice or prior public disclosure of the date of the meeting is given or made to shareholders, a shareholder must give notice of a proposal not later than the tenth day following the date on which notice of the date of the annual meeting was mailed or such public disclosure was made.

For a shareholder to properly bring business before an annual or special meeting, that stockholder generally must give notice of a nomination or proposal to Genesis Microchip no less than ninety days prior to the anniversary date of the immediately preceding annual meeting. If, however, the annual meeting is called for a date not within thirty days before or after such anniversary date, or in the case of a special meeting of stockholders called for the purpose of electing directors, a stockholder must give notice of a proposal by close of business on the tenth day following the day on which notice of the date of meeting was mailed or public disclosure was made, whichever occurs first.

**Amendment of Bylaws**

*Prior to the Merger:*

Pixelworks bylaws permit the Pixelworks board of directors or shareholders to alter, amend, repeal and adopt bylaws.

Genesis Microchip's certificate of incorporation permits the Genesis Microchip board of directors to adopt, amend or repeal the corporation's bylaws. However, the vote of holders at least 80% of the outstanding shares entitled to vote at an election of directors is required to alter provisions:

*After the Merger:*

The bylaws of the combined company will provide that until twelve months after completion of the merger, the vote of at least 70% of the members of the combined

to allow stockholders to act by written consent;

company's board of directors will be required to amend provisions of the combined company's bylaws relating to:

to allow stockholders to call special stockholder meetings;

the size of the board;

affecting the requirement of advance notice of stockholder proposals;

notice of shareholder meetings;

affecting the manner in which notice of stockholder meetings is provided;

voting requirements at shareholder meetings and provisions relating to actions by written consent;

affecting the manner in which directors are nominated for election;

notice of business to be conducted at a shareholders meeting;

affecting the ability of the board of directors to amend the bylaws, to fill vacancies on the board of directors, and to determine the number of directors that serve on the board of directors; or

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classification of the board;

affecting the ability of stockholders to amend the  
bylaws to alter any of the above.

the chairman of the board of directors;

special meetings of the board of directors;

filling vacancies on the board of directors;

nominations for elections to the board of directors;

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**Pixelworks (Oregon)**

**Genesis Microchip (Delaware)**

designation of the executive committee of the board of directors;

the creation of other committees of the board of directors;

resignation and removal of officers; and

appointment of certain officers.

In addition, the combined company's bylaws will provide that, until the later of the one-year anniversary of completion of the merger and immediately following the 2004 annual meeting, the vote of at least 70% of the members of the combined company's board of directors will be required to amend the provisions of the bylaws relating to:

the size of the combined company's board of directors;

the number and classification of directors and the provisions

relating to such classification; and

the board's ability to amend the bylaws to alter any provision noted above.

**Amendment of Articles/  
Certificate of  
Incorporation**

Pixelworks' articles of incorporation provide that the approval of 75% of the outstanding shares entitled to vote is required for amendments to the articles of incorporation relating to:

the number of directors;

Genesis Microchip's certificate of incorporation provides that the approval of 80% of the outstanding shares entitled to vote is required for amendments to the certificate of incorporation relating to:

the classification of the board and the terms of the classes;

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the manner of election of directors;

any provision affecting the adoption or alteration  
of bylaws;

the removal of directors; and

the ability of shareholders to amend the articles of  
incorporation to alter any provision noted above.

the manner of election of directors;

the number of directors;

provisions requiring a supermajority vote;

actions by written consent and special meetings of  
the stockholders;

notice of stockholder meeting proposals and  
director nominations;

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|   | <b>Pixelworks (Oregon)</b>   | <b>Genesis Microchip (Delaware)</b>   |
|---|--|---|
|   |  | the process for filling vacancies and removing directors; and   |
|   |  | the ability of stockholders to amend the certificate of incorporation to alter any provision noted above.   |
| <b>Approval of Certain Corporate Transactions</b> | Pixelworks' articles of incorporation provide that a merger, consolidation or sale of all or substantially all of the assets of Pixelworks must be approved by holders of 67% of the outstanding shares entitled to vote. A supermajority vote of Pixelworks shareholders is not required to effect the transaction described in this joint proxy statement/prospectus because Genesis Microchip will merge with and into a subsidiary of Pixelworks, rather than directly with Pixelworks.  | Genesis Microchip's certificate of incorporation does not provide for approvals other than those required under Delaware law, which are that any merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by a majority of outstanding voting shares entitled to vote.  |
| <b>Dissolution</b>                                | Under Oregon law, a dissolution of the company must either be approved by written consent of all shareholders or be initiated by the board of directors and, unless the articles of incorporation or the board requires otherwise, approved by holders of a majority of the outstanding shares entitled to vote.<br><br>Pixelworks' articles of incorporation require the approval of holders of not less than 67% of the outstanding shares entitled to vote for a dissolution of the company.  | Under Delaware law, unless the board of directors approves the proposal to dissolve the company, the dissolution must be unanimously approved by all the stockholders entitled to vote. Only if the dissolution is initially approved by the board of directors may the dissolution be approved by holders of a majority of the outstanding shares entitled to vote.  |
| <b>Appraisal/ Dissenters Rights</b>               | Under Oregon law, a shareholder of a corporation participating in certain major corporate transactions may, under varying circumstances, be entitled to dissenters' rights pursuant to which the shareholder may receive cash in the amount of the fair market value of the shares held by the shareholder (as determined by a court or by agreement of the corporation and the shareholder) in lieu of consideration such shareholder would otherwise receive in the transaction.<br><br>Unless the articles of incorporation provide otherwise, dissenters' rights do not apply to the holders of shares of any class if the shares of the class were registered on a national securities exchange quoted on The | Under Delaware law, a stockholder of a corporation has the right, in certain circumstances, to demand payment in cash for their shares equal to the fair value (exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation) of such shares, as determined by a court in an action timely brought by the corporation or the dissenters. Delaware law grants appraisal rights only in the case of mergers or consolidations and not in the case of a sale or transfer of assets or a purchase of assets for stock regardless of the number of shares being issued. Further, no appraisal rights are available for shares of any class or series of stock listed on a national securities exchange or designated as a |



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|                    | <b>Pixelworks (Oregon)</b>  | <b>Genesis Microchip (Delaware)</b>   |
|--------------------|---|---|
|                    | <p>Nasdaq National Market on the record date for the meeting of shareholders at which the corporate action giving rise to dissenters' rights is to be approved.</p> <p>The Pixelworks' articles of incorporation do not provide for dissenters' rights.</p>   | <p>national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 stockholders, unless the agreement of merger or consolidation requires the holders thereof to accept for such shares anything other than:</p> <p style="padding-left: 40px;">stock of the surviving corporation;</p> <p style="padding-left: 40px;">shares of stock of another corporation which shares of stock are either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 stockholders;</p> <p style="padding-left: 40px;">cash in lieu of fractional shares (in the case of the above); or</p> <p style="padding-left: 40px;">some combination of the above.</p> <p>In addition, such rights are not available for any shares of the surviving corporation if the merger did not require the vote of the stockholders of the surviving corporation.</p> |
| <b>Rights Plan</b> | <p>Pixelworks does not have a shareholder rights plan in place.</p> <p>Nasdaq National Market on the record date for the meeting of shareholders at which the corporate action giving rise to dissenters' rights is to be approved.</p> <p>The Pixelworks' articles of incorporation do not provide for dissenters' rights.</p> | <p>Genesis Microchip has adopted a stockholder rights plan that provides its stockholders with the right to purchase preferred stock as a defensive measure in connection with a potential acquisition. Genesis Microchip has amended its right plan to provide that it does not apply to the merger with Pixelworks, and Genesis Microchip will terminate the rights plan in connection with the merger.</p>   |

