PIXELWORKS, INC
Form 424B5
August 15, 2013
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-170768

The information contained in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 15, 2013

Preliminary Prospectus Supplement

(to Prospectus dated December 2, 2010)

Shares

Common Stock

We are offering shares of our common stock. We have granted the underwriter an option, exercisable for up to 30 days from the date of this prospectus supplement, to purchase up to additional shares of our common stock to cover overallotments.

Our shares of common stock are listed on The NASDAQ Global Market under the symbol PXLW. On August 14, 2013, the last reported sale price of our shares of common stock on The NASDAQ Global Market was $4.54 per share.

Investing in our shares of common stock involves risks. See Risk factors beginning on page S-5 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions (1)	$	$
Proceeds to Pixelworks (Before Expenses)	$	$

(1) The underwriter s discounts and commissions will be (i) 6.50% of the gross proceeds of this offering, or (ii) 3.25% of the gross proceeds received from the sale of up to $1 million in shares of our common stock to any of our employees, directors, other insiders, owners of at least 5% of our common stock, or a strategic investor to be identified by us. In addition to the underwriting discounts and commissions listed in the table above, we have agreed to reimburse the underwriter for all reasonable and documented out-of-pocket expenses incurred

by the underwriter in connection with the offering, up to a maximum of $30,000. See Underwriting for additional information regarding compensation payable to the underwriter.

If the underwriter exercises in full the overallotment option, the total underwriting discounts and commissions payable by us are expected to be $ and the total net proceeds to us, before expenses payable by us, are expected be $.

Delivery of our shares of common stock offered hereby is expected to be made on or about August , 2013.

Roth Capital Partners

Prospectus Supplement dated August , 2013

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You should rely only upon the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to give any information or make any representation about us that is different from or in addition to, that contained in this prospectus supplement and the accompanying prospectus or in any of the materials that we have incorporated by reference into this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Documents by Reference. Therefore, if anyone gives you information of this sort, you should not rely on it as authorized by us. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this prospectus supplement and the accompanying prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus supplement and the accompanying prospectus does not extend to you.

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Prospectus Supplement

Prospectus

Neither the delivery of this prospectus supplement and the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date on the front cover of this prospectus supplement or that the information contained or incorporated by reference herein is correct as of any time subsequent to the date of such information.

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About This Prospectus Supplement

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of common stock and also adds to and updates information contained in the accompanying prospectus as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the common stock we are offering. To the extent any inconsistency or conflict exists between the information included in this prospectus supplement and the information included in the accompanying prospectus, the information included or incorporated by reference in this prospectus supplement updates and supersedes the information in the accompanying prospectus. This prospectus supplement incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus supplement.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents identified under the headings Incorporation of Certain Documents by Reference and Where You Can Find More Information.

Unless otherwise indicated or the context otherwise requires, the terms the we, us, our, the Company and Pixelworks and similar terms refer Pixelworks, Inc., an Oregon corporation, and its consolidated subsidiaries.

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Prospectus Supplement Summary

The following summary highlights selected information about us and the offering and does not contain all the information that may be important to you. We encourage you to read this prospectus supplement and the accompanying prospectus in its entirety, including the information set forth under Risk Factors, and the documents incorporated by reference in this prospectus supplement under Incorporation of Certain Documents by Reference. In addition, certain statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement are forward-looking statements, which involve risks and uncertainties. See Forward-Looking Statements. Unless the context otherwise requires, all information in this prospectus supplement assumes no exercise of the overallotment option to purchase additional shares of common stock we have granted to the underwriter.

The Company

Overview

We are an innovative designer, developer and marketer of video display processing semiconductors and software for high-end digital video applications and hold over 120 patents related to the visual display of digital image data. Our products, solutions and services enable manufacturers of digital display and projection devices, large and small, to manufacture their products with a consistently high level of video quality, regardless of the content s source or format. Our core technology leverages unique proprietary techniques for intelligently processing video signals from a variety of sources to ensure that resulting images are optimized. Additionally, our products help our customers reduce costs and differentiate their display and projection devices, an important factor in industries that experience rapid innovation.

