GENESIS MICROCHIP INC /DE
Form 10-K/A
July 29, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2003

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-31376

GENESIS MICROCHIP INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**77-0584301**
(State of incorporation)	**(IRS employer identification number)**

2150 GOLD STREET

P.O. BOX 2150

ALVISO, CALIFORNIA **95002**
(Address of principal executive offices) **(Zip Code)**

(408) 262-6599

(Registrant s telephone number)

Securities registered pursuant to section 12(g) of the Act:

Shares of Common Stock, $0.001 par value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No ¨

The aggregate market value of shares of common stock held by non-affiliates at September 30, 2002 was $236,441,165, based on the last reported sale price of our common stock on The Nasdaq National Market on that date of $7.67 per share. We had 31,259,621 shares of common stock outstanding at September 30, 2002.

We had 31,276,061 shares of common stock outstanding at May 21, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

This Amendment to Form 10-K includes the information required by Items 10, 11, 12 and 13 pursuant to General Instruction G(3). Part II, Item 7 incorporates by reference information from the Form S-4 filed by Pixelworks, Inc. with the Securities and Exchange Commission on April 18, 2003, as amended on July 3, 2003, a copy of which information is attached as an exhibit to this Amendment to Form 10-K.

Statement regarding forward-looking statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements relate to expectations concerning matters that are not historical facts. Words such as projects, believes, anticipates, plans, expects, intends and similar words and expressions are intended to identify forward-looking state We believe that the expectations reflected in the forward-looking statements are reasonable but we cannot assure you that those expectations will prove to be correct. Important factors that could cause our actual results to differ materially from those expectations are disclosed in this report, including, without limitation, in the Risk Factors described in Item 7. All forward-looking statements are expressly qualified in their entirety by these factors and all related cautionary statements. We do not undertake any obligation to update any forward-looking statements.

Trademarks

Genesis with its logo, Genesis Display Perfection, SmartSCAN®, RealColor®, Real Recovery, Ultra-Reliable DVI®, Faroudja®, Nuon® and DCDi by Faroudja® are our trademarks or registered trademarks. This report also refers to the trademarks of other companies.

Internet Site

Our Internet address is www.genesis-microchip.com. We make publicly available free of charge on our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

PART I

Item 1. ***Business:***

Overview

We design, develop and market integrated circuits that receive and process digital video and graphic images. Our integrated circuits are typically located inside a display device and process incoming images for viewing on that display. We are currently targeting flat-panel computer monitor, flat-panel television and progressive scan cathode ray tube, or CRT, television applications and other potential high-volume applications.

The transition from analog display systems, such as most televisions and computer monitors that use cathode ray tubes, to digital display systems that use a fixed matrix of pixels to represent an image, requires sophisticated digital image-processing solutions. Our products solve input, resolution, format and frame refresh rate conversion problems while maintaining critical image information and improving perceived image quality. Our products utilize patented algorithms and integrated circuit architectures as well as advanced integrated circuit design and system design expertise.

We began business as a Canadian company in 1987, and changed our domicile to become a Delaware corporation in February 2002. Until 1999 we were focused primarily on developing digital image processing technologies. In May 1999 we acquired a private U.S. corporation, Paradise Electronics, Inc., which, in addition to developing digital image processing technologies, was developing analog and mixed signal communications technologies. We have now combined analog and mixed signal technologies with digital image processing technologies into more comprehensive semiconductor solutions.

In February 2002, we acquired a public U.S. corporation, Sage, Inc. In addition to bringing additional image processing and mixed signal technologies to address the flat panel monitor market, Sage was developing significant expertise in technologies addressing other emerging display applications. In March 2002 we acquired the technology assets of VM Labs, Inc. Those technologies include digital video decoding and audio technologies. We believe that these recent acquisitions will improve our product offerings into the flat panel monitor market and improve our ability to diversify our business into other emerging display markets, such as flat-panel television and progressive-scan CRT television markets and other potential mass markets.