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**Takeover Statutes**

In certain circumstances, Delaware law prohibits a business combination between a corporation and an interested stockholder within three years of the stockholder becoming an interested stockholder. An interested stockholder is a holder who, directly or indirectly, controls 15% or more of the outstanding voting stock or is an affiliate of the corporation and was the owner of 15% or more of the outstanding voting stock at any time within the prior three-year period. A business combination includes a merger, consolidation, sale or other disposition of assets having an aggregate value in excess of 10% of the consolidated assets of the corporation or the aggregate market value of the assets determined on a consolidated basis or outstanding stock of the corporation and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation. This provision does not apply where:

the business combination or the transaction that resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors prior to the time the interested stockholder acquired such 15% interest;

upon the consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding voting stock of the corporation excluding, for the purpose of determining the number of shares outstanding, shares held by persons who are directors and also officers and by employee stock plans in which participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered;

the business combination is approved by a majority of the board of directors and the affirmative vote of two-thirds of the outstanding votes entitled to be cast by disinterested stockholders at an annual or special meeting;

the corporation does not have a class of voting stock that is listed on a national securities exchange, authorized for quotation on Nasdaq, or held of record by more than 2,000 stockholders unless any of the foregoing results from action taken, directly or indirectly, by an interested stockholder or from a transaction in which a person becomes an interested stockholder;

the corporation effectively elects not to be governed by this provision; or

in certain other limited circumstances.

Genesis Microchip has not taken action to elect not to be governed by this provision.

Although the Oregon business combination statute is substantially similar to Delaware's business combination statute, the Oregon statute omits a significant provision dealing with competitive bidding contests for corporate control. Section 203(b)(6) of the Delaware General Corporation Law generally relieves a bidder from the restrictions of the business combination statute if the board of directors has approved or not opposed a combination with a competing bidder. The basic policy behind Section 203(b)(6) is that once the board of directors has decided to sell the corporation or a majority of its assets or has approved, or not opposed, a tender or exchange offer for 50% or more of the corporation's outstanding stock, the stockholders of the corporation are benefited by the promotion of bidding contests. Section 203(b)(6) allows a bidder who announces a transaction subsequent to the public announcement of a management-approved transaction and prior to the completion or abandonment of the approved transaction to be free of the requirements of Section 203.

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**Control Share Act**

The Oregon Control Share Act generally provides that a person who acquires control shares cannot vote the shares unless voting rights are approved by both a majority of all the votes entitled to be cast by holders of voting shares and a majority of all votes other than votes of interested shareholders entitled to be cast by holders of voting shares. Control shares are shares which, when added to shares then owned or controlled by a shareholder increase the shareholder's control of voting power above one of three thresholds:

more than one-fifth;

more than one-third; or

more than one-half of the outstanding voting power of the corporation.

Delaware law does not contain an equivalent of the Control Share Act.

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**FUTURE PIXELWORKS SHAREHOLDER PROPOSALS**

According to Rule 14a-8 under the Securities Exchange Act of 1934, some shareholder proposals may be eligible for inclusion in Pixelworks proxy statement for consideration at the 2004 annual meeting of shareholders. Any such proposal must be received by Pixelworks no later than December 17, 2003 to be included in the proxy statement for that meeting and must comply with the requirements of Rule 14a-8 of the Securities Exchange Act. Shareholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities law.

The submission of a shareholder proposal or nomination that a shareholder does not seek to include in Pixelworks proxy statement pursuant to Rule 14a-8 may be delivered to the Secretary of Pixelworks not less than 60 days nor more than 90 days prior to the date of an annual meeting, unless notice or public disclosure of the date of the meeting occurs less than 60 days prior to the date of such meeting, in which event, shareholders may deliver such notice not later than the 10th day following the day on which notice of the date of the meeting was mailed or public disclosure thereof was made. A shareholder's submission must include certain specific information concerning the proposal or nominee, as the case may be, and information as to the shareholder's ownership of common stock of Pixelworks. Proposals or nominations not meeting these requirements will not be entertained at the annual meeting. If the shareholder does not also comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934, Pixelworks may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such proposal or nomination submitted by a shareholder.

**FUTURE GENESIS MICROCHIP STOCKHOLDER PROPOSALS**

If the merger is not completed, or if Genesis Microchip elects to hold its 2003 annual meeting of stockholders before the merger is completed, Genesis Microchip stockholders may present proposals for inclusion in Genesis Microchip's proxy statement for consideration at the 2003 annual meeting by submitting them in writing to Genesis Microchip's secretary in a timely manner. Proposals generally must have been received by Genesis Microchip no later than April 18, 2002 to be included in the proxy statement for that meeting and must comply with the requirements of Rule 14a-8 of the Securities Exchange Act. If the date of the 2003 annual meeting changes by more than 30 days from September 17, the date of the 2002 annual meeting, the proposal must have been received at Genesis Microchip's offices a reasonable time before Genesis Microchip begins to print and mail its proxy materials.

If a stockholder intends to present a proposal for consideration or make a nomination for director at the 2003 annual meeting outside the processes of Securities and Exchange Commission Rule 14a-8, the stockholder must meet the requirements of Genesis Microchip's bylaws which require, in general, that notice must be received by the Secretary of Genesis Microchip not less than 90 days prior to the anniversary date of the prior year's annual meeting. However, in the event the annual meeting is called for a date that is not within 30 days before or after the anniversary date, notice by the stockholders to be on time must be received not later than the close of business on the 10th day following the day on which notice of the date of the meeting was mailed or public disclosure of the meeting date was made, whichever comes first. A copy of the relevant bylaw provision may be obtained by written request to Genesis Microchip Inc., 2150 Gold Street, Alviso, California 95002, Attention: Secretary.

**LEGAL MATTERS**

The validity of the Pixelworks common shares offered by this joint proxy statement/prospectus will be passed upon by Ater Wynne LLP, Portland, Oregon, counsel to Pixelworks. O Melveny & Myers LLP, Menlo Park, California, special counsel to Pixelworks, will pass upon certain federal income tax consequences of the merger for Pixelworks.

Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California will pass upon certain federal income tax consequences of the merger for Genesis Microchip.

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**EXPERTS**

The consolidated financial statements of Pixelworks and its subsidiaries as of December 31, 2002 and 2001 and for each of the years in the three-year period ended December 31, 2002 included in its annual report on Form 10-K/A for the year ended December 31, 2002 have been incorporated by reference into this joint proxy statement/prospectus in reliance upon the report dated January 17, 2003 of KPMG LLP, independent auditors, which is incorporated by reference, and upon the authority of that firm as experts in accounting and auditing. Our report refers to a change in the accounting for goodwill.

The consolidated financial statements and schedule of Genesis Microchip and its subsidiaries as of March 31, 2001 and 2002 and for each of the years in the three-year period ended March 31, 2002 included in its annual report on Form 10-K for the year ended March 31, 2002 have been incorporated by reference in reliance upon the report dated April 26, 2002 of KPMG LLP, independent auditors, which is incorporated by reference, and upon the authority of that firm as experts in accounting and auditing.

**INCORPORATION BY REFERENCE**

This joint proxy statement/prospectus incorporates documents by reference that are not presented in or delivered with this joint proxy statement/prospectus. You should rely on the information contained in this joint proxy statement/prospectus and in the documents that Pixelworks and Genesis Microchip have incorporated by reference into this joint proxy statement/prospectus. We have not authorized anyone to provide you with information that is different from, or in addition to, the information contained in this document and the documents incorporated by reference into this joint proxy statement/prospectus.

