

**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): April 25, 2013

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 2.02 Results of Operations and Financial Condition.

On April 25, 2013, Pixelworks, Inc. (the "Company") issued a press release announcing financial results for the three month period ended March 31, 2013 and held a conference call to discuss the Company's financial results. The press release and conference call contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued April 25, 2013 is furnished herewith as Exhibit 99.1, to this Report and a copy of the Company's conference call script announcing these financial results is furnished herewith as Exhibit 99.2. The information in this Item 2.02, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1 Press Release issued by Pixelworks, Inc. dated April 25, 2013.

Exhibit 99.2 Pixelworks, Inc. First Quarter Results Conference Call Script dated April 25, 2013.

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: April 25, 2013

/s/ Steven L. Moore

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



Pixelworks Reports First Quarter 2013 Financial Results

SAN JOSE, Calif., April 25, 2013 -- Pixelworks, Inc. (NASDAQ: PXLW), a pioneer in innovative video and display processing technology, today announced financial results for the first quarter ended March 31, 2013.

First quarter 2013 revenue was \$8.3 million, compared to \$13.6 million reported in the prior quarter and \$14.3 million in the first quarter of 2012. The decline in first quarter revenue reflects greater than normal seasonality coupled with a push-out of certain licensing revenue.

On a GAAP basis, gross profit margin in the first quarter of 2013 was 48.1%, compared to 48.6% in the prior quarter and 54.5% in the first quarter of 2012. The sequential decline in gross profit margin was driven by reduced fixed cost absorption during the first quarter of 2013 offset by a favorable product mix. First quarter 2013 GAAP operating expenses were \$9.5 million, compared to \$9.8 million in the previous quarter and \$9.1 million in the first quarter of 2012. For the first quarter of 2013, the Company recorded a GAAP net loss of \$5.4 million, or \$0.29 per share, compared to a GAAP net loss of \$3.6 million, or \$0.19 per share, in the fourth quarter of 2012 and a GAAP net loss of \$0.6 million, or \$0.04 per share, in the first quarter of 2012.

On a non-GAAP basis, gross profit margin in the first quarter of 2013 was 49.7%, compared to 49.9% in the prior quarter and 55.7% in the first quarter of 2012. First quarter 2013 operating expenses on a non-GAAP basis were \$8.9 million, compared to \$9.2 million in the prior quarter and \$8.6 million in the first quarter of 2012. The sequential decline in operating expenses was primarily due to modest decreases in certain development costs. First quarter 2013 research and development expense did not include any reimbursement credit related to a co-development partnership with a major customer; however, future reimbursement credits to research and development expense are anticipated in 2013 as additional milestones associated with the co-development partnership are achieved. The Company expects the product being developed under this co-development project to begin contributing significantly to revenue in 2014. For the first quarter of 2013, the Company recorded a non-GAAP net loss of \$4.7 million, or \$0.25 per share, compared with a net loss of \$2.8 million, or \$0.15 per share, in the prior quarter and a net loss of \$0.1 million, or \$0.01 per share, in the first quarter of 2012.

“The first quarter was a difficult quarter due to an ongoing inventory correction that led to a weaker demand environment for our products as well as the push-out of an IP licensing deal into Q2,” said Bruce Walicek, President and CEO of Pixelworks. “Despite these first quarter challenges, we expect our robust IP licensing pipeline, strong design win activity, and ramping of new products to contribute to topline growth in the second quarter and for the balance of 2013. As the industry begins a major shift to higher resolutions across all screens, we remain focused on capitalizing on this trend and applying our industry-leading video display processing technology to deliver the highest quality video experience to displays of all sizes.”

The Company will discuss the details of its business outlook for the second quarter of 2013 during its conference call scheduled for today, April 25, 2013, at 2:00 p.m. Pacific Time.

Conference Call Information

Pixelworks will host a conference call today at 2:00 p.m. Pacific Time, which can be accessed by calling 866-318-8614 and using passcode 28846278. A Web broadcast of the call can be accessed by visiting the Company's investor page at www.pixelworks.com. For those unable to listen to the live Web broadcast, it will be archived for approximately 30 days. A replay of the conference call will also be available through Thursday, May 2, 2013, and can be accessed by calling 888-286-8010 and using passcode 11476943.

About Pixelworks, Inc.