On March 17, 2003, we entered into an Agreement and Plan of Merger with Pixelworks, Inc., an Oregon corporation, and Display Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Pixelworks. Pursuant to the Agreement, and subject to its terms and conditions, Display Acquisition Corporation will be merged with and into Genesis with Genesis continuing as the surviving corporation and as a wholly owned subsidiary of Pixelworks. As a result of the merger, each issued and outstanding share of Genesis common stock, par value $0.001 per share, will be automatically converted into the right to receive 2.3366 validly issued, fully paid and nonassessable shares of common stock, par value $0.001 per share, of Pixelworks. The consummation of the merger is subject to the approval of the stockholders of Genesis and Pixelworks, receipt of necessary approvals under United States and applicable foreign antitrust laws, SEC clearance and other customary closing conditions. The merger is intended to be a tax-free reorganization under the Internal Revenue Code of 1986, as amended. All of the directors of Genesis who were directors on March 17, 2003 have entered into voting agreements with Pixelworks obligating them to vote in favor of adoption of the Agreement.

We operate through subsidiaries and offices in the United States, Canada, China, India, Japan, South Korea, and Taiwan. Our business is conducted globally, with the majority of our suppliers and customers located in China, Japan, South Korea and Taiwan. For a geographical

breakdown of our revenues and long-lived assets, see note 17 to our consolidated financial statements included in Item 8 of this report.

Markets and applications

Our targeted applications include the following:

Flat Panel Computer Monitors. Flat panel computer monitors using liquid crystal displays, or LCDs, are increasingly replacing monitors that use CRTs. For the year ended March 31, 2003, the flat panel computer monitor market represented 84% of our total revenues. Companies whose flat panel computer monitors incorporate our products include BenQ, Dell, Fujitsu, Gateway, Hewlett-Packard, IBM, Legend, NEC, Philips, Samsung, Sony, ViewSonic and many other leading brands.

Consumer Digital Television. We are leveraging our technologies and continue to produce products for consumer digital television applications. These potential applications include home theater, DVD, flat panel and digital television and HDTV. We have secured a number of design wins with leading manufacturers for these applications.

Products

The following table shows our principal integrated circuit product families at March 31, 2003:

Product Family	Description	Markets	Product Features
FLI22xx/FLI23xx	Video format conversion and image enhancement processors	CRT TV, flat panel TV, DVD player, video projectors	Motion adaptive de-interlacing; film mode control; noise reduction; image enhancement
gm15xx/gm16xx	Graphics/TV video processors for SXGA-WUXGA resolutions	Flat panel monitors, flat panel TV, video projectors	Integrated analog-to-digital converters; image scaling; advanced color controls; advanced OSD controller; LCD panel timing controller; motion adaptive de-interlacing; film mode control; picture in picture controller
gm21xx	Integrated analog LCD monitor controllers (for XGA and SXGA-resolution monitors)	LCD monitors and other fixed-resolution pixelated displays	Integrated analog-to-digital converters; image scaling; advanced color controls; advanced OSD controller; LCD panel timing controller (select models)
gm31xx	DVI interface LCD monitor controllers for XGA and SXGA resolutions	LCD monitors and other fixed-resolution pixelated displays	Integrated DVI receiver; image scaling; advanced color controls; advanced OSD controller; LCD panel timing controller (select models)
gm50xx	Dual interface analog and DVI LCD monitor controllers (for XGA to UXGA resolutions)	Multi-synchronous LCD monitors and other fixed-resolution pixelated displays	Integrated DVI receiver; analog-to-digital converter; image scaler; RealColor color adjustment technology; advanced OSD controller
gm51xx	Dual interface Analog and DVI LCD monitor controllers (for XGA and SXGA-resolution monitors)	LCD monitors and other fixed-resolution pixelated displays	Integrated DVI receiver; analog-to-digital converters; Image scaling; advanced color controls; advanced OSD controller; LCD panel timing controller (select models)
gm60xx	Digital TV video processors	CRT TV, Flat panel TV, Video projectors	Motion adaptive de-interlacing; film mode control; picture-in-picture controller
gm7030	Digital CRT interface controller	Digital CRT displays	Integrated DVI interface; analog to digital converters; High-Bandwidth Digital Content Protection (HDCP); color controls; image format conversion; digital to analog converter
gmZANx	Analog interface LCD monitor controllers (for XGA-resolution monitors)	LCD monitors and other fixed-resolution pixelated displays	Integrated analog-to-digital converter; Image scaler; OSD controller