The following documents, which were filed by Pixelworks with the Securities and Exchange Commission, are incorporated by reference into this joint proxy statement/prospectus:

Pixelworks amended annual report on Form 10-K/A for the fiscal year ended December 31, 2002, filed with the Securities and Exchange Commission on May 30, 2003;

Pixelworks quarterly report on Form 10-Q for its quarter ended March 31, 2003, filed on May 15, 2003;

Pixelworks current report on Form 8-K dated April 22, 2003, filed with the Securities and Exchange Commission on April 25, 2003;

Pixelworks current report on Form 8-K dated March 17, 2003, filed with the Securities and Exchange Commission on March 20, 2003;

Pixelworks amended quarterly report on Form 10-Q/A for its quarter ended September 30, 2002, filed on January 30, 2003;

Pixelworks current report on Form 8-K dated January 21, 2003, filed with the Securities and Exchange Commission on January 22, 2003; and

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The description of Pixelworks common stock contained in its registration statement on Form 8-A, filed with the Securities and Exchange Commission on April 10, 2000, and any amendment or report filed with the Securities and Exchange Commission for the purposes of updating such description.

The following documents, which were filed by Genesis Microchip with the Securities and Exchange Commission, are incorporated by reference into this joint proxy statement/prospectus:

Genesis Microchip's amended annual report on Form 10-K/A for the fiscal year ended March 31, 2002, filed with the Securities and Exchange Commission on May 29, 2003;

Genesis Microchip's amended quarterly report on Form 10-Q/A for the fiscal quarter ended December 31, 2002, filed with the Securities and Exchange Commission on May 29, 2003;

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Genesis Microchip's current report on Form 8-K dated May 1, 2003, filed with the Securities and Exchange Commission on May 1, 2003;

Genesis Microchip's current report on Form 8-K dated March 17, 2003, filed with the Securities and Exchange Commission on March 20, 2003;

Genesis Microchip's quarterly report on Form 10-Q for the quarter ended December 31, 2002, filed with the Securities and Exchange Commission on February 14, 2003;

Genesis Microchip's current report on Form 8-K dated February 14, 2003, filed with the Securities and Exchange Commission on February 14, 2003;

Genesis Microchip's quarterly report on Form 10-Q for the quarter ended September 30, 2002, filed with the Securities and Exchange Commission on November 14, 2002;

Genesis Microchip's current report on Form 8-K dated August 26, 2002, filed with the Securities and Exchange Commission on September 3, 2002;

Genesis Microchip's quarterly report on Form 10-Q for the quarter ended June 30, 2002, filed with the Securities and Exchange Commission on August 14, 2002;

Genesis Microchip's current report on Form 8-K dated June 26, 2002, filed with the Securities and Exchange Commission on June 28, 2002;

Genesis Microchip's amended annual report on Form 10-K/A for the fiscal year ended March 31, 2002, filed with the Securities and Exchange Commission on July 29, 2002;

Genesis Microchip's annual report on Form 10-K for the fiscal year ended March 31, 2002 filed with the Securities and Exchange Commission on July 1, 2002;

The description of Genesis Microchip's common stock contained in its registration statement on Form 8-A, filed with the Securities and Exchange Commission on January 7, 2002; and

The description of Genesis Microchip's preferred share purchase rights contained in its registration statement on Form 8-A, filed with the Securities and Exchange Commission on August 5, 2002 and amended on March 31, 2003.

In addition, all documents filed by Pixelworks and Genesis Microchip pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this document and before the date of the Pixelworks and Genesis Microchip special meetings are deemed to be incorporated by reference into, and to be a part of, this document from the date of filing of those documents.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference into this joint proxy statement/prospectus will be deemed to be modified or superseded for purposes of this joint proxy statement/prospectus to the extent that a statement contained in this joint proxy statement/prospectus or any other subsequently filed document that is deemed to be incorporated by



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reference into this joint proxy statement/prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this joint proxy statement/prospectus.

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The documents incorporated by reference into this document are available from us upon request. We will provide a copy of any and all of the information that is incorporated by reference into this document (not including exhibits to the information unless those exhibits are specifically incorporated by reference into this document) to any person, without charge, upon written or oral request. **In order for you to receive timely delivery of the documents in advance of the Pixelworks or Genesis Microchip special meetings, you must request the above mentioned information no later than five business days prior to the date you must make your investment decision. As a result, Pixelworks or Genesis Microchip should receive your request no later than •, 2003.**

*Requests for documents relating*

*to Pixelworks should be directed to:*

Pixelworks, Inc.

8100 SW Nyberg Road

Tualatin, Oregon 97062

Attention: Chief Financial Officer

(503) 454-1750

*Requests for documents relating*

*to Genesis Microchip should be directed to:*

Genesis Microchip Inc.

2150 Gold Street

Alviso, California 95002

Attention: Chief Financial Officer

(408) 262-6599

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**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

Pixelworks and Genesis Microchip each file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, proxy statements and other information at the public reference facilities maintained by the Securities and Exchange Commission at:

|                        |                         |
|------------------------|-------------------------|
| Judiciary Plaza        | Citicorp Center         |
| Room 1024              | 500 West Madison Street |
| 450 Fifth Street, N.W. | Suite 1400              |
| Washington, D.C. 20549 | Chicago, Illinois 60661 |

Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Section of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 or by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a website that contains reports, proxy statements and other information regarding Pixelworks and Genesis Microchip at <http://www.sec.gov>.

**Pixelworks has filed a registration statement on Form S-4 under the Securities Act with the Securities and Exchange Commission with respect to Pixelworks common stock to be issued to Genesis Microchip stockholders in the merger. This joint proxy statement/prospectus constitutes the prospectus of Pixelworks filed as part of the registration statement. This joint proxy statement/prospectus does not contain all of the information set forth in the registration statement because certain parts of the registration statement are omitted in accordance with the rules and regulations of the Securities and Exchange Commission. The registration statement and its exhibits are available for inspection and copying as set forth above.**

**WHO CAN HELP ANSWER YOUR QUESTIONS**

If you have additional questions about the merger, you should contact:

*For Pixelworks Shareholders:*

Pixelworks, Inc.

8100 SW Nyberg Road

Tualatin, Oregon 97062

Attention: Chief Financial Officer

(503) 454-1750

*For Genesis Microchip Stockholders:*

Genesis Microchip Inc.

2150 Gold Street

Alviso, California 95002

Attention: Chief Financial Officer

(408) 262-6599

**This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this joint proxy statement/prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this joint proxy statement/prospectus nor any distribution of securities pursuant to this joint proxy statement/prospectus shall, under any circumstances, create any implication that there has been on change in the information set forth or incorporated into this joint proxy statement/prospectus by reference or in our affairs since the date of this joint proxy statement/prospectus. Pixelworks has supplied all information contained or incorporated by reference in this joint proxy statement/prospectus about Pixelworks, and Genesis Microchip has supplied all information contained or incorporated by reference in this joint proxy statement/prospectus about Genesis Microchip.**

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ANNEX A

**AGREEMENT AND PLAN OF MERGER**

**by and among**

**Pixelworks, Inc.**

**Display Acquisition Corporation**

**and**

**Genesis Microchip Inc.**

**Dated as of March 17, 2003**

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**AGREEMENT AND PLAN OF MERGER**

THIS AGREEMENT AND PLAN OF MERGER (this **Agreement** ) is made and entered into as of March 17, 2003 by and among Pixelworks, Inc., an Oregon corporation ( **Pixelworks** ), Display Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Pixelworks ( **Merger Sub** ), and Genesis Microchip Inc., a Delaware corporation ( **Genesis** ).