Our technology is developed as multiple algorithms, each having a specific processing function. These algorithms are converted into modular blocks that can be joined together in various combinations to form a larger system. This flexible design architecture enables us to strategically market and offer a wide range of products, from single-purpose integrated circuits (ICs) to system-on-chip (SoC) ICs that integrate microprocessor, memory and image processing functions. Additionally, we offer full solutions, including a software development environment and operating system, and to certain customers and partners, licenses for technologies developed for our IC products and co-development arrangements. Our products, solutions and services enable our customers to more quickly develop and customize their display products, thus reducing their time to market and allowing them to incorporate differentiated features and functions.

Our primary target markets are liquid crystal display (LCD) large-screen televisions and 3LCD and digital light processing (DLP) digital front projectors. However, with the increase of resolutions and media consumption across all screens, users are demanding the best visual experience for their content. Traditionally, this type of video display processing has only been applied to large screens, but by utilizing an innovative new approach, we plan to bring our high quality video display processing to all screens, mobile and stationary alike.

We have adopted a product strategy that leverages our core competencies in video display processing technology to address the evolving needs of the advanced flat panel display, digital projection and other markets that require superior image quality. We focus our product investments on developing video enhancement solutions for these markets, with particular focus on adding increased performance and functionality. Additionally, we look for ways to leverage our research and development investment into products that address other high-value markets where our innovative proprietary technology provides differentiation for us and our customers. We continually seek to expand our technology portfolio through internal development, co-development with business partners and evaluation of acquisition opportunities.

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Our Core Technologies and Products

We have developed a portfolio of advanced video algorithms and intellectual property to address a broad range of challenges in digital video. Our technologies can dramatically improve video quality and are increasingly important as resolutions, screen size and resulting quality issues increase. Our products are designed with a flexible architecture that allows us to combine algorithms and functional blocks of digital and mixed signal circuitry. Accordingly, our technologies can be implemented across multiple products, in powerful combinations within single products and can be applied to practically any device, including tablets and ultrabooks. The majority of our products include one or more technologies to provide high-quality video solutions to our customers, regardless of screen size.

Some of our proprietary core technologies include:

MEMC (motion estimation/motion compensation). Our proprietary MEMC technology significantly improves the performance and viewing experience of large advanced LCD panels by solving problems such as motion blur and judder. It also supports significant digital TV trends such as 3D, LED backlight local dimming (both edge-lit and full array) and 240Hz and higher frame rates. Additionally, our MEMC technology improves video performance in non-TV applications such as video conferencing, 3D gaming and projection.

2D to 3D conversion. Our proprietary 2D to 3D conversion technology offers 3D display systems the ability to provide a sense of depth to existing 2D content and displays it in 3D. Given the limited availability of native 3D content and virtually unlimited 2D content, this technology is a cornerstone for any 3D display system.

Networking. Our networking technology enables the same video stream to be networked across multiple displays, for applications such as connected video projection and digital signage.

Digital keystone correction. Our technology provides enhanced keystone and image correction performance for digital projection systems, particularly for short throw projectors which must project clearly at severe angles due to space limitations.

Our product development strategy is to leverage our expertise in video processing to address the evolving needs of the advanced flat panel display, digital projection and other markets that require superior image quality. We plan to continue to focus our development resources to maintain our market lead and provide leading edge solutions for the advanced 3LCD and DLP digital projection markets and to enhance our video processing solutions for advanced high-resolution flat panel displays and other emerging markets. Additionally, we look for ways to leverage our research and development investment into products that address high-value markets, such as mobile, where our innovative proprietary technology provides differentiation for us and our customers. We deliver our technology in a variety of offerings, which take the form of single-purpose chips, highly integrated SoCs that incorporate specialized software, and full solutions incorporating software and other tools.

Our primary product, solution and service categories include the following:

ImageProcessor ICs. Our ImageProcessor ICs include embedded microprocessors, digital signal processing technology and software that control the operations and signal processing within high-end display systems such as projectors and high-resolution flat panels. ImageProcessor ICs were our first product offerings and continue to comprise the majority of our business. We have continued to refine the architectures for optimal performance, manufacturing our products on process technologies that align with our customers requirements. Additionally, we provide a software development environment and operating system that enables our customers to more quickly develop and customize the look and feel of their products.

