

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **February 22, 2012**

PIXELWORKS, INC.

(Exact name of registrant as specified in its charter)

OREGON

(State or other jurisdiction of
incorporation)

000-30269

(Commission File Number)

91-1761992

(I.R.S. Employer
Identification No.)

224 Airport Parkway, Suite 400

San Jose, CA 95110

(408) 200-9200

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 **Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On February 22, 2012, Pixelworks, Inc. (the "Company") entered into an amendment of the Employment Agreement between the Company and Bruce Walicek, Chief Executive Officer; and amendments of the Change of Control Severance Agreement between the Company and its other named executive officers: Steven Moore, Chief Financial Officer; Tzoyao "T" Chan, Executive Vice President of Engineering; John Lau, Senior Vice President, Foundry, IP and EDA; and Hongmin (Bob) Zhang, Senior Vice President, Technology and Chief Technology Officer.

The foregoing description of the amendments is qualified in its entirety by reference to the full text of the amendments which are attached as Exhibits 10.1, 10.2 and 10.3 hereto and incorporated by reference herein.

Walicek Employment Agreement and Amendment

Mr. Walicek's amended and restated Employment Agreement, dated as of May 11, 2009 (the "Walicek Agreement"), entitles Mr. Walicek to certain benefits in the event of Mr. Walicek's "involuntary termination." An "involuntary termination" is a termination by the Company without "cause" or by Mr. Walicek for a "good reason" (as each of those terms is defined in the Walicek Agreement). Certain of these benefits, including the acceleration of unvested options, accrue only if the involuntary termination occurs within twelve months following the earlier of a "change of control" or the signing of a "change of control agreement" that leads to a change of control (as such terms are defined in the Walicek Agreement) within twelve months of such signing.

On February 22, 2012, the Walicek Agreement was amended to provide that Mr. Walicek will be entitled to such benefits, including the acceleration of unvested options, upon an involuntary termination that occurs within the period that begins six months prior to a change of control, and ends 12 months after, the earlier of a change of control or the signing of a change of control agreement that leads to change of control.

Moore Change of Control Severance Agreement and Amendment

Mr. Moore's amended and restated Change of Control Severance Agreement, dated May 11, 2009 (the "Moore Severance Agreement"), entitles Mr. Moore to certain benefits in the event of Mr. Moore's "involuntary termination." An "involuntary termination" is a termination by the Company without "cause" or by the Mr. Moore for a "good reason event" (as such terms are defined in the Moore Severance Agreement). Certain of these benefits accrue if the involuntary termination occurs following a "change of control" (as such term is defined in the Moore Severance Agreement).

On February 22, 2012, the Moore Severance Agreement was amended to provide that in the event of an involuntary termination that occurs six months prior to a change of control, the change of control will be treated as having occurred the day before the involuntary termination. Additionally, in the event of an involuntary termination that occurs six months prior to a change of control: (i) any cash benefits triggered by the change of control will be payable within 30 days following the change of control; and (ii) any acceleration of vesting of options and shares triggered by the change of control will occur immediately prior to the change of control and Mr. Moore will have a minimum of six months following the change of control to exercise the options (or longer if a longer period would otherwise be applicable).

Chan, Lau and Zhang Change of Control Severance Agreements and Amendments

The Company's existing Change of Control Severance Agreements, dated November 22, 2008, December 27, 2011 and November 20, 2008, respectively (the "Severance Agreements"), with Mr. Chan, Mr. Lau and Mr. Zhang (each, an "Executive") entitle such Executive to certain benefits in the event of the Executive's "involuntary termination." An "involuntary termination" is a termination by the Company without "cause" or by the Executive for a "good reason event" (as such terms are defined in the respective Severance Agreement). Certain of these benefits accrue if the involuntary termination occurs following a "change of control" (as such term is defined in the respective Severance Agreement).

On February 22, 2012, the Severance Agreements were amended to provide that in the event of an involuntary termination that occurs six months prior to a change of control, the change of control will be treated as having occurred the day before the involuntary termination. Additionally, in the event of an involuntary termination that occurs six month prior to a change of control: (i) any cash benefits triggered by the change of control will be payable within 30 days following the change of control; and (ii) any acceleration of vesting of options and shares triggered by the change of control will occur immediately prior to the change of control and such Executive will have a minimum of six months following the change of control to exercise the options (or longer if a longer period would otherwise be applicable). The amendment further provides that the amount of cash benefits payable upon any involuntary termination will be equal to twelve months of salary (at the level payable as of the date of involuntary termination) plus the amount of the Executive's target bonus set under the executive bonus plan adopted for the Executive and applicable to the year of involuntary termination.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

- 10.1 Amendment to the amended and restated Employment Agreement by and between the Company and Bruce Walicek.
 - 10.2 Amendment to the Amended and restated Change of Control Severance Agreement by and between the Company and Steven Moore.
 - 10.3 Form of the Amendment to each Change of Control Severance Agreement by and between the Company and Tzoyao "T" Chan, John Lau, and Hongmin (Bob) Zhang.
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PIXELWORKS, INC.

(Registrant)

Dated: February 24, 2012

/s/ Steven L. Moore

Steven L. Moore
*Vice President, Chief Financial
Officer, Secretary and Treasurer*



February 22, 2012

Mr. Bruce Walicek

Dear Bruce;

The Compensation Committee of the Company's board has elected to award you certain additional benefits. This letter, when countersigned and returned by you, will establish those benefits on your behalf.

Provisions in an agreement between you and the Company currently provide for certain benefits to accrue, related to salary continuation and stock and option vesting, if you are the subject of an Involuntary Termination within the particular window that begins on the date of an agreement for Change of Control, and ends twelve months after the Change of Control.