WHEREAS, the Board of Directors of Pixelworks (the **Pixelworks Board** ) and the Board of Directors of Genesis (the **Genesis Board** ) each deem it advisable and in the best interests of its respective corporation and its securityholders that Pixelworks and Genesis engage in a business combination in order to advance the long-term strategic business interests of Pixelworks and Genesis;

WHEREAS, the combination of Pixelworks and Genesis shall be effected through a merger of Merger Sub with and into Genesis (the **Merger** ) in accordance with the terms of this Agreement and the General Corporation Law of the State of Delaware ( **Delaware Law** );

WHEREAS, the Board of Directors of Pixelworks (i) has determined that the Merger is advisable, consistent with and in furtherance of the long-term business strategy of Pixelworks and fair to, and in the best interests of, Pixelworks and its stockholders, (ii) has approved this Agreement, the Merger and the other transactions contemplated by this Agreement and (iii) has approved and determined to recommend that the stockholders of Pixelworks vote to approve the issuance of shares of Pixelworks Common Stock (as defined below) to the stockholders of Genesis pursuant to the terms of this Agreement;

WHEREAS, the Board of Directors of Genesis (i) has determined that the Merger is advisable, consistent with and in furtherance of the long-term business strategy of Genesis and fair to, and in the best interests of, Genesis and its stockholders, (ii) has approved this Agreement, the Merger and the other transactions contemplated by this Agreement and declared this Agreement advisable and (iii) has determined to recommend the adoption of this Agreement to the stockholders of Genesis;

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition and inducement to Pixelworks' s willingness to enter into this Agreement, certain stockholders of Genesis will be entering into (i) the Genesis Voting Agreement, dated as of the date of this Agreement, in substantially the form attached hereto as Exhibit A-1 (the **Genesis Voting Agreement** ), pursuant to which such stockholders will, among other things, agree to give Pixelworks a proxy to vote all of the shares of capital stock of Genesis that such stockholders own, and (ii) an affiliate agreement with Pixelworks in substantially the form attached hereto as Exhibit B (the **Affiliate Agreement** );

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition and inducement to Genesis' s willingness to enter into this Agreement, certain stockholders of Pixelworks will be entering into the Pixelworks Voting Agreement, dated as of the date of this Agreement, in substantially the form attached hereto as Exhibit A-2 (the **Pixelworks Voting Agreement** ), pursuant to which such stockholders will, among other things, agree to give Genesis a proxy to vote all of the shares of capital stock of Pixelworks that such stockholders own;

WHEREAS, for United States federal income tax purposes, it is intended that the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the **Code** );

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NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Pixelworks, Merger Sub and Genesis hereby agree as follows:

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**ARTICLE I**

**THE MERGER**

1.1 *The Merger.* Upon the terms and subject to the conditions of this Agreement and the applicable provisions of Delaware Law, Merger Sub shall merge with and into Genesis at the Effective Time (as defined below). From and after the Effective Time, the separate corporate existence of Merger Sub shall cease and Genesis shall continue as the surviving corporation in the Merger. Genesis, following the Merger, is sometimes referred to herein as the **Surviving Corporation**. Subject to the provisions of this Agreement, the parties hereto shall cause the Merger to be consummated by filing a certificate of merger (the **Certificate of Merger**) prepared and executed by Genesis in accordance with Delaware Law with the Secretary of State of the State of Delaware (the time of such filing with the Secretary of State of the State of Delaware (or such later time as may be agreed to in writing by Pixelworks and Genesis and specified in the Certificate of Merger) being the **Effective Time**). The Merger shall have the effects set forth in this Agreement and as provided by Delaware Law.

1.2 *The Closing.*

(a) The closing of the Merger (the **Closing**) shall take place at a time and on a date to be specified by Pixelworks and Genesis (the **Closing Date**), which shall be no later than the second business day after satisfaction or waiver of the conditions set forth in Article VII, at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California, unless another date, place or time is agreed to in writing by Pixelworks and Genesis.

(b) At the Closing:

(i) Genesis shall deliver to Pixelworks the various certificates, instruments and documents referred to in Section 7.2;

(ii) Pixelworks shall deliver to Genesis the various certificates, instruments and documents referred to in Section 7.3; and

(iii) Pixelworks, on behalf of the Surviving Corporation, shall file the Certificate of Merger with the Secretary of State of the State of Delaware.

1.3 *Certificate of Incorporation and Bylaws of the Surviving Corporation.*

(a) *Certificate of Incorporation.* At the Effective Time, the Certificate of Incorporation of Genesis shall be amended to be identical to the Certificate of Incorporation of Merger Sub in effect immediately prior to the Effective Time, and such amended Certificate of Incorporation shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended in accordance with Delaware Law and such Certificate of Incorporation; provided, however, that Article I of such amended Certificate of Incorporation shall be amended to provide that the name of the Surviving Corporation shall be **Genesis Microchip Inc.**

(b) *Bylaws.* The parties shall take all requisite action so that at the Effective Time, the Bylaws of Genesis shall be amended and restated to be identical to the Bylaws of Merger Sub in effect immediately prior to the Effective Time, and such amended and restated Bylaws shall be the Bylaws of the Surviving Corporation until thereafter amended in accordance with Delaware Law, the Certificate of Incorporation of the Surviving Corporation and such Bylaws.

1.4 *Directors and Officers of the Surviving Corporation.*

(a) *Directors.* The parties shall take all requisite action so that the initial directors of the Surviving Corporation shall be the directors named in Section 1.4(a) of the Pixelworks Disclosure Letter (as defined in Article IV), each to hold office in accordance with the Certificate of Incorporation and Bylaws of the

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Surviving Corporation until their respective successors are duly elected or appointed and qualified in accordance with Delaware Law, and the Certificate of Incorporation and Bylaws of the Surviving Corporation.

(b) *Officers.* The parties shall take all requisite action so that the initial officers of the Surviving Corporation shall be the officers named in Section 1.4(b) of the Pixelworks Disclosure Letter (as defined in Article IV), each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation until their respective successors are duly appointed in accordance with Delaware Law, and the Certificate of Incorporation and Bylaws of the Surviving Corporation.

1.5 *Tax Consequences.* It is intended by the parties hereto that the Merger shall constitute a reorganization within the meaning of Section 368(a) of the Code. The parties hereto adopt this Agreement as a plan of reorganization within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a).

1.6 *Further Action.* At and after the Effective Time, the officers and directors of Pixelworks and the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of Genesis and Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of Genesis and Merger Sub, any other actions and things necessary to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets of Genesis and Merger Sub in accordance with the terms of this Agreement.



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**ARTICLE II**

**CONVERSION OF SECURITIES**

2.1 *Conversion of Capital Stock.* As of the Effective Time, by virtue of the Merger and without any action on the part of Pixelworks, Genesis, Merger Sub or the holders of any shares of the capital stock of Genesis or the capital stock of Merger Sub:

(a) *Capital Stock of Merger Sub.* Each share of the common stock of Merger Sub, par value \$0.001 per share, issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and nonassessable share of common stock, \$0.001 par value per share, of the Surviving Corporation.

(b) *Cancellation of Treasury Stock and Pixelworks-Owned Stock.* All shares of common stock, \$0.001 par value per share, of Genesis ( **Genesis Common Stock** ) that are owned by Genesis as treasury stock or by any direct or indirect wholly owned Subsidiary of Genesis and any shares of Genesis Common Stock owned by Pixelworks, Merger Sub or any other direct or indirect wholly owned Subsidiary of Pixelworks immediately prior to the Effective Time shall be cancelled and shall cease to exist and no shares of Pixelworks or other consideration shall be delivered in exchange therefor.