Pixelworks creates, develops and markets video display processing technology for digital video applications that demand the very highest quality images. At design centers around the world, Pixelworks engineers constantly push video performance to keep manufacturers of consumer electronics and professional displays worldwide on the leading edge. The company is headquartered in San Jose, CA.

For more information, please visit the Company's Web site at www.pixelworks.com.

Note: Pixelworks and the Pixelworks logo are registered trademarks of Pixelworks, Inc.

Non-GAAP Financial Measures

This earnings release makes reference to non-GAAP gross profit margins, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share which excludes stock-based compensation expense and additional amortization of a non-cancelable prepaid royalty, which are required under GAAP. The press release also reconciles GAAP net loss and adjusted EBITDA which Pixelworks defines as GAAP net income (loss) before interest expense and other, net, income tax provision, depreciation and amortization, as well as the specific items listed above. The Company believes these non-GAAP measures provide a meaningful perspective on the Company's core operating results and underlying cash flow dynamics, but cautions investors to consider these measures in addition to, not as a substitute for, its consolidated financial results as presented in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures is included in this earnings release which is available in the investor relations section of the Company's website.

Safe Harbor Statement

This release contains statements, including, without limitation, the statements in Bruce Walicek's quote that are 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. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: 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; risks related to licensing our intellectual property; the success of our products in expanded markets; current 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; the outcome of any litigation related to our intellectual property rights; our limited financial resources and our ability to attract and retain key personnel. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2012 and subsequent SEC filings.

The forward-looking statements contained in this release speak as of the date of this release, and we do not undertake any obligation to update any such statements, whether as a result of new information, future events or otherwise.

- Financial Tables Follow

PIXELWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		
	March 31, 2013	December 31, 2012	March 31, 2012
Revenue, net	\$ 8,271	\$ 13,571	\$ 14,330
Cost of revenue (1)	4,294	6,979	6,521
Gross profit	3,977	6,592	7,809
Operating expenses:			
Research and development (2)	5,884	6,247	5,093
Selling, general and administrative (3)	3,598	3,576	4,019
Total operating expenses	9,482	9,823	9,112
Loss from operations	(5,505)	(3,231)	(1,303)
Interest expense and other, net	(98)	(108)	(98)
Loss before income taxes	(5,603)	(3,339)	(1,401)
Provision (benefit) for income taxes	(198)	218	(763)
Net loss	\$ (5,405)	\$ (3,557)	\$ (638)
Net loss per share - basic and diluted	\$ (0.29)	\$ (0.19)	\$ (0.04)
Weighted average shares outstanding - basic and diluted	18,456	18,401	18,029

(1) Includes:

Additional amortization of non-cancelable prepaid royalty	\$ 91	\$ 135	\$ 132
Stock-based compensation	40	44	39
(2) Includes stock-based compensation	258	274	222
(3) Includes stock-based compensation	386	316	241

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL INFORMATION *
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		
	March 31, 2013	December 31, 2012	March 31, 2012
Reconciliation of GAAP and non-GAAP gross profit			
GAAP gross profit	\$ 3,977	\$ 6,592	\$ 7,809
Additional amortization of non-cancelable prepaid royalty	91	135	132
Stock-based compensation	40	44	39
Total reconciling items included in cost of revenue	131	179	171
Non-GAAP gross profit	\$ 4,108	\$ 6,771	\$ 7,980
Non-GAAP gross profit margin	49.7%	49.9%	55.7%
Reconciliation of GAAP and non-GAAP operating expenses			
GAAP operating expenses	\$ 9,482	\$ 9,823	\$ 9,112
Reconciling item included in research and development:			
Stock-based compensation	258	274	222
Reconciling item included in selling, general and administrative:			
Stock-based compensation	386	316	241
Total reconciling items included in operating expenses	644	590	463
Non-GAAP operating expenses	\$ 8,838	\$ 9,233	\$ 8,649
Reconciliation of GAAP and non-GAAP net loss			
GAAP net loss	\$ (5,405)	\$ (3,557)	\$ (638)
Reconciling items included in cost of revenue	131	179	171
Reconciling items included in operating expenses	644	590	463
Tax effect of non-GAAP adjustments	(43)	(20)	(144)
Non-GAAP net loss	\$ (4,673)	\$ (2,808)	\$ (148)
Non-GAAP net loss per share - basic and diluted	\$ (0.25)	\$ (0.15)	\$ (0.01)
Non-GAAP weighted average shares outstanding - basic and diluted	18,456	18,401	18,029