JagASM Jag200	Analog and digital interface LCD monitor controllers (for SXGA to UXGA-resolution monitors)	Multi-synchronous LCD monitors and other fixed-resolution pixelated displays	Integrated analog-to-digital converter (JagASM); Image scaler; picture in picture controller; Advanced OSD controller

Research and development

Our research and development efforts are performed within the following specialized groups:

Algorithm Development Group: focuses on developing high-quality image processing technologies and their implementation in silicon.

Product Development Group: focuses on developing standard semiconductor components to service our monitor and computer OEM customers and providing them with a complete turnkey solution, which reduces their time to market. In addition we develop semiconductor components to serve customers who are designing products for new market applications, such as flat-panel television and progressive scan CRT television markets and other potential mass markets.

Applications Engineering Group: produces evaluation boards and reference designs for both LCD monitors and LCD television applications that facilitate the integration of our products into the end products manufactured by our customers.

Software Engineering Group: develops the software environment required for our products to work within target systems. Software is now embedded in many of our products. The other major role of software engineering is tool development. We provide sophisticated software tools to help our customers develop their applications and customize their software to improve the productivity of those engineers involved in the process of getting their products into production.

As of March 31, 2003, we had 185 full-time employees engaged in research and development. Expenditures for research and development, including non-cash stock-based compensation, were $38.1 million for the year ended March 31, 2003, $21.8 million for the year ended March 31, 2002 and $17.4 million for the year ended March 31, 2001.

Customers, sales and marketing

We sell and market our products directly to customers, through regional sales representatives and through distributors. Our sales and marketing personnel work closely with customers, industry leaders, sales representatives and our distributors to define features, performance, price and market timing of new products. In China, South Korea and Taiwan we sell our products through our local sales and technical support offices. In North America we sell through technically trained sales representatives and distributors. In Europe, we sell our products through distributors. In Japan, we sell our products through both technically trained sales representatives and through distributors. Regardless of the sales channels used, we provide technical support and design assistance directly to our customers. We focus on developing long-term customer relationships with both system manufacturers and equipment manufacturers.

We provide direct service and support to our customers through our offices in the United States, Canada, Japan, South Korea, China and Taiwan. Our sales representatives and our distributors also provide ongoing support and service on our behalf. We provide customer support through both on-site customer service and through remote support from our various facilities. We generally provide a one-year warranty for our integrated circuit products.

Our revenues are derived primarily from sales of our semiconductor components into the flat panel monitor market. For the year ended March 31, 2003, 84% of our revenues came from this market. As a result, we derive a substantial portion of our revenues from a limited number of products. For the year ended March 31, 2003, our gm5020 dual interface product contributed 26% of our revenues and our top five products

contributed 52% of our total revenues.

Our sales are also derived from a limited number of customers, with our largest five customers accounting for 55% of total revenues in fiscal 2003, 53% of total revenues in fiscal 2002 and 31% of total revenues in fiscal 2001.

For the year ended March 31, 2003, two customers, Samsung Electronics Co. and LG Electronics, Inc. each accounted for more than 10% of our total revenues. For the year ended March 31, 2002, two customers, Samsung Electronics Co. and Top Victory Electronics Co., each accounted for more than 10% of our total revenues. For the year ended March 31, 2001, no customer accounted for more than 10% of our total revenues. At March 31, 2003, four customers each represented more than 10% of accounts receivable trade. At March 31, 2002, no customer represented more than 10% of accounts receivable trade. The loss of any significant customer could have a material adverse impact on our business.