(c) *Exchange Ratio for Genesis Common Stock.* Each share of Genesis Common Stock (other than shares to be cancelled in accordance with Section 2.1(b) hereof) issued and outstanding immediately prior to the Effective Time shall be automatically converted (subject to Section 2.2(c)) into the right to receive 2.3366 (the **Exchange Ratio** ) validly issued, fully paid and nonassessable shares of Pixelworks Common Stock ( **Pixelworks Common Stock** ), upon surrender of the certificate representing such share of Genesis Common Stock in the manner provided in Section 2.2. As of the Effective Time, all such shares of Genesis Common Stock shall no longer be outstanding and shall automatically be cancelled and shall cease to exist, and each holder of a certificate representing any such shares of Genesis Common Stock shall cease to have any rights with respect thereto, except the right to receive Pixelworks Common Stock pursuant to this Section 2.1(c) and any cash in lieu of fractional shares of Pixelworks Common Stock to be issued or paid in consideration therefor upon the surrender of such certificate in accordance with Section 2.2, without interest.

(d) *Adjustment to Exchange Ratio.* The Exchange Ratio shall be adjusted to reflect appropriately the effect of any reclassification, stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Pixelworks Common Stock or Genesis Common Stock), reorganization, recapitalization or other like change with respect to Pixelworks Common Stock or Genesis Common Stock occurring (or for which a record date is established) on or after the date hereof and prior to the Effective Time.

(e) *Unvested Stock.* If any shares of Genesis Common Stock outstanding immediately prior to the Effective Time are unvested or are subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock purchase agreement or other agreement with Genesis, then the shares of Pixelworks Common Stock issued in exchange for such shares of Genesis Common Stock will also be unvested or subject to the same repurchase option, risk of forfeiture or other condition, and the certificates representing such shares of Pixelworks Common Stock will accordingly be marked with appropriate legends. Genesis shall not take or permit any action, which would accelerate vesting of any unvested shares, or remove, modify or amend any such risk of forfeiture or other condition, except to the extent required by their terms as in effect on the date hereof. All outstanding rights and obligations of Genesis in effect immediately prior to the Effective Time pursuant to any applicable restricted stock purchase agreement or other agreement with Genesis, including without limitation any right to repurchase unvested shares of Genesis Common Stock or to exercise any other right with respect to shares of Genesis Common Stock that are restricted, shall be automatically assigned to Pixelworks in the Merger at the Effective Time and shall thereafter become rights and obligations of Pixelworks upon

the same terms and conditions in effect

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immediately prior to the Effective Time, except that the shares purchasable pursuant to such rights and the purchase price payable per share shall be appropriately adjusted to reflect the Exchange Ratio. Genesis and Pixelworks each shall take all reasonable steps necessary to cause the foregoing provisions of this Section 2.1(e) to occur.

2.2 *Exchange of Certificates.* The procedures for exchanging outstanding shares of Genesis Common Stock for Pixelworks Common Stock pursuant to the Merger are as follows:

(a) *Exchange Agent.* Pixelworks shall make available to Mellon Investor Services LLC or another bank or trust company designated by Pixelworks and reasonably acceptable to Genesis (the **Exchange Agent**), as needed, for exchange in accordance with this Section 2.2, through the Exchange Agent, (i) the shares of Pixelworks Common Stock issuable pursuant to Section 2.1 in exchange for outstanding shares of Genesis Common Stock, (ii) cash in an amount sufficient to make payments for fractional shares required pursuant to Section 2.2(c), and (iii) any dividends or distributions to which holders of certificates which immediately prior to the Effective Time represented outstanding shares of Genesis Common Stock (the **Certificates**) may be entitled pursuant to Section 2.2(d).

(b) *Exchange Procedures.* Promptly after the Effective Time, the Exchange Agent shall mail to each holder of record of a Certificate or Certificates whose shares were converted pursuant to Section 2.1 into the right to receive shares of Pixelworks Common Stock, cash in lieu of any fractional shares pursuant to Section 2.2(c) hereof, and any dividends or other distributions pursuant to Section 2.2(d) hereof (i) a letter of transmittal in customary form (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall contain such other provisions as Pixelworks may reasonably specify) and (ii) instructions for effecting the surrender of the Certificates in exchange for Pixelworks Common Stock (plus cash in lieu of fractional shares of Pixelworks Common Stock, if any, and any dividends or distributions as provided below). Upon surrender of a Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by Pixelworks, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of Pixelworks Common Stock issuable in respect thereof pursuant to the provisions of Section 2.1 (provided that in lieu of a certificate representing such shares of Pixelworks Common Stock, such shares may be issued in uncertificated book entry form unless a physical certificate is requested or is otherwise required by applicable law or regulation) plus cash in lieu of fractional shares pursuant to Section 2.2(c) and any dividends or distributions pursuant to Section 2.2(d), and the Certificate so surrendered shall immediately be cancelled. In the event of a transfer of ownership of Genesis Common Stock which is not registered in the transfer records of Genesis, a certificate representing the proper number of shares of Pixelworks Common Stock plus cash in lieu of fractional shares pursuant to Section 2.2(c) and any dividends or distributions pursuant to Section 2.2(d) may be issued or paid to a person other than the person in whose name the Certificate so surrendered is registered, if such Certificate is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence acceptable to Pixelworks or any agent designated by it that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 2.2, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Pixelworks Common Stock to be issued in consideration therefor plus cash in lieu of fractional shares pursuant to Section 2.2(c) and any dividends or distributions pursuant to Section 2.2(d) as contemplated by this Section 2.2.

(c) *No Fractional Shares.* No fraction of a share of Pixelworks Common Stock shall be issued upon the surrender for exchange of Certificates, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a stockholder of Pixelworks. Notwithstanding any other provision of this Agreement, each holder of shares of Genesis Common Stock converted pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Pixelworks Common Stock (after taking into account all Certificates delivered by such holder and the aggregate number of shares of Genesis

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Common Stock represented thereby) shall, upon surrender of such holder's Certificates, receive, in lieu thereof, cash (without interest) in an amount equal to such fractional part of a share of Pixelworks Common Stock multiplied by the average of the last reported sales prices of shares of Pixelworks Common Stock at the end of regular trading hours on the Nasdaq National Market ( **Nasdaq** ) during the ten (10) consecutive trading days ending on the last trading day prior to the Effective Time.

(d) *Distributions with Respect to Unexchanged Shares.* No dividends or other distributions declared or made after the Effective Time with respect to Pixelworks Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate until the holder of record of such Certificate shall surrender such Certificate. Subject to the effect of applicable laws, following surrender of any such Certificate, the Exchange Agent shall deliver to the record holder of the whole shares of Pixelworks Common Stock issued in exchange therefore, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time previously paid with respect to such whole shares of Pixelworks Common Stock, without interest, and (ii) cash in lieu of any fractional shares of Pixelworks Common Stock pursuant to Section 2.2(c) above.

(e) *No Further Ownership Rights in Genesis Common Stock.* All shares of Pixelworks Common Stock issued upon the surrender for exchange of Certificates in accordance with the terms hereof (including any cash or dividends or other distributions paid pursuant to Section 2.2(c) or 2.2(d)) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to such shares of Genesis Common Stock, and from and after the Effective Time there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Genesis Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Exchange Agent for any reason, they shall be cancelled and exchanged as provided in this Article II.