* Our non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share differs from GAAP gross profit, GAAP operating expenses, GAAP net loss and GAAP net loss per share due to the exclusion of stock-based compensation expense and additional amortization of a non-cancelable prepaid royalty. Pixelworks' management believes the presentation of non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share provides useful information to investors regarding Pixelworks' results of operations by allowing investors to better evaluate underlying cash flow dynamics. Pixelworks' management also uses each of these non-GAAP measures internally to better evaluate underlying cash flow dynamics. Pixelworks, however, cautions investors to consider these non-GAAP financial measures in addition to, and not as a substitute for, our GAAP financial measures.

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL INFORMATION *
(In thousands)
(Unaudited)

	Three Months Ended		
	March 31, 2013	December 31, 2012	March 31, 2012
Reconciliation of GAAP net loss and adjusted EBITDA			
GAAP net loss	\$ (5,405)	\$ (3,557)	\$ (638)
Stock-based compensation	684	634	502
Additional amortization of non-cancelable prepaid royalty	91	135	132
Tax effect of non-GAAP adjustments	(43)	(20)	(144)
Non-GAAP net loss	\$ (4,673)	\$ (2,808)	\$ (148)
EBITDA adjustments:			
Depreciation and amortization	\$ 1,058	\$ 1,194	\$ 1,172
Interest expense and other, net	98	108	98
Non-GAAP provision (benefit) for income taxes	(155)	238	(619)
Adjusted EBITDA	<u>\$ (3,672)</u>	<u>\$ (1,268)</u>	<u>\$ 503</u>

* Adjusted EBITDA differs from GAAP net loss due to the exclusion of stock-based compensation expense, additional amortization of a non-cancelable prepaid royalty, interest expense and other, net, income tax provision (benefit) and depreciation and amortization. Pixelworks' management believes the presentation of adjusted EBITDA provides useful information to investors regarding Pixelworks' results of operations by allowing investors to better evaluate underlying cash flow dynamics and core operating results and are used by Pixelworks' management for these purposes. Pixelworks, however, cautions investors to consider these non-GAAP financial measures in addition to, and not as a substitute for, our GAAP financial measures.

PIXELWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,647	\$ 13,404
Accounts receivable, net	2,398	3,772
Inventories	2,424	2,702
Prepaid expenses and other current assets	1,708	1,727
Total current assets	19,177	21,605
Property and equipment, net	5,316	6,283
Other assets, net	1,494	1,653
Total assets	\$ 25,987	\$ 29,541
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,195	\$ 2,224
Accrued liabilities and current portion of long-term liabilities	8,337	8,666
Current portion of income taxes payable	150	207
Short-term line of credit	2,300	—
Total current liabilities	12,982	11,097
Long-term liabilities, net of current portion	953	1,445
Income taxes payable, net of current portion	2,000	2,331
Total liabilities	15,935	14,873
Shareholders' equity	10,052	14,668
Total liabilities and shareholders' equity	\$ 25,987	\$ 29,541

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**Pixelworks, Inc. Q1 2013 Conference Call
April 25, 2013**

Steven Moore - CFO

Good afternoon and thank you for joining us. This is Steve Moore, Chief Financial Officer of Pixelworks. With me today is Bruce Walicek, President and CEO. The purpose of today's conference call is to supplement the information provided in our press release issued earlier today announcing the Company's financial results for the first quarter ended March 31, 2013.

Before we begin, I would like to remind you that various remarks we make on this call -- including those about our projected future financial results, economic and market trends, and our competitive position -- constitute forward-looking statements. These forward-looking statements and all other statements made on this call that are not historical facts are subject to a number of risks and uncertainties that may cause actual results to differ materially.

All forward-looking statements are based on the Company's beliefs as of today, Thursday, April 25, 2013, and we undertake no obligation to update any such statements to reflect events or circumstances occurring after today. Please refer to today's press release, our Annual Report on Form 10-K for the year ended December 31, 2012, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

Additionally, the Company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms, including gross margin, operating expenses, net loss, and net loss per share. These non-GAAP measures exclude stock-based compensation expense and additional amortization of a prepaid royalty. We use these non-GAAP measures internally to assess our operating performance. The Company believes these non-GAAP measures provide a meaningful perspective on our core operating results and underlying cash flow dynamics, but we caution investors to consider these measures in addition to, not as a substitute for, nor superior to, the Company's consolidated financial results as presented in accordance with GAAP.