We sell our products primarily outside of the United States. For the year ended March 31, 2003, 86% of our revenues were from sales to China, Japan, South Korea and Taiwan, and 7% of our revenues were from customers in the United States.

Additional information on the concentration of our revenues by geography, customers and markets can be found in note 17 to our consolidated financial statements included in Item 8 of this report.

As of March 31, 2003, our sales and marketing force totaled 129 people. This included 46 field applications engineers whose role is to create reference designs and assist our customers to incorporate our integrated circuits into their products.

Manufacturing

Third parties with state-of-the-art fabrication equipment and technology manufacture our products. This approach enables us to focus on product design and development, minimizes capital expenditures and provides us with access to advanced manufacturing facilities. Most of our products use silicon wafers manufactured by Taiwan Semiconductor Manufacturing Corporation, with whom we have a fixed-term sole source arrangement. Currently, our products are being fabricated, assembled or tested by Advanced Semiconductor Engineering, International Semiconductor Engineering Labs, Siliconware Precision Industries Ltd., ST Microelectronics, Taiwan Semiconductor Manufacturing Corporation and United Microelectronics Corporation.

As semiconductor manufacturing technologies advance, manufacturers typically retire their older manufacturing processes in favor of newer processes. When this occurs, the manufacturer generally provides notice to its customers of its intent to discontinue a process, and its customers will either retire the affected part or design a newer version of the part that can be manufactured on the more advanced process. Consequently, our products may become unavailable from their current manufacturers if the processes on which they are produced are discontinued. Our devices are produced using 0.25 or 0.18 micron technology and these geometries will likely be available for the next two to three years. We must manage the transition to new parts from existing parts. We have commitments from our suppliers to provide notice of any discontinuance of their manufacturing processes in order to assist us in managing these types of product transitions.

All of our products are sourced such that we have only one supplier for any one device. Based on our current production volumes, this approach of single sourcing is reasonable. As our volumes grow, we intend to secure sufficient fabrication capacity and diversify our sources of supply. Any inability of a current supplier to provide adequate capacity would require us to obtain products from alternate sources. There is a considerable amount of time required to change wafer fabrication suppliers for any single product, as well as substantial costs to bring that supplier into volume production. Should a source of a product cease to be available, we believe that this would have a material adverse effect on our business, financial condition and results of operations. We have no guarantees of minimum capacity from our suppliers and are not liable for minimum purchase commitments.

Intellectual property and licenses

We protect our technology through a combination of patents, copyrights, trade secret laws, trademark registrations, confidentiality procedures and licensing arrangements. We have over 140 United States and foreign patents with additional patent applications pending. In addition to the United States, we apply for and have been granted numerous patents in other jurisdictions, including Europe, Canada, Japan, Taiwan and South Korea. Our patents relate to various aspects of algorithms, product design or architectures. To supplement our proprietary technology, we also license several patents from third parties.

We have patents in the areas of scaling and format detection that are material to our monitor business that expire in 2017. We believe that our patents are enforceable and have significant value to our business. However, we do not believe that our patents prohibit third parties from competing with us, as other parties may be able to design competing products without relying on our patents. In addition, our ability to enforce our patents is subject to general litigation risks. In protecting our patents, we may need to litigate to assure our patents are not infringed. Litigation can be time-consuming and expensive, and there can be no assurance that we will be successful in any litigation we undertake. In addition, an unfavorable outcome in litigation could result in invalidation of the patents we assert.

Competition

The markets in which we operate are intensely competitive and are characterized by technological change, evolving industry standards and rapidly declining average selling prices. We face competition from both large companies and start-up companies, including Micronas AG, Macronix International Co., Ltd., Media Reality Technologies, Inc., Mstar Semiconductor, Inc., Philips Semiconductors, a division of Philips Electronics N.V., Pixelworks, Inc., Realtek Semiconductor Corp., Silicon Image, Inc., SmartASIC Inc., ST Microelectronics, Inc., Topro Technology Inc., Trident Microsystems, Inc. and Trumpion Microelectronics, Inc. We anticipate that as the markets for our products develop, our current customers may develop their own products and competition from diversified electronic and semiconductor companies will intensify. Some competitors are likely to include companies with greater financial and other resources than us. Increased competition could harm our business, by, for example, increasing pressure on our profit margins or causing us to lose customers.