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Video Co-Processor ICs. Products in this category work in conjunction with an image processor to post-process video signals in order to enhance the performance or feature set of the overall video solution, for example, by significantly reducing judder and motion blur. Our video co-processor ICs can be used with our ImageProcessor ICs or with image processing solutions from other manufacturers, and in most cases can be incorporated by a display manufacturer without assistance from the supplier of the base image processor. This flexibility enables manufacturers to augment their existing or new designs to enhance their video display products.

Networked Display ICs. Our Networked Display ICs allow the same video stream to be networked across multiple displays, for example to connect projectors in different classrooms or to enable networked streaming of video in digital signage applications. Our Networked Display IC combines video sharing capabilities with video image processing, wireless connectivity and Internet connection to ensure high quality, multi-source video output and enhanced value to our projection display customers.

Our business also includes the license of technologies developed for our ICs semiconductor products, as well as co-development arrangements with certain current and prospective customers and partners.

Corporate Information

Pixelworks was founded in 1997 and is incorporated under the laws of the state of Oregon. Our executive offices are located at 224 Airport Parkway, Suite 400, San Jose, California 95110, our telephone number is (408) 200-9200 and our website is www.pixelworks.com. Our website, and the information contained therein, is not a part of this prospectus supplement or the accompanying prospectus.

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The Offering

The following summary contains basic information about this offering and our shares of common stock. It does not contain all the information that is important to you. For a more complete understanding of our shares of common stock, please refer to the section of the accompanying prospectus entitled Description of Capital Stock and our amended and restated articles of incorporation, as amended, and amended and restated bylaws, copies of which have been filed with the Securities and Exchange Commission, or SEC, and are available upon request.

Issuer	Pixelworks, Inc.
Shares of Common Stock Offered	shares
Option to Purchase Additional Shares of Common Stock	We have granted the underwriter an option, exercisable for up to 30 days from the date of this prospectus supplement, to purchase up to additional shares of our common stock to cover overallotments.
Shares of Common Stock Outstanding Immediately Following this Offering (1)	shares
Dividends	To date, we have never declared a dividend and our board of directors does not have any plans to do so in the future. In addition, financial covenants under our outstanding debt may limit our ability to pay dividends.
Use of proceeds	We estimate that the net proceeds from the sale of the shares of our common stock in this offering will be approximately $ million (or approximately $ million if the overallotment option to purchase additional shares of common stock we have granted to the underwriter is exercised in full), after deducting underwriting discounts and commissions and the estimated expenses payable by us related to this offering.
	We intend to use the net proceeds from this offering for general corporate purposes, which may include, among other things, increasing our working capital, financing of ongoing operating expenses and overhead, and funding of capital expenditures, such as the continued development of solutions for the multimedia projector, high-end television, and mobile device markets. Pending the application of the net proceeds, we may invest the proceeds in marketable securities and short-term investments. See Use of Proceeds.
NASDAQ Global Market Symbol	PXLW
Risk factors	Investing in our securities involves risks. See Risk Factors and other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, for a discussion of factors you should carefully consider before deciding to invest in our shares of common stock.

(1) The number of shares outstanding immediately following the offering is based on the number of shares of our common stock outstanding as of August 14, 2013. It does not include any shares issuable pursuant to unexercised options or restricted stock units, nor does it include any shares otherwise issued or issuable after August 14, 2013.

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Risk Factors

Investing in shares of our common stock involves risk. Before making any investment decision, you should carefully consider the risk factors set forth below, under the caption Risk Factors in the accompanying prospectus and under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Documents by Reference and Where You Can Find More Information. It is not possible to predict or identify all such risks. Consequently, we could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

The risks we have identified and the risks that remain unknown could materially affect our business, results of operations or financial condition and affect the value of our common stock. You could lose all or part of your investment.

We do not anticipate declaring any cash dividends on our common stock. Investors in this offering may never obtain a return on their investment.

We have never declared or paid cash dividends on our common stock and do not plan to pay any cash dividends in the near future. Our current policy is to retain all funds and earnings for use in the operation and expansion of our business. Accordingly, you will need to rely on sales of your common stock after price appreciation, which may never occur, in order to realize a return on your investment.

Our management team will have broad discretion over the use of the net proceeds from this offering.