Included in the Company's press release are definitions and reconciliations of GAAP to non-GAAP net loss and GAAP net loss to adjusted EBITDA, which provide additional details.

Bruce will begin today's call with a strategic update on the business, after which I will review our Q1 financial results and discuss our outlook for the second quarter of 2013.

Bruce Walicek - CEO

Thanks, Steve. Good afternoon everyone and thank you for taking the time to join us today.

Q1 13 Recap

- Q1 2013 was clearly a disappointing quarter as revenue of \$8.3M came in below the range of guidance provided on our Q4 2012 conference call.
- The quarter was impacted by worse than normal seasonality, due to a difficult demand environment prolonging a severe inventory correction, centered predominantly in Japan, combined with an IP deal pushing-out into Q2.
- All other Non-GAAP metrics came within the range of guidance, with OPEX below the range as we continue to focus on tight expense control and cash preservation measures.
- Overall B/B was greater than one, reflecting an improving environment as customers recover and work through their inventory overhang.
- During the quarter we made significant progress with our co-development project to develop a highly integrated next generation chip that will result in significant revenue and market share gain in 2014 and we are on track to execute and deliver our next critical milestone in Q2.
- Additionally, regarding our IP licensing business, we exited the quarter with the most robust “licensing pipeline” that we have seen to-date for Pixelworks technology which validates the growing importance of our portfolio of advanced video display processing techniques.

PA Series Products for Large Screen Display Applications:

- In Q1 we introduced - the PA168 video display processor, which is targeted for Ultra HD 4Kx2K applications.
 - After successful demonstrations, customers are in development of new 4Kx2K models for 2013, and we will begin initial MP shipments to Tier 1 OEMs this quarter and expect volume production to build during the second half of 2013.
 - The PA168 is designed to meet the performance requirements of new high resolution 4Kx2K screens, and handle the most demanding and difficult video processing problems to create the best video quality in the industry.
 - As the leader in video quality, the PA168 raises the bar for immersive realism, featuring patented “halo-free” performance.
 - At the upcoming COMPUTEX show in Taiwan this quarter, we will be demonstrating our next generation video processing technology to improve the video quality of all screens to key industry partners and customers.
 - Pixelworks has a robust patent portfolio and we continue to focus on developing our Intellectual Property around the key areas of video processing for all displays.
 - We are seeing strong demand for our technology, driven by powerful secular trends as we enter the beginning of a massive shift to higher resolutions.
 - This shift is analogous to the major transition from standard resolution CRT analog displays, to high definition flat panel digital displays, but much broader.
 - Resolutions are increasing across stationary and mobile displays alike, driven by the capability of new technology to pack an increasing number of pixels into less space.
 - For example, more and more tablets, phones, and Ultrabooks are moving to Full HD 1080p displays with 400 pixels per inch creating a wave of products with increasing resolutions and consumers are using these products to watch video, which is clearly the new “killer application”.
 - As the confluence of the three megatrends of higher resolutions, more video content, and more opportunities to view that content intersect, the quality of visual user experience will increasingly become a key element in product quality and brand differentiation as higher resolution implies image problems become more noticeable.
 - And consumers will prefer an experience of similar quality and fidelity to the high resolution screen they're used to watching.
 - All of these issues point to the need for new innovative approaches to video processing that will tackle these critical problems, while also taking into account the issues of size, heat and power consumption.
-

Projection Market

- In our projection products, our Topaz series continued its market penetration in Q1 with new design wins for our PWC858 targeted for DLP projectors.
- During the quarter we launched our VueMagic™ solution designed to offer wireless connectivity to projectors for mobile devices such as tablets, mobile phones and Ultrabooks.
- We introduced our Office Viewer solution in partnership with ACCESS that allows projectors to directly open documents from a USB stick or network location.
- We demonstrated Topaz's edge blending capabilities that enable multiple projectors to seamlessly join together to create a very large viewing area for applications such as digital signage, video walls, and education.
- All of these new solutions and value-added capabilities have been introduced to demonstrate Pixelworks' commitment to innovative leadership in the projector market and ultimately grow our market share.

Closing Summary

- In closing, Q1 2013 was a difficult quarter impacted by a continuing inventory correction driven by weak macro-economic environment and the push-out of an IP deal into Q2.
- Despite a challenging Q1, with a robust IP licensing pipeline, strong design win activity and new products ramping, we see top line growth resuming for the balance of 2013.
- We are at the beginning of a massive trend to higher resolutions and video consumption across all screens.
- As the technology leader and the last independent company in the industry solely focused on creating the highest quality, visual user experience, we believe these trends are increasing the value proposition of our video display processing technology and we intend to focus our efforts to take advantage of them to maximize shareholder value.
- Now, I'd now like to turn the call over to Steve to review the financial details of the quarter.

Steven Moore - CFO

Thank you, Bruce.

Revenue for the first quarter 2013 was \$8.3 million, compared to \$13.6 million in the fourth quarter of 2012 and \$14.3 million in the year-ago quarter. As Bruce mentioned, revenue declined in the quarter due to worse than typical seasonality as a result of weaker than expected demand at Japanese customers. Revenue was further impacted by a push-out in licensing revenue that we expected to be recognized in the first quarter.

The split of our first quarter revenue by market was:

- 66% digital projection,
- 16% TV and panel,
- 18% embedded video display

Licensing revenue was negligible during the quarter, compared to approximately \$2.1 million in the year-ago quarter.

Revenue from digital projection was down \$4 million sequentially to approximately \$5.5 million in Q1 as key customers, specifically in Japan, continued to adjust inventories to low levels due to weak demand.

Revenue from TV and panel was down approximately \$900,000 sequentially to \$1.3 million in Q1, primarily due to seasonality's impact on end market demand and product transitions to Ultra High Definition televisions.

Embedded video display revenue in Q1 was approximately \$1.5 million.

Non-GAAP gross profit margin was 49.7% in the first quarter, compared to 49.9% in the previous quarter and 55.7% in the first quarter of 2012. The decline in gross profit margin from the previous quarter was largely due to reduced fixed cost absorption offset by favorable product mix during the first quarter of 2013. Gross profit in the first quarter of 2012 was positively affected by the recognition of approximately \$2.1 million in licensing revenue.

Non-GAAP operating expenses were \$8.9 million in the first quarter as we continue to be committed to strict expense management. This compares to \$9.2 million in the prior quarter and \$8.6 million in Q1 2012.

We continue to expect that we will complete all of the milestones related to a previously announced co-development agreement and realize the remaining \$3.5 million of reimbursement credits during the course of 2013, which will reduce operating expenses over the rest of the year. The chip created as a part of this co-development agreement is expected to result in significant revenue beginning in 2014.

Adjusted EBITDA was a negative \$3.7 million in Q1, compared to a negative \$1.3 million in the fourth quarter of 2012. A reconciliation of adjusted EBITDA to GAAP net loss may be found in today's press release.

On a non-GAAP basis we recorded a net loss of \$4.7 million, or a 25 cent loss per share, in the first quarter. This compares with a net loss of \$2.8 million or a 15 cent loss per share, in Q4 and a net loss of \$148,000, or a 1 cent loss per share in the first quarter of 2012.

Moving to the balance sheet, cash and marketable securities ended the quarter at approximately \$12.6 million, compared to \$13.4 million for the quarter ended December 31, 2012. The Company drew down \$2.3 million on a preexisting line of credit at the end of Q1, demonstrating our access to liquid working capital for operations.

Other balance sheet metrics include day's sales outstanding of 26 days at March 31, compared with 25 days at the end of the prior quarter, and inventory turns of 6.5 times in Q1 compared to 7.3 times for the fourth quarter of 2012.

Guidance

Looking at Q2, we currently expect revenue to be in the range of \$10 to \$12 million. We expect Q1 to be the trough in revenue as our customers return to more normal ordering patterns during the second quarter and as sales of the PA168 and our Topaz family ramp in the second half of 2013. We also believe that we will achieve a profit from operations in the second half 2013.

We expect gross profit margin for the quarter to range between 48% to 52% on a non-GAAP basis and 46% to 50% on a GAAP basis.

We expect operating expenses in the second quarter to range between \$8 million and \$9 million on a non-GAAP basis, and \$8.5 million to \$9.5 million on a GAAP basis.

And finally, we expect to record a non-GAAP net loss of between 11 cents and 25 cents per share; and on a GAAP basis we expect a net loss per share of between 15 cents and 28 cents.

That concludes my comments. We will now open the call for your questions.