We believe that the principal competitive factors in our markets are:

- product design features and performance,
- product price,
- the time to market of our products, and
- the quality and speed of customer support.

Backlog

Our customers typically order products by way of purchase orders that may be canceled or rescheduled without significant penalty. These purchase orders are subject to price negotiations and to changes in quantities of products and delivery schedules in order to reflect changes in their requirements and manufacturing availability. Historically, most of our sales have been made pursuant to short lead-time orders. In addition, our actual shipments depend on the manufacturing capability of our suppliers and the availability of products from those suppliers. As a result of the foregoing factors, we do not believe the backlog at any given time is a meaningful indicator of our future revenues.

Employees

As of March 31, 2003, we employed a total of 393 full-time employees, including 185 in research and development, 129 in sales and marketing, 36 in manufacturing operations and 43 in finance and administration. We employ a number of temporary and part-time employees and consultants on a contract basis. Our employees are not represented by a collective bargaining organization. We believe that relations with our employees are satisfactory.

Executive Officers

The following table lists the names and positions held by each of our executive officers as of July 20, 2003:

Name	Age	Position
Eric Erdman	45	Interim Chief Executive Officer; Chief Financial Officer, Secretary and Director
Tzoyao Chan	50	Senior Vice President, Engineering
Anders Frisk	47	Chief Operating Officer
Ken Murray	52	Vice President, Human Resources
Matthew Ready	44	Senior Vice President, Sales
Mohammad Tafazzoli	43	Vice President, Operations

Eric Erdman was named Interim Chief Executive Officer effective July 20, 2003. Mr. Erdman has served as Chief Financial Officer since March 2002 and previously held the position from December 1997 to February 2002. Mr. Erdman has served as Secretary since June 2002 and in the period from October 1995 to February 2002. Mr. Erdman became a Director on May 13, 2003 and previously served as a Director from October 1995 to September 1996. From March 2002 to June 2002 Mr. Erdman served as Assistant Secretary. Mr. Erdman joined Genesis in July 1995 as Director, Finance and Administration and served as Vice President, Finance and Administration from July 1996 to May 1999. Mr. Erdman holds a Bachelor of Mathematics degree from the University of Waterloo, and he is a member of the American Institute of Certified Public Accountants and of the Canadian Institute of Chartered Accountants.

Tzoyao Chan joined Genesis in May 1999 as the result of the merger with Paradise Electronics. Before joining Paradise in 1997, Dr. Chan was Director of Engineering at Cirrus Logic. He has also held various engineering and management positions at leading chip-design companies including Bell Labs (now Lucent Technology), Intel Corp, LSI Logic, Chips & Technologies and S3. Dr. Chan holds a Ph.D. degree from the University of Arizona (Electrical Engineering).

Anders Frisk has been Chief Operating Officer since January 2003. He joined Genesis in March 2000 as Vice President, Marketing. Prior to then, he served as Director of Technology Planning with Nokia from February 1998 to March 2000, and as PC Architecture Manager with Fujitsu ICL Computers from April 1991 to January 1998. Mr. Frisk has served on the board of the Video Electronics Standards Association, or VESA, and chaired VESA s Monitor Committee for four years. Mr. Frisk holds a Master s degree in Electrical Engineering from Stockholm s Royal Institute of Technology.

Ken Murray joined Genesis in August 2000 as Vice President, Human Resources. He served as Vice President, Human Resources at Chordiant Software from November 1999 to August 2000 and at NeoMagic Corp. from July 1997 to November 1999. Mr. Murray holds a B.S. degree in Business Administration from San Jose State University.

Matthew Ready joined Genesis in April 2000. Prior to then, he served as General Manager of the Global PC Business Unit for Brooks Technical Group from July 1997. Mr. Ready was Vice President of Worldwide Sales for Array Microsystems from September 1996 to June 1997 and Vice President Sales with OPTi Computer from March 1991 to August 1996. Mr. Ready holds a B.S. degree in Business Administration from San Jose State University.

Mohammad Tafazzoli has served as Vice President, Operations since June 2000. He was previously the Director of Operations at Genesis and joined the company as a result of the merger with Paradise Electronics. Prior to joining Paradise, Mr. Tafazzoli was a Senior Manager, Product Engineering for Cirrus Logic s Graphics Business Unit from October 1993 to March 1998. Mr. Tafazzoli holds a B.S.E.E. degree from San Jose State University.

Item 2. ***Properties:***

We lease offices in Alviso and Sunnyvale, California; Thornhill, Ontario, Canada; Bangalore, India; Taipei, Taiwan; Seoul, South Korea; Shenzen, China; Suzhou, China; and Tokyo, Japan. We believe our existing facilities are adequate to meet our needs for the immediate future and that future growth can be accomplished by leasing additional or alternative space on commercially reasonable terms. Further information on our lease commitments can be found in note 16 to our consolidated financial statements included in Item 8 of this report.

Item 3. ***Legal Proceedings:***

On April 24, 2001, Silicon Image, Inc. (Silicon Image) filed a patent infringement lawsuit against Genesis in the United States District Court for the Eastern District of Virginia and simultaneously filed a complaint before the United States International Trade Commission (ITC) in Washington, D.C. The complaint and suit alleged that certain Genesis products that contain digital receivers infringe various Silicon Image patent claims. Silicon Image was seeking an injunction to halt the sale, manufacture and use of Genesis s DVI receiver products and unspecified monetary damages. On December 7, 2001 Silicon Image formally moved to withdraw its complaint before the United States ITC and those proceedings have terminated. The trial in the case before the United States District Court for the Eastern District of Virginia was set for January 2003, but the trial was taken off the calendar of the court in December 2002. Beginning in January 2003, the parties filed case dispositive motions, which were heard by the court in March 2003. On July 15, 2003, the court ruled that Genesis and Silicon Image have settled their disputes based on a Memorandum of Understanding, or MOU, signed on December 18, 2002. The court s opinion states that the MOU is a binding settlement agreement. The MOU states that Genesis has received a license for the right to use non-necessary claims under the Digital Visual Interface (DVI) Adopters Agreement and allows Genesis to receive a license to the non-necessary claims under the High-Definition Multimedia Interface (HDMI) Adopters Agreement. In addition, the MOU provides that Genesis has been granted a license to expand use of necessary claims in the DVI Adopters Agreement to the consumer electronics marketplace. The court s opinion states that Genesis will pay Silicon Image a monetary settlement, license fee and running royalties on all DVI and HDMI products. The MOU further states that the companies will cooperate, support and promote interoperability of DVI and HDMI. We have made provision for costs associated with patent litigation in the year ended March 31, 2003 of $9,671,000. We do not expect to incur any running royalties for at least the next year as a result of the court s ruling. However, the future financial impact arising from any appeal or other legal actions related to the dispute is not yet determinable and no other provision has been made in our consolidated financial statements for any future costs associated with this claim.

On March 14, 2002, Genesis filed a patent infringement lawsuit against Media Reality Technologies, Inc. (MRT), SmartASIC Inc., and Trumpion Microelectronics, Inc. (Trumpion) in the United States District Court for the Northern District of California. The complaint alleges

that certain MRT and Trumpion products, which are sold as video/graphics display controllers, infringe various claims of a Genesis U.S. patent. This patent has also been issued in Japan and Korea and is pending in Taiwan. As part of this lawsuit, Genesis is seeking monetary damages and a permanent injunction that bars MRT and Trumpion from making, using, importing, offering to sell, or selling the allegedly infringing products in the United States. On September 17, 2002, Genesis filed a similar patent infringement complaint against the three companies in the United States International Trade Commission (ITC), as discussed below. Except for the counterclaims by MRT discussed below, the Northern District of California case has been stayed pending the outcome of the ITC action. On January 8, 2003, Genesis announced a settlement of its litigation against SmartASIC; the litigation with respect to the other defendants has not been settled. MRT has asserted counterclaims against Genesis, alleging trade secret misappropriation, interference with economic advantage, and unfair practices and competition. Genesis intends to vigorously defend against these claims. The future financial impact of these claims is not yet determinable and no provision has been made in our consolidated financial statements for any future costs associated with these claims.