(f) *No Liability.* To the extent permitted by applicable law, none of Pixelworks, Merger Sub, Genesis, the Surviving Corporation or the Exchange Agent shall be liable to any holder of shares of Genesis Common Stock or Pixelworks Common Stock, as the case may be, for such shares (or dividends or distributions with respect thereto) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificate shall not have been surrendered prior to one year after the Effective Time (or immediately prior to such earlier date on which any shares of Pixelworks Common Stock, and any cash payable to the holder of such Certificate or any dividends or distributions payable to the holder of such Certificate pursuant to this Article II would otherwise escheat to or become the property of any Governmental Entity), any such shares of Pixelworks Common Stock or cash, dividends or distributions in respect of such Certificate shall, to the extent permitted by applicable law, become the property of the Surviving Corporation, free and clear of all claims or interest of any person previously entitled thereto.

(g) *Withholding Rights.* Each of the Exchange Agent, Pixelworks and the Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise deliverable pursuant to this Agreement to any holder or former holder of shares of Genesis Common Stock such amounts as it reasonably determines that it is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable provision of state, local or foreign Tax law or any other applicable legal requirement. To the extent that amounts are so deducted or withheld, such amounts shall be treated for all purposes of this Agreement as having been paid to the person to whom such amounts would have otherwise have been delivered.

(h) *Lost Certificates.* In the event that any Certificate shall have been lost, stolen or destroyed, the Exchange Agent may require the stockholder of such lost, stolen or destroyed Certificate, in exchange for such lost, stolen or destroyed Certificate, to make and deliver an affidavit of that fact and provide such other documentation and pay such fees, or post such bonds, as is the customary practice of the Exchange Agent prior to delivering the certificates representing the shares of Pixelworks Common Stock into which the shares of Genesis Common Stock represented by such lost, stolen or destroyed Certificate was converted pursuant to Section 2.1 and cash for fractional shares, if any, as may be required pursuant to Section 2.2(c)



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and any dividends or distributions payable pursuant to Section 2.2(d); provided, however, that Pixelworks may, in its discretion and as a condition precedent to the issuance of such certificates representing shares of Pixelworks Common Stock and other distributions, require the owner of such lost, stolen or destroyed Certificate to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Pixelworks, the Surviving Corporation, or the Exchange Agent with respect to the Certificates alleged to have been lost, stolen or destroyed; provided further, that in no event shall Pixelworks be required to pay any fee or post any bond referred to in this Section 2.2(h).

2.3 *Genesis Stock Plans.*

(a) At the Effective Time, Pixelworks shall assume Genesis's 1987 Stock Option Plan (the **1987 Plan**), 1997 Paradise Stock Option Plan (the **Paradise Plan**), 1997 Employee Stock Option Plan (the **1997 Employee Plan**), 1997 Non-Employee Stock Option Plan (the **Non-Employee Plan**), 2000 Non-Statutory Stock Option Plan (the **2000 NSO Plan**), 2001 Non-Statutory Stock Option Plan (the **2001 NSO Plan**) and 1997 Sage Second Amended and Restated Stock Option Plan (the **Sage Plan**, and together with the 1987 Plan, the Paradise Plan, the 1997 Employee Plan, the Non-Employee Plan, the 2000 NSO Plan and the 2001 NSO Plan, the **Genesis Stock Plans**), and each outstanding option to purchase Genesis Common Stock under any of the Genesis Stock Plans, whether vested or unvested and whether exercisable or unexercisable (each an **Genesis Stock Option**), shall be assumed by Pixelworks and shall be deemed to constitute an option to acquire, on the same terms and conditions as were applicable under such Genesis Stock Option immediately prior to the Effective Time, the same number of shares of Pixelworks Common Stock as the holder of such Genesis Stock Option would have been entitled to receive pursuant to the Merger had such holder exercised such option in full immediately prior to the Effective Time (rounded down to the nearest whole share), at a price per share (rounded up to the nearest cent) equal to (y) the aggregate exercise price for the shares of Genesis Common Stock purchasable pursuant to such Genesis Stock Option immediately prior to the Effective Time divided by (z) the aggregate number of shares of Pixelworks Common Stock deemed purchasable pursuant to such Genesis Stock Option in accordance with the foregoing. Such Genesis Stock Options shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 2.3). It is the intention of the parties that the Genesis Stock Options assumed by Pixelworks qualify, to the maximum extent permissible, following the Effective Time, as incentive stock options (as defined in Section 422 of the Code), to the extent the Genesis Stock Options qualified as incentive stock options prior to the Effective Time.

(b) As soon as practicable after the Effective Time, Pixelworks shall deliver to the participants in the Genesis Stock Plans an appropriate notice setting forth such participants' rights with respect to the Genesis Stock Options, as provided in this Section 2.3.

(c) Pixelworks shall take all corporate action necessary to reserve for issuance a sufficient number of shares of Pixelworks Common Stock for delivery upon exercise of Genesis Stock Options assumed in accordance with this Section 2.3. Promptly after the Effective Time, Pixelworks shall file one or more registration statements on Form S-8 (or any successor form) with respect to the shares of Pixelworks Common Stock subject to such Genesis Stock Options (to the extent a Form S-8 is available for such options) and shall use commercially reasonable efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such options remain outstanding.

(d) The rights of participants in the Genesis 1997 Employee Stock Purchase Plan (the **Genesis ESPP**) with respect to any offering then underway under the Genesis ESPP shall be determined by treating the last business day prior to the Effective Time as the last day of such offering period and by making such other pro rata adjustments as may be necessary to reflect the shortened offering period but otherwise treating such shortened offering period as a fully effective and completed offering period for all purposes under the Genesis ESPP. Outstanding rights to purchase shares of Genesis Common Stock shall be exercised in accordance with Section 19(c) of the Genesis ESPP, and each share of Genesis Common Stock purchased pursuant to such exercise shall by virtue of the Merger, and without any action on the part of the holder

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thereof, be converted into the right to receive a number of shares of Pixelworks Common Stock in accordance with Section 2.1(c) hereof without issuance of certificates representing issued and outstanding shares of Genesis Common Stock to participants under the Genesis ESPP. As of the Effective Time, the Genesis ESPP shall be terminated. Prior to the Effective Time, Genesis shall (i) provide Pixelworks with evidence that the Genesis ESPP has been terminated pursuant to resolutions of Genesis's board of directors; the form and substance of such resolutions shall be subject to prior review and approval of Pixelworks (the approval of which shall not be unreasonably withheld) and (ii) take such other reasonable actions (including, but not limited to, if appropriate, amending the Genesis ESPP) that are necessary to give effect to the transaction contemplated by this Section 2.3(d). In the event that the Effective Time occurs on or after August 1, 2003, Pixelworks shall take such actions as are necessary to provide to Genesis's employees who become employees of Pixelworks (or a subsidiary of Pixelworks) the opportunity to enroll in a special offering period under the Pixelworks Employee Stock Purchase Plan (the **Special Offering Period**), which shall commence within ten (10) business days following the Effective Time; provided, that such employees satisfy the eligibility requirements of the Pixelworks Employee Stock Purchase Plan and that such participation will be subject to the other terms and conditions of such Plan; and provided, further, that, with respect to Genesis's non-U.S. employees who become employees of Pixelworks (or a subsidiary of Pixelworks) shall also have the opportunity to participate in the Special Offering Period and subsequent offering periods that commence under the Pixelworks Employee Stock Purchase Plan so long as such participation is not prohibited under applicable law, rule or regulation and does not result in any material additional administrative cost to Pixelworks, based on Genesis's historical costs and taking into account the size of Pixelworks after giving effect to the transactions contemplated by this Agreement. The Special Offering Period shall consist of four **Purchase Periods** (as defined under the Pixelworks Employee Stock Purchase Plan), the first Purchase Period shall start on the first day of the Special Offering Period and shall end on the last trading day immediately preceding the next February 1 or August 1, whichever first occurs, and the following three Purchase Periods shall each be six (6) months in duration coinciding with the usual Purchase Period cycles under the Pixelworks Employee Stock Purchase Plan (subject, in each case, to earlier termination as provided for in the Pixelworks Employee Stock Purchase Plan). In all other respects, participation in the Special Offering Period and the terms of the Special Offering Period shall be subject to the terms and conditions of the Pixelworks Employee Stock Purchase Plan. Pixelworks agrees to designate Genesis as a subsidiary eligible to participate in the Pixelworks Employee Stock Purchase Plan.