When you countersign and return this letter, that agreement will be amended as follows: The window will be expanded to include either the original start date or, if earlier, the date six months ahead of the Change of Control.

If you agree to amend your existing agreements to gain the benefit of these additional benefits, please countersign below and return this letter to Steve Moore. You may do so by PDF, fax, or hard copy.

Very truly yours,

/s/ Richard Sanquini

Richard Sanquini,

for the Compensation Committee of the Board of Directors.

Accepted:

/s/ Bruce Walicek

Bruce Walicek, CEO

Date: February 22, 2012



February 22, 2012

Steven Moore

Dear Steve;

The Compensation Committee of the Company's board has elected to award you certain additional benefits. This letter, when countersigned and returned by you, will establish those benefits on your behalf.

Expansion of Control Change Window.

Provisions in an agreement between you and the Company currently provide for certain benefits to accrue, related to salary continuation and stock and option vesting, if you are the subject of an Involuntary Termination within the particular window that begins on the date of a Change of Control, and ends twelve months later.

When you countersign and return this letter, that agreement will be amended as follows: If you are the subject of an Involuntary Termination at any point during the period beginning six months before a Change of Control and ending the day of a Change of Control, it will be regarded, for purposes of agreements in force between you and the Company, as if the Change of Control had happened the day before the date of your Involuntary Termination.

Obviously if you happen to be the subject of an Involuntary Termination at a time when no Change of Control has yet occurred, then you and we will not know if you have earned these additional benefits until the six month period has expired.

Therefore as of the date of an Involuntary Termination, any options that have the potential to become vested as a result of this letter amendment, but which have not yet vested, will be regarded as unexpired until the end of the six month period, at which time, if no Change of Control has occurred, the options will expire unvested. As of the date of an Involuntary Termination, you may hold restricted stock units or other rights as to which, absent a Change of Control, the Company would have repurchase rights, but as to which those rights have the potential to expire or become altered as a result of this letter amendment. Until it is known whether the status of such shares or rights has changed, they shall not be repurchased by the Company, and all periods for exercising repurchase rights, or related thereto, shall be tolled.

If a Change of Control occurs within those six months, the benefits due under this letter will accrue immediately, calculated as of the original Involuntary Termination Date. In that event:

- Any cash severance benefit this provision triggers will be paid within thirty days following the Change of Control.
- The options and shares that would have vested on the date of your Involuntary Termination if a Change of Control agreement had then occurred, will immediately vest. You will have a minimum of six months following the Change of Control to exercise the options (longer if a longer period would otherwise be applicable.)

If you agree to amend your existing agreements to gain the benefit of these additional benefits, please countersign below and return this letter to me. You may do so by PDF, fax, or hard copy.

Very truly yours,

/s/ Bruce Walicek

Bruce Walicek,

for the Compensation Committee of the Board of Directors

Accepted:

/s/ Steven L. Moore

Print name: Steven L. Moore

Date: February 22, 2012



February 22, 2012

Dear _____ ;

The Compensation Committee of the Company's board has elected to award you certain additional benefits. This letter, when countersigned and returned by you, will establish those benefits on your behalf.

Expansion of Control Change Window.

Provisions in an agreement between you and the Company currently provide for certain benefits to accrue, related to salary continuation and stock and option vesting, if you are the subject of an Involuntary Termination within the particular window that begins on the date of a Change of Control, and ends twelve months later.

When you countersign and return this letter, that agreement will be amended as follows: If you are the subject of an Involuntary Termination at any point during the period beginning six months before a Change of Control and ending the day of a Change of Control, it will be regarded, for purposes of agreements in force between you and the Company, as if the Change of Control had happened the day before the date of your Involuntary Termination.

Obviously if you happen to be the subject of an Involuntary Termination at a time when no Change of Control has yet occurred, then you and we will not know if you have earned these additional benefits until the six month period has expired.

Therefore as of the date of an Involuntary Termination, any options that have the potential to become vested as a result of this letter amendment, but which have not yet vested, will be regarded as unexpired until the end of the six month period, at which time, if no Change of Control has occurred, the options will expire unvested. As of the date of an Involuntary Termination, you may hold restricted stock units or other rights as to which, absent a Change of Control, the Company would have repurchase rights, but as to which those rights have the potential to expire or become altered as a result of this letter amendment. Until it is known whether the status of such shares or rights has changed, they shall not be repurchased by the Company, and all periods for exercising repurchase rights, or related thereto, shall be tolled.

If a Change of Control occurs within those six months, the benefits due under this letter will accrue immediately, calculated as of the original Involuntary Termination Date. In that event:

- Any cash severance benefit this provision triggers will be paid within thirty days following the Change of Control.
 - The options and shares that would have vested on the date of your Involuntary Termination if a Change of Control agreement had then occurred, will immediately vest. You will have a minimum of six months following the Change of Control to exercise the options (longer if a longer period would otherwise be applicable.)
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Reset of Amount of Cash Severance.

Your agreement also provides for payment of certain cash severance in the case of Involuntary Termination within a window starting now six months before and ending two years after a Change of Control. That amount (the "cash benefit amount") pays out in full for termination in the first twelve months following a change of control, and is pro-rated for the non-elapsed portion of the year (measured by whole months remaining) in the second twelve months following a change of control.

The Company resets the cash benefit amount to equal: twelve months of salary (at the level payable as of the date of Involuntary Termination) plus the target bonus for you, set under the executive bonus plan adopted for and applicable to the year of Involuntary Termination.

If you agree to amend your existing agreements to gain the benefit of these additional benefits, please countersign below and return this letter to Steve Moore. You may do so by PDF, fax, or hard copy.

Very truly yours,

Steven Moore,

for the Compensation Committee of the Board of Directors

Accepted:

Print name:

Date: