
**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**Amendment No. 1 to
SCHEDULE TO
(Rule 13e-4)**

**TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 1)**

PIXELWORKS, INC.

(Name of Subject Company (Issuer) and Filing Person (Offeror))
Options to Purchase Common Stock, \$0.001 Par Value, of Pixelworks, Inc.
(Title of Class of Securities)

72581M 10 7
(CUSIP Number of Class of Securities (Underlying Common Stock))

**Michael Yonker
Vice President, Chief Financial Officer,
Treasurer & Secretary
Pixelworks Inc.
8100 SW Nyberg Road
Tualatin, Oregon 97062
(503) 454-1750**

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of Filing Person)

Copy to:
**Karen Dreyfus, Esq.
O'Melveny & Myers LLP
2765 Sand Hill Road
Menlo Park, California 94025
(650) 473-2600**

CALCULATION OF FILING FEE

Transaction Value(1)	Amount of Filing Fee(2)
\$8,479,189	\$907.27

- (1) Calculated solely for the purpose of determining the amount of the filing fee. This amount assumes that options to purchase 4,344,339 shares of Pixelworks, Inc. Common Stock, par value \$0.001 per share ("Common Stock"), having an aggregate value of \$8,479,189 as of August 25, 2006, will be exchanged pursuant to this offer. The aggregate value of such options was calculated based on the Black-Scholes option-pricing model.
- (2) The amount of the filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended, equals \$107.00 per million dollars of the value of the transaction.
- Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$907.27 Filing Party: Pixelworks, Inc.

Form or Registration No.: Schedule TO Date Filed: October 27, 2006
File No. 005-60523

- Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.
Check the appropriate boxes below to designate any transactions to which the statement relates:

- third party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- Going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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Introductory Statement

This Amendment No. 1 to Schedule TO amends and supplements the Tender Offer Statement on Schedule TO filed by Pixelworks, Inc., an Oregon corporation ("Pixelworks"), with the Securities and Exchange Commission on October 27, 2006 in connection with Pixelworks' offer to exchange certain outstanding eligible options to purchase shares of Pixelworks common stock, par value \$.001 per share for new stock options to be granted under Pixelworks' 2006 Stock Incentive Plan (the "2006 Plan") according to a 4-to-1 exchange ratio, upon the terms and subject to the conditions set forth in the amended Offer to Exchange that was filed as Exhibit (A)(1) to the Schedule TO.

The information, including all schedules and annexes thereto, which was previously filed with the Schedule TO is hereby expressly incorporated herein by reference into this Amendment No. 1, except that such information is hereby amended and supplemented to the extent specifically provided herein.

This Amendment No. 1 amends and supplements the Schedule TO and the Offer to Exchange in order to:

- (i) file as Exhibit (A)(13) a First Supplement to Offer Circular:
 - (a) notifying the Offerees of Pixelworks' planned restructuring; and
 - (b) announcing the extension of the offer period from 11:59 p.m., Pacific Standard Time, on November 28, 2006 to 11:59 p.m., Pacific Standard Time, on December 1, 2006;
- (ii) file as Exhibit (A)(14) a Second Supplement to Offer Circular addressed to employees whose employment with Pixelworks may be terminated in connection with its planned restructuring;
- (iii) incorporate by reference as Exhibit (A)(15) the unaudited condensed consolidated financial statements of Pixelworks, Inc. and subsidiaries as of and for the three and nine month periods ended September 30, 2006 and 2005 as contained on pages 3 through 19 under Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, filed with the Securities and Exchange Commission ("SEC") on November 9, 2006; and
- (iv) incorporate by reference as Exhibit (A)(16) Pixelworks' Current Report on Form 8-K filed with the SEC on November 27, 2006.

ITEM 10. FINANCIAL STATEMENTS

- (a) The following additional information is incorporated by reference:
 - (1) Unaudited condensed consolidated financial statements of Pixelworks, Inc. and subsidiaries as of and for the three and nine month periods ended September 30, 2006 and 2005 as contained on pages 3 through 19 under Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, filed with the SEC on November 9, 2006.

ITEM 12. EXHIBITS

The Exhibit Index included in this Amendment No. 1 to Schedule TO is incorporated herein by reference.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Amendment No. 1 to Schedule TO is true, complete and correct.

PIXELWORKS, INC.

/s/ Michael D. Yonker

Michael D. Yonker

Vice President, Chief Financial Officer,

Treasurer and Secretary

Date: November 27, 2006

EXHIBIT INDEX

Exhibit Number	Description of Document
(a)(1)*	Offer Circular dated October 27, 2006, with attachments ((i) the Election Form and Release Agreement in Attachment A, (ii) Selected Financial Data in Attachment B, and (iii) List of Executive Officers and Members of the Board of Directors in Attachment C).
(a)(2)*	Form of Election Form and Release Agreement
(a)(3)*	Form of Statement of Employee Option Grants
(a)(4)*	Form of How To Fill Out Election Form
(a)(5)*	Press Release issued on October 27, 2006
(a)(6)*	Email dated October 27, 2006 Announcing The Commencement Of The Election Period For The Exchange Program
(a)(7)*	Questions and Answers Regarding Exchange (located on Pixelworks internal website)
(a)(8)*	Presentation Regarding Exchange (located on Pixelworks internal website and to be used in presentations to employees)
(a)(9)*	Form of Reminder E-Mail Message to Employees
(a)(10)*	The Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on March 13, 2006 (incorporated by reference)
(a)(11)*	Audited consolidated financial statements of Pixelworks and subsidiaries as of and for the years ended December 31, 2005 and 2004 as contained on pages 48 through 79 under Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 13, 2006; (incorporated by reference)
(a)(12)*	Unaudited consolidated financial statements of Pixelworks, Inc. and subsidiaries as of and for the three and six month periods ended June 30, 2006 and 2005 as contained on pages 3 through 19 under Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, filed with the SEC on August 9, 2006 (each incorporated by reference)
(a)(13)	First Supplement to Offer Circular
(a)(14)	Second Supplement to Offer Circular
(a)(15)	Unaudited condensed consolidated financial statements of Pixelworks, Inc. and subsidiaries as of and for the three and nine month periods ended September 30, 2006 and 2005 as contained on pages 3 through 19 under Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, filed with the SEC on November 9, 2006 (each incorporated by reference)
(a)(16)	Current Report on Form 8-K filed with the SEC on November 27, 2006 (incorporated by reference)
(d)(1)*	Pixelworks, Inc. 2006 Stock Incentive Plan, as contained in Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 30, 2006 (incorporated by reference)
(d)(2)*	Form of New Grant Nonqualified Stock Option Agreement

* Previously filed.

PIXELWORKS, INC.

**First Supplement to
Offer to Exchange**

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933, as amended.

TO: All Employees

DATE: November 27, 2006

RE: First Supplement to the Offer to Exchange dated October 27, 2006.

This memorandum is a first supplement to the Offer to Exchange Certain Outstanding Pixelworks Stock Option Grants dated October 27, 2006 (the "Offer Circular"). Capitalized terms not otherwise defined in this supplement have the meanings defined in the Offer Circular. This supplement does two things. First, it adds a new "risk factor" for your consideration in deciding whether or not to participate in the Offer to Exchange that relates to the restructuring plan that Pixelworks announced today. Second, it changes the deadline by which you must submit your Election form to 11:59 p.m., Pacific Standard Time, Friday, December 1, 2006.

Risk Factor

Pixelworks announced today an additional restructuring plan designed to further reduce its operating expenses from the third quarter 2006 run rates on an annualized basis by approximately \$16 million to \$18 million by the end of 2007. These reductions are in addition to the approximately \$9 million in annualized savings expected from a previous restructuring plan announced on April 25, 2006. The new plan includes further consolidation of our North American operations to achieve compensation and space cost savings over the course of the next several quarters. In addition, the plan also contemplates making critical infrastructure investments in people, processes and information systems to improve the operational efficiency of the company.

This supplement describes the potential impact this restructuring plan may have on your decision whether or not to participate in the Offer to Exchange your Old Grants for New Grants. You should read this supplement together with the Offer Circular and consider their contents in making your decision to participate in the Offer to Exchange.