Our management team will use their discretion to direct the use of the net proceeds from this offering. We intend to use the net proceeds from this offering for general corporate purposes, which may include, among other things, increasing our working capital, financing of ongoing operating expenses and overhead, and funding of capital expenditures, such as the continued development of solutions for the multimedia projector, high-end television, and mobile device markets. Our management s judgments may not result in positive returns on your investment. As part of your investment, you will not be able to assess or direct how we use these net proceeds.

One of largest shareholders has entered into a standstill agreement with us that restricts its ability to purchase additional shares.

Becker Drapkin Management L.P. and related entities (Becker Drapkin) is bound by a standstill agreement with us, which, among other terms, restricts Becker Drapkin s ability to purchase additional shares of our common stock without the approval of our board of directors. This agreement will limit Becker Drapkin s ability to purchase shares of our common stock, either in this offering or afterwards. Such a limit on Becker Drapkin s ability to purchase shares could reduce demand for, and consequently reduce the price of, our common stock.

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Forward-Looking Statements

Some of the statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may involve material risks, assumptions and uncertainties. Forward-looking statements typically are identified by the use of terms such as may, will, should, might, expect, anticipate, intend, plan, estimate and similar words, altho forward-looking statements are expressed differently. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict and which may cause actual outcomes and results to differ materially from what is expressed or forecasted in such forward-looking statements. These forward-looking statements speak only as of the date on which they are made and except as required by law, we undertake no obligation to publicly release the results of any revision or update of these forward-looking statements, whether as a result of new information, future events or otherwise. If we do update or correct one or more forward-looking statements, you should not conclude that we will make additional updates or corrections with respect thereto or with respect to other forward-looking statements.

A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from our forward-looking statements is included in our periodic reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2012, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, and in the Risk Factors section of this prospectus supplement and the accompanying prospectus. In addition, the following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: our ability to deliver new products in a timely fashion; our new product yield rates; changes in estimated product costs; product mix; supply of products from third-party foundries; failure or difficulty in achieving design wins; timely customer transition to new product designs; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; the success of our products in expanded markets; current or future global economic challenges; levels of inventory at distributors and customers; changes in the digital display and projection markets; changes in customer ordering patterns or lead times; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; insufficient, excess or obsolete inventory and variations in inventory valuation; and litigation related to our intellectual property rights.

Use of Proceeds

We estimate that the net proceeds from the sale of the shares of our common stock in this offering will be approximately $ million (or approximately $ million if the overallotment option to purchase additional shares of common stock we have granted to the underwriter is exercised in full), after deducting underwriting discounts and commissions and the estimated expenses payable by us related to this offering.

We intend to use the net proceeds from this offering for general corporate purposes, which may include, among other things, increasing our working capital, financing of ongoing operating expenses and overhead, and funding of capital expenditures, such as the continued development of solutions for the multimedia projector, high-end television, and mobile device markets. Pending the application of the net proceeds, we may invest the proceeds in marketable securities and short-term investments.

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Capitalization

The following table sets forth our capitalization as of June 30, 2013 on an actual basis and on an as adjusted basis to reflect the receipt of the expected net proceeds from issuance and sale of shares of our common stock in this offering (assuming no exercise of the overallotment option to purchase additional shares of common stock we have granted to the underwriter) at an offering price of $, after deducting underwriting discounts and commissions and the estimated expenses payable by us related to this offering.

The amount of proceeds we ultimately receive from this offering of our common stock depends on numerous factors and is subject to general market conditions. Also, we may increase or decrease the number of shares offered in this offering. Accordingly, the actual amounts for the items shown in the as adjusted for this offering columns may differ from the amounts shown below.

You should read the following table in conjunction with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2012, and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Documents by Reference and Where You Can Find More Information.

	As of June 30, 2013	
($ in thousands, except per share amounts)	**Actual**	**As adjusted for this offering**
Cash and cash equivalents	$ 11,231	$
Long-term liabilities, net of current portion	912	912
Total long-term liabilities	912	912
Shareholders equity		
Preferred stock, $0.001 par value per share; 50,000,000 shares authorized, none issued		
Common stock, $0.001 par value per share; 250,000,000 shares authorized, 18,711,031 shares issued and outstanding (actual) and shares issued and outstanding as adjusted (1)	350,975	
Accumulated other comprehensive loss	(113)	(113)
Accumulated deficit	(345,079)	(345,079)
Total shareholders equity	$ 5,783	$
Total capitalization	$ 6,695	$

(1) Excludes any shares issuable pursuant to unexercised options or restricted stock units, as well as any shares otherwise issued or issuable after June 30, 2013.

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Price Range of Shares of Common Stock and Dividend Policy

Our shares of common stock are listed on The NASDAQ Global Market under the symbol PXLW. The following table sets forth, for the fiscal quarters indicated, the reported high and low closing sales prices per share of our shares of common stock as reported by The NASDAQ Global Market.

	High	Low
Year ended December 31, 2011:		
First quarter	$ 3.72	$ 3.30
Second quarter	3.51	2.24
Third quarter	2.55	2.03
Fourth quarter	2.42	1.80
Year ended December 31, 2012:		
First quarter	$ 2.55	$ 2.16
Second quarter	2.73	2.23
Third quarter	3.54	2.36
Fourth quarter	3.06	2.17
Year ended December 31, 2013:		
First quarter	$ 2.67	$ 2.17
Second quarter	4.30	2.11
Third quarter (through August 14, 2013)	4.64	3.16

On August 14, 2013, the last reported sale price of our common stock on The NASDAQ Global Market was $4.54 per share.

As of August 14, 2013, the number of record holders of our shares of common stock was 73.

To date, we have never declared a dividend and our board of directors does not have any plans to do so in the future. In addition, financial covenants under our outstanding debt may limit our ability to pay dividends. Accordingly, our shareholders may not realize a return on their investment unless the trading price of our common stock appreciates.

Supplemental United States Federal Income Tax Considerations

The following is a general summary of certain material United States federal income tax considerations that may be relevant to the purchase, ownership and disposition of our common stock. This summary is a supplement to, and should be read in connection with, the discussion in the accompanying prospectus under the heading United States Federal Income Tax Considerations. This summary is for general information only and is not tax advice.

The first two sentences in the second paragraph under the heading Dividend Distributions should be replaced with the following:

If a U.S. Holder is an individual, dividends received by such generally will be subject to a reduced tax rate provided certain holding period requirements and other requirements are satisfied.

The first sentence in the first paragraph under the heading Information Reporting and Backup Withholding should be replaced with the following:

Information reporting requirements generally will apply to payments made to a U.S. Holder with respect to our common stock unless such holder is an exempt recipient.

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The following information should be inserted at the end of the text contained under the heading United States Federal Income Tax Considerations in the accompanying prospectus:

Consequences to Non-U.S. Holders

The following is a summary of the material U.S. federal income tax consequences that apply to a Non-U.S. Holder of shares of our common stock. The term Non-U.S. Holder means a beneficial owner of shares of our common stock that is an individual, corporation, estate or trust for U.S. federal income tax purposes and is not a U.S. Holder (as defined in the accompanying prospectus).

Dividend Distributions

Distributions on our common stock will constitute dividends to the extent described the section of the accompanying prospectus entitled Consequences to U.S. Holders Dividend Distributions. Any dividends paid to Non-U.S. Holders will generally be subject to U.S. withholding tax at a 30% rate or such lower rate as specified by a treaty (provided that certain certification requirements are satisfied). Dividends that are effectively connected with a Non-U.S. Holder s conduct of a trade or business within the U.S. are not subject to the withholding tax (provided that certain certification requirements are satisfied). Instead, any such dividends (or where an applicable tax treaty so provides, dividends attributable to such Non-U.S. Holder s permanent establishment in the U.S.) are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates (or at lower rates specified in the treaty). Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate (or a lower treaty rate).

Sale, Exchange, Redemption or Other Disposition of Stock

Any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption or other taxable disposition of shares of our common stock generally will not be subject to U.S. federal income tax unless one of the following requirements are met:

That gain is effectively connected with such Non-U.S. Holder s conduct of a trade or business in the U.S. (and, if required by a tax treaty, is attributable to a U.S. permanent establishment), in which case the Non-U.S. holder will be subject to the same treatment as U.S. Holders with respect to such gain (or in the manner specified by the treaty provided certain certification requirements are satisfied). Additionally, non-U.S. holders that are corporations could be subject to a branch profits tax with respect to such gain at a rate of 30% (or at a reduced rate under a tax treaty).

The Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of that disposition, and certain other conditions are met, in which case the holder will be subject to tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty provided that certain certification requirements are satisfied) on the amount by which capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources.

We are or have been a United States real property holding corporation for U.S. federal income tax purposes at any time within a specified time period and certain other requirements are satisfied. We are not, and do not anticipate becoming, a U.S. real property holding corporation.

Information Reporting and Backup Withholding

We must report annually to the Internal Revenue Service the amount of distributions with respect to our common stock and any tax withheld on these distributions. Copies of the information returns may also be made available to the tax authorities in the country in which the holder resides under a tax treaty. The U.S. imposes a backup withholding tax on dividends and certain other types of payments to U.S. persons. A

Non-U.S. Holder will not be subject to backup withholding tax on dividends the holder receives on shares of our common stock if the holder provides proper certification (usually on an IRS Form W-8BEN) of the holder s status as a non-U.S. person or other exempt status.

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale of our common stock outside the U.S. through a foreign office of a foreign broker that does not have certain specified connections to the United States. However, if a Non-U.S. Holder sells shares of our common stock through a U.S. broker or the U.S. office of a foreign broker, the broker will be required to report the amount of proceeds paid to the Non-U.S. Holder to the Internal Revenue Service and also backup withhold on that amount unless the Non-U.S. Holder provides appropriate certification (usually on an IRS Form W-8BEN) to the broker of the holder s status as a non-U.S. person or other exempt status.

Any amounts withheld under the backup withholding rules will generally be allowed as a refund or a credit against a Non-U.S. Holder s U.S. federal income tax liability provided the required information is properly furnished to the IRS on a timely basis.

Legislation Relating to Foreign Accounts

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Internal Revenue Code of 1986, as amended) and certain other non-United States entities. Specifically, a 30% withholding tax may be imposed on dividends on, and gross proceeds from the sale or other disposition of, common stock paid to a foreign financial institution or to a non-financial foreign entity, unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders.

The withholding provisions described above will generally apply to payments of dividends made on or after July 1, 2014 and to payments of gross proceeds from a sale or other disposition of our common stock on or after January 1, 2017. Investors should consult their tax advisors regarding this legislation and the regulations thereunder.

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Underwriting

We have entered into an underwriting agreement with Roth Capital Partners, LLC with respect to the shares of common stock being offered hereby. Subject to certain conditions, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase from us, shares of our common stock. Our common stock trades on the Nasdaq Global Market under the symbol PXLW.

The underwriting agreement provides that the obligation of the underwriter to purchase the shares of common stock offered by this prospectus supplement and the accompanying base prospectus is subject to the approval of certain legal matters by its counsel and to certain other conditions. The underwriter is obligated to purchase all of the shares of common stock offered hereby if any of the shares are purchased.

If the underwriter sells more shares than the above number, the underwriter has an option for 30 days from the date of this prospectus supplement to buy up to an additional shares of our common stock from us at the public offering price, less the applicable underwriting discounts and commissions to cover these sales. The underwriter may exercise this option at any time, in whole or in part, within 30 days after the date of this prospectus supplement; however, the underwriter may only exercise the option once.

Commissions and Expenses

The underwriter proposes to offer the shares of common stock purchased pursuant to the underwriting agreement to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of $ per share. After this offering, the public offering price and concession may be changed by the underwriter. No such change shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement. In connection with the sale of the common stock to be purchased by the underwriter, the underwriter will be deemed to have received compensation in the form of underwriting commissions and discounts. The underwriter s commissions and discounts will be (i) 6.50% of the gross proceeds of this offering, or $ per share of common stock, excluding the Directed Securities (defined below), or (ii) 3.25% of the gross proceeds received from the sale of up to $1.0 million in shares of our common stock to any of our employees, directors, other insiders, owners of at least 5% of our common stock, or a strategic investor to be identified by us (such shares described in this clause (ii) the Directed Securities), based on the public offering price per share set forth on the cover page of this prospectus supplement. Pursuant to a requirement by the Financial Industry Regulatory Authority, or FINRA, the maximum compensation to be received by any FINRA member or independent broker/dealer generally, as calculated consistent with FINRA s rules, may not be greater than 8.0% of the gross proceeds received by us from the sale of any securities registered pursuant to Rule 415 under the Securities Act of 1933, as amended, or the Securities Act.