- (e) Genesis and Pixelworks shall take all requisite actions, including any required amendments to the Genesis Stock Plans, Genesis Stock Options or the Genesis ESPP so as to permit the transactions contemplated by this Section 2.3 without the consent of the affected award holder.

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**ARTICLE III**

**REPRESENTATIONS AND WARRANTIES OF GENESIS**

Genesis hereby represents and warrants to Pixelworks and Merger Sub as follows:

3.1 *Organization, Standing and Power; Subsidiaries.* Genesis is a corporation duly organized, validly existing and, except as set forth in Section 3.1 of the letter delivered by Genesis to Pixelworks on the date hereof (the **Genesis Disclosure Letter**), is in good standing under the laws of the jurisdiction of its incorporation, has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and as proposed to be conducted, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the character of the properties it owns, operates or leases or the nature of its activities makes such qualification necessary, except for such failures to be so organized, qualified or in good standing, individually or in the aggregate, which have not had, and are not reasonably likely to have, an Genesis Material Adverse Effect. For purposes of this Agreement, the term **Genesis Material Adverse Effect** means any change, effect, occurrence or state of facts (any such item, an **Effect**), 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 (i) the business, assets, liabilities, capitalization, condition (financial or other), or results of operations of Genesis and its Subsidiaries (as defined in Section 3.4), taken as a whole, or (ii) the ability of Genesis to perform the transactions contemplated by this Agreement; provided, however, that in no event shall any of the following, alone or in combination, be deemed to constitute an Genesis Material Adverse Effect: any Effect resulting from (A) general economic conditions or conditions generally affecting any industry in which Genesis operates, except to the extent that Genesis is materially disproportionately affected thereby; (B) the outbreak or escalation of hostilities or terrorist activities, either in the United States or abroad; (C) the announcement or pendency of the Merger; (D) a change in the stock price or trading volume of Genesis (or any failure of Genesis to meet published revenue or earnings projections), in and of itself, provided, that this clause (D) shall not exclude any underlying Effect which may have caused such change in stock price or trading volume or failure to meet published revenue or earnings projections; or (E) any litigation arising out of or related to any alleged breach of fiduciary duty related to this Agreement or the intellectual property litigation with Silicon Image, Inc. pending against Genesis as of the date of this Agreement.

3.2 *Charter Documents.* Genesis has delivered or made available to Pixelworks complete and correct copies of its (i) Certificate of Incorporation and Bylaws as amended to date (together, the **Genesis Charter Documents**) and (ii) Subsidiaries Certificates of Incorporation, or equivalent organizational documents, and Bylaws, or equivalent organizational documents. Such Genesis Charter Documents and equivalent organizational documents of each of its Subsidiaries are in full force and effect. Genesis is not in violation of any of the provisions of the Genesis Charter Documents, and no Subsidiary of Genesis is in violation of its equivalent organizational documents.

3.3 *Capitalization.*

(a) The authorized capital stock of Genesis consists of 100,000,000 shares of Genesis Common Stock and 5,000,000 shares of preferred stock, \$0.001 par value per share (**Genesis Preferred Stock**), of which 100,000 shares have been designated as Series A Participating Preferred Stock. As of March 13, 2003: (i) 31,185,104 shares of Genesis Common Stock were issued and outstanding; (ii) 21,216 shares of Genesis Common Stock were held in the treasury of Genesis; (iii) an aggregate of 6,201,702 shares of Genesis Common Stock were reserved for issuance upon the exercise of outstanding options to purchase Genesis Common Stock under the Genesis Stock Plans; (iv) an aggregate of 498,139 shares of Genesis Common Stock were available for future grant under the Genesis Stock Plans; (v) 288,429 shares of Genesis Common Stock were available for future issuance under Genesis's ESPP; and (vi) no shares of Genesis Preferred Stock were issued or outstanding.





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(b) No shares of Genesis Common Stock held by an executive officer or director of Genesis constitute restricted stock or are otherwise subject to a repurchase or redemption right or right of first refusal in favor of Genesis.

(c) Section 3.3(c) of the Genesis Disclosure Letter sets forth a complete and correct list, as of March 12, 2003, of all outstanding Genesis Stock Options, indicating with respect to each such Genesis Stock Option the name of the holder thereof, the Genesis Stock Plan under which it was granted, the number of shares of Genesis Common Stock subject to such Genesis Stock Option, the exercise price and the date of grant, vesting schedule and whether (and to what extent) the vesting will be accelerated in any way by the Merger or by termination of employment or change in position following consummation of the Merger and the date on which the Genesis Stock Option expires. Except as set forth on Section 3.3(c) of the Genesis Disclosure Letter, since March 12, 2003, Genesis has not granted any additional Genesis Stock Options or otherwise modified the terms of such Genesis Stock Options. Genesis has provided or made available to Pixelworks complete and correct copies of all Genesis Stock Plans and the forms of all stock option agreements evidencing Genesis Stock Options.

(d) Other than as set forth in Sections 3.3(a)-(c) above, and except as set forth in Section 3.3(d) of the Genesis Disclosure Letter, there are no equity securities, partnership interests or other similar ownership interests of any class or series of capital stock of Genesis, or any securities convertible into or exercisable or exchangeable for such equity securities, partnership interests or other similar ownership interests issued, reserved for issuance or outstanding. Except as set forth in Section 3.3(d) of the Genesis Disclosure Letter, except for securities Genesis owns, directly or indirectly through any of its Subsidiaries, there are no equity securities, partnership interests or other similar ownership interests of any class or series of capital stock of any Subsidiary of Genesis, or any securities convertible into or exercisable or exchangeable for such equity securities, partnership interests or other similar ownership interests issued, reserved for issuance or outstanding. Except as set forth in Section 3.3(d) of the Genesis Disclosure Letter, there are no options, warrants, equity securities, partnership interests or other similar ownership interests, calls, rights (including preemptive rights), commitments or agreements of any kind or character to which Genesis or any of its Subsidiaries is a party or by which Genesis or any of its Subsidiaries is bound obligating Genesis or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, or repurchase, redeem or otherwise acquire, or cause the repurchase, redemption or acquisition, of any shares of capital stock of Genesis or any of its Subsidiaries or obligating Genesis or any of its Subsidiaries to grant, extend, accelerate the vesting of or enter into any such option, warrant, equity security, partnership interest or other similar ownership interest, call, right, commitment or agreement, except as set forth in Section 3.3(d) of the Genesis Disclosure Letter.