On September 17, 2002, Genesis filed a patent infringement complaint against MRT, SmartASIC Inc., and Trumpion in the ITC. The Genesis legal action alleges that MRT s Mascot series products, and Trumpion s ZURAC and Zipro series products infringe on Genesis s patented technology. Genesis is seeking an order from the ITC to exclude MRT and Trumpion s products and other products containing MRT or Trumpion s products from entry into the United States. On October 15, 2002, the ITC voted to institute an investigation into the complaint. On January 8, 2003, Genesis announced a settlement of its litigation against SmartASIC; the litigation with respect to the other defendants has not been settled. The future financial impact of these claims is not yet determinable and no provision has been made in our consolidated financial statements for any future costs associated with these claims.

On March 10, 2003, Genesis filed a second patent infringement complaint against MRT and Trumpion in the ITC. The Genesis legal action alleges that MRT s Mascot series products, and Trumpion s ZURAC and Zipro series products, infringe Genesis s patented technology. Genesis is seeking an order from the ITC to exclude MRT and Trumpion s products and other products containing MRT or Trumpion s products from entry into the United States. On April 8, 2003, the ITC voted to institute an investigation into the complaint. On May 30, 2003, Genesis filed an amended complaint to add Mstar Semiconductor, Inc. (Mstar) as a respondent. On July 22, 2003, the ITC released its order adding Mstar to that complaint. The future financial impact of these claims is not yet determinable and no provision has been made in our consolidated financial statements for any future costs associated with these claims.

On November 7, 2002, a putative securities class action captioned Kuehbeck v. Genesis Microchip et al., Civil Action No. 02-CV-05344, was filed against Genesis, former Chief Executive Officer Amnon Fisher, and Interim Chief Executive Officer and Chief Financial Officer Eric Erdman, and amended on July 3, 2003 to include Chief Operating Officer Anders Frisk (collectively the Individual Defendants) in the United States District Court for the Northern District of California. The complaint alleges violations of Section 10(b) of the Securities and Exchange Act of 1934 (the Exchange Act) and Rule 10b-5 promulgated thereunder against Genesis and the Individual Defendants, and violations of Section 20(a) of the Exchange Act against the Individual Defendants. The complaint seeks unspecified damages on behalf of a purported class of purchasers of Genesis s common stock between April 29, 2002 and June 14, 2002. Genesis believes that it has meritorious defenses to these lawsuits and will defend the litigation vigorously. The future financial impact of this claim is not yet determinable and no provision has been made in our consolidated financial statements for any future costs associated with this claim.

On September 20, 2002, Genesis Microchip received a letter from a lawyer representing former executive officer Arun Johary alleging, among other things, that he was wrongly precluded from exercising his options and selling his shares of Sage, Inc. and later Genesis Microchip in connection with the acquisition of Sage by Genesis Microchip. Mr. Johary alleges that as a combined result of certain decisions not to allow him to sell his shares, he suffered a total economic loss of approximately $4.1 million dollars. On April 25, 2003, Mr. Johary filed a demand for arbitration with the American Arbitration Association regarding the same issues raised in his letter. The demand for arbitration alleges fraud, deceit and misrepresentation, omission of material fact, breach of fiduciary duty, negligence and breach of contract against Genesis, Sage and former Chief Executive Officer Amnon Fisher. Genesis Microchip believes Mr. Johary s claims are without legal merit. The Company is currently in settlement negotiations with Mr. Johary.

An unfavorable resolution of any