In addition, we have agreed to reimburse the underwriter for all reasonable and documented out-of-pocket expenses incurred by the underwriter in connection with the offering, up to a maximum of $30,000. We estimate that expenses payable by us in connection with this offering of our common stock, other than the underwriting discounts and commissions and the expense reimbursement referred to above, will be approximately $.

The following table shows the underwriting discounts and commissions payable to the underwriter by us in connection with this offering (assuming both the exercise and non-exercise of the overallotment option to purchase additional shares of common stock we have granted to the underwriter):

	Per Share		Total	
	Without Overallotment Option	**With Overallotment Option**	**Without Overallotment Option**	**With Overallotment Option**
Public offering price	$	$	$	$
Underwriting discounts and commissions paid by us (1)				

(1) The underwriter will receive a discount of 3.25% of the gross proceeds from the sale of the Directed Securities.

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Indemnification

Pursuant to the underwriting agreement, we have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriter or such other indemnified parties may be required to make in respect of those liabilities.

Restrictions on Future Sales

We have agreed not to (i) offer, pledge, issue, sell, contract to sell, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of shares of common stock; or (iii) file any registration statement with the SEC relating to the offering of any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock, without the prior written consent of the underwriter for a period of 90 days, subject to an 18 day extension under certain circumstances (the Lock-up Period), following the date of this prospectus supplement. This consent may be given at any time without public notice. These restrictions on future issuances are subject to exceptions for (i) the issuance of shares of our common stock sold in this offering, (ii) the issuance of shares of our common stock upon the exercise of options or warrants and the vesting of restricted stock awards or units, (iii) the issuance of employee stock options and the grant of restricted stock awards or restricted stock units pursuant to our equity incentive plans and (iv) the issuance of shares of our common stock pursuant to an employee stock purchase plan of ours.

In addition, each of our directors and executive officers has entered into a lock-up agreement with the underwriter. Under the lock-up agreements, the directors and executive officers may not, directly or indirectly, sell, offer to sell, contract to sell, or grant any option for the sale (including any short sale), grant any security interest in, pledge, hypothecate, hedge, establish an open put equivalent position (within the meaning of Rule 16a- 1(h) under the Securities Exchange Act of 1934, as amended, the Exchange Act), or otherwise dispose of, or enter into any transaction which is designed to or could be expected to result in the disposition of, any shares of our common stock or securities convertible into or exchangeable for shares of our common stock, or publicly announce any intention to do any of the foregoing, without the prior written consent of the underwriter, for a period of 60 days, subject to an 18 day extension under certain circumstances, from the closing date of this offering. This consent may be given at any time without public notice. These restrictions on future dispositions by our directors and executive officers are subject to exceptions for (i) one or more gift transfers of securities to immediate family members who agree to be bound by these restrictions, (ii) transfers of securities by will or the laws of descent and distribution or to one or more trusts for bona fide estate planning purposes or (iii) transfers of securities to us or as may be required under any of our benefit plans.

Electronic Distribution

This prospectus supplement and the accompanying prospectus may be made available in electronic format on websites or through other online services maintained by the underwriter or by its affiliates. In those cases, prospective investors may view offering terms online and prospective investors may be allowed to place orders online. Other than this prospectus supplement and the accompanying prospectus in electronic format, the information on the underwriter s website or our website and any information contained in any other website maintained by the underwriter or by us is not part of this prospectus supplement, the accompanying prospectus or the registration statement of which this prospectus supplement and the accompanying prospectus forms a part, has not been approved and/or endorsed by us or the underwriter in its capacity as underwriter, and should not be relied upon by investors.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of our shares of common stock offered hereby is completed, SEC rules may limit the underwriter from bidding for and purchasing our shares of common stock.

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In connection with the offering the underwriter may engage in stabilizing transactions, overallotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Overallotment involves sales by the underwriter of shares in excess of the number of shares the underwriter is obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares overallotted by the underwriter is not greater than the number of shares that it may purchase in the overallotment option. In a naked short position, the number of shares involved is greater than the number of shares in the overallotment option. The underwriter may close out any covered short position by either exercising its overallotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which it may purchase shares through the overallotment option. A naked short position occurs if the underwriter sells more shares than could be covered by the overallotment option. This position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that there could be downward pressur