The restructuring plan is a material event, and may affect the value of Pixelworks stock on the NASDAQ market in ways that we cannot predict. Accordingly, we are hereby supplementing the Section of the Offer Circular entitled, "Certain Risks of Participating in the Exchange — Business Related Risks" to include the following risk factor:

We may not be able to implement the November 2006 restructuring plan in a timely manner, or at all, and even if we do, the plan may not result in the anticipated benefits.

Our November 2006 restructuring plan is designed to further improve our breakeven point by consolidating our North American operations which will result in compensation and space cost

savings, and by making critical infrastructure investments in people, processes and information systems to improve the operational efficiency of the Company. The plan may take longer to implement than we expect, which could impact the timing and amount of anticipated benefits. In addition, unforeseen circumstances may result in our not being able to obtain the full benefits of the restructuring plan. Finally, our assumptions about the benefits of the plan may prove incorrect or inaccurate, leading to a reduced benefit.

In addition, we filed our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 with the Securities and Exchange Commission on November 9, 2006, which contains financial statements for the quarter and updated risk factors, which financial statements and risk factors are incorporated into this supplement by reference.

We also filed a Current Report on Form 8-K with the Securities and Exchange Commission on November 27, 2006 describing the restructuring plan referred to in this supplement, which Form 8-K is incorporated into this supplement by reference.

Change in Deadline

In light of this announcement, we have extended the deadline for you to submit your Election Form to **11:59 p.m., Pacific Standard Time, Friday, December 1, 2006**. If you wish to change your Election Form, perhaps to decide against submitting certain of your Old Grants or to submit a different set of Old Grants, please be sure to complete a new Election Form, sign it, and send it to our Tualatin location using one of the following methods:

- Email the completed and signed form in a .pdf format to pixelworksoep@pixelworks.com
- Fax the form to 503-454-0261
- Send mail or courier (you must pay the costs of mail or courier charges)
- Deliver by hand to the drop box labeled Option Exchange in the Tualatin office

NOTE: The form must be received in our Tualatin office by the new deadline. If you mail the form, it may not arrive by the deadline. We urge you to consider sending the form by fax, e-mail or by hand given the time remaining until the deadline.

Other than as described in this letter, all other terms and conditions of the Offer to Exchange remain unchanged. Please refer to your Offer to Exchange for details.

Mike Yonker
VP, CFO, Treasurer & Secretary

PIXELWORKS, INC.

**Second Supplement to
Offer to Exchange**

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933, as amended.

TO: Affected Employee

DATE: November 27, 2006

RE: Second Supplement to the Offer to Exchange dated October 27, 2006.

This memorandum is the second supplement to the Offer to Exchange Certain Outstanding Pixelworks Stock Option Grants dated October 27, 2006 (the "Offer Circular"). It is in addition to the First Supplement to the Offer Circular that you already received. Capitalized terms not otherwise defined in this supplement have the meanings defined in the Offer Circular.

As discussed in the first supplement, Pixelworks announced today a restructuring plan that includes consolidation of our North American operations to achieve compensation and space cost savings over the course of the next several quarters. As part of this restructuring plan, your employment with Pixelworks will end some time in the next several months.

Since your job at Pixelworks is ending, submitting your Old Grants in the Exchange may result in your losing both your Old Grants and any corresponding New Grants. New Grants are subject to a new 18-month vesting schedule (see the Offer Circular for details), and will be completely unvested at grant. Accordingly, if your job ends prior to the 6-month anniversary of the issuance of the New Grants, you will not be vested in any of the shares issuable under the New Grants. Therefore, you should look carefully at when your New Grants would vest and how that corresponds to your last day of employment. If submitted in the Exchange, your Old Grants will be cancelled, even if partially or completely vested. If you submit Old Grants that are vested, and your employment ends before your New Grants vest, you would end up with no vested stock options to exercise, regardless of whether they are in the money or not. Given that we have extended the New Grant date to early December 2006, any New Grants would vest, subject to your continued employment, 1/3rd on June 30, 2007, and then ratably at the end of each month thereafter. If your employment ends prior to July 1, 2007, you would NOT vest in any shares under a New Grant.

Other than as described in this supplement and the first supplement, all other terms and conditions of the Offer to Exchange remain unchanged. Please refer to your Offer Circular for details.

Mike Yonker

VP, CFO, Treasurer & Secretary