(e) Except as set forth in Sections 3.3(a)-(d) above, (x) there is no agreement, written or oral, between Genesis or any Affiliate of Genesis and any holder of the securities of Genesis relating to the sale or transfer (including agreements relating to rights of first refusal, co-sale rights or drag-along rights), registration under the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder, the **Securities Act**), or voting, of the capital stock of Genesis, and (y) there is no rights agreement, poison pill anti-takeover plan or other agreement or understanding to which Genesis is a party or by which it is bound with respect to any equity security of any class of Genesis. For purposes of this Agreement, the term **Affiliate** when used with respect to any party means any Person who is an affiliate of that party within the meaning of Rule 405 promulgated under the Securities Act.

(f) All outstanding shares of Genesis Common Stock are, and all shares of Genesis Common Stock subject to issuance as specified in Section 3.3(c) above upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of Delaware Law, the Genesis Charter Documents or any agreement to which Genesis is a party or is otherwise bound.

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(g) Stockholders of Genesis are not entitled to dissenters or appraisal rights under applicable state law in connection with the Merger.

(h) No consent of the holders of Genesis Stock Options, in their capacity as such, is required in connection with the actions contemplated by Article II of this Agreement.

3.4 *Subsidiaries.*

(a) Section 3.4(a) of the Genesis Disclosure Letter sets forth, for each Subsidiary of Genesis: (i) its name; (ii) the number (if such Subsidiary is not wholly-owned) and type of outstanding equity securities (as well as securities exchangeable or exercisable for and convertible into equity securities thereby) and a list of the holders thereof; and (iii) the jurisdiction of organization. For purposes of this Agreement, the term

**Subsidiary** means, with respect to any party, any corporation, partnership, trust, limited liability company or other non-corporate business enterprise in which such party (or another Subsidiary of such party) holds stock or other ownership interests representing (x) more than 50% of the voting power of all outstanding stock or ownership interests of such entity or (y) the right to receive more than 50% of the net assets of such entity available for distribution to the holders of outstanding stock or ownership interests upon a liquidation or dissolution of such entity.

(b) Each Subsidiary of Genesis is a corporation, partnership, limited liability corporation, limited liability partnership or other business association or entity duly organized, validly existing and, if applicable, in good standing under the laws of the jurisdiction of its formation, has all requisite corporate, partnership or other entity power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and as proposed to be conducted, and, except as set forth in Section 3.4(b) of the Genesis Disclosure Letter, is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except for such failures to be so organized, qualified or in good standing that, individually or in the aggregate, have not had, and are not reasonably likely to have, an Genesis Material Adverse Effect. Except as set forth in Section 3.4(b) of the Genesis Disclosure Letter, all of the outstanding shares of capital stock and other equity securities or interests of each Subsidiary of Genesis are duly authorized, validly issued, fully paid, and, if applicable, nonassessable and free of preemptive rights and all such shares and interests owned, of record and beneficially, by Genesis or another of its Subsidiaries are owned free and clear of all security interests, liens, claims, pledges, agreements, limitations in Genesis's voting rights, charges or other encumbrances of any nature. There are no outstanding or authorized options, warrants, rights, agreements or commitments to which Genesis or any of its Subsidiaries is a party or which are binding on any of them providing for the issuance, disposition or acquisition of any capital stock of any Subsidiary of Genesis, except as set forth in Section 3.4(b) of the Genesis Disclosure Letter. There are no outstanding stock appreciation, phantom stock or similar rights with respect to any Subsidiary of Genesis. There are no voting trusts, proxies or other agreements or understandings with respect to the voting of any capital stock of any Subsidiary of Genesis.

(c) Except as set forth in Section 3.4(c) of the Genesis Disclosure Letter, Genesis does not control directly or indirectly or have any direct or indirect equity participation or similar interest in any corporation, partnership, limited liability company, joint venture, trust or other business association or entity, which is not a Subsidiary of Genesis. Except as set forth in Section 3.4(c) of the Genesis Disclosure Letter, there are no obligations, contingent or otherwise, of Genesis or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of any Subsidiary of Genesis or to provide funds to or make any material investment (in the form of a loan, capital contribution or otherwise) in any Subsidiary of Genesis or any other entity, other than guarantees of bank obligations of Subsidiaries of Genesis entered into in the ordinary course of business consistent with past practice and the standard practices of other established businesses in the same industry (the **Ordinary Course of Business** ).

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(a) Genesis has all requisite corporate power and authority to execute and deliver this Agreement, and, subject only to the adoption of this Agreement (the **Genesis Voting Proposal**) by Genesis's stockholders under Delaware Law (the **Genesis Stockholder Approval**), to perform its obligations hereunder and to consummate the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, the Genesis Board, at a meeting duly called and held, by the unanimous vote of all directors: (i) determined that the Merger is fair to and in the best interests of Genesis and its stockholders; (ii) approved this Agreement in accordance with the provisions of Delaware Law and the Genesis Charter Documents and the filing and recordation of the Certificate of Merger as required by Delaware Law; (iii) approved the other transactions contemplated by this Agreement; and (iv) directed that this Agreement be submitted to the stockholders of Genesis for their adoption and resolved to recommend that the stockholders of Genesis vote in favor of the adoption of this Agreement. The execution and delivery of this Agreement and the performance of the transactions contemplated by this Agreement by Genesis have been duly and validly authorized by all necessary corporate action on the part of Genesis, subject (in the case of the Merger Agreement) only to the required receipt of the Genesis Stockholder Approval and the filing and recordation of the Certificate of Merger as required by Delaware Law. This Agreement has been duly and validly executed and delivered by Genesis and, when duly and validly executed and delivered by each of Pixelworks and Merger Sub, constitutes the valid and binding obligation of Genesis, enforceable against Genesis in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) (the **Bankruptcy and Equity Exception**).

(b) The execution and delivery of this Agreement by Genesis do not, and the performance by Genesis of the transactions contemplated by this Agreement shall not: (i) conflict with, or result in any violation or breach of, any provision of the Genesis Charter Documents or of the charter, Bylaws, or other organizational document of any Subsidiary of Genesis; (ii) conflict with, or result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under, or require a consent or waiver under, constitute a change in control under, require the payment of a penalty under or result in the imposition of any mortgages, security interests, pledges, liens, charges or encumbrances of any nature (**Liens**) on Genesis's or any of its Subsidiaries' assets under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract or other agreement, instrument or obligation (each, a **Contract**) to which Genesis or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound, except with respect to those items set forth in Section 3.5(b) of the Genesis Disclosure Letter; or (iii) subject to obtaining the Genesis Stockholder Approval and compliance with the requirements specified in clauses (i) through (vi) of Section 3.5(c), conflict with or violate any federal, state, local, municipal, foreign or other governmental permit, concession, franchise, license, judgment, injunction, order, decree, statute, law, ordinance, rule or regulation (each, a **Legal Requirement**) applicable to Genesis or any of its Subsidiaries or any of its or their properties or assets, except in the case of clauses (ii) and (iii) of this Section 3.5(b) for any such conflicts, violations, breaches, defaults, terminations, cancellations, accelerations or losses which, individually or in the aggregate, are not reasonably likely to have an Genesis Material Adverse Effect. Section 3.5(b) of the Genesis Disclosure Letter lists all Contracts to which Genesis or any of its Subsidiaries is a party or otherwise bound under which consents, waivers and approvals are required to be obtained in connection with the consummation of the transactions contemplated hereby, which, if individually or in the aggregate were not obtained, would result in a material loss of benefits to Genesis, Pixelworks or the Surviving Corporation as a result of the Merger.

(c) No consent, approval, license, permit, order or authorization of, or registration, declaration, notice or filing with, any court, arbitral tribunal, administrative agency or commission or other governmental or regulatory authority, agency or instrumentality (a **Governmental Entity**) is required by or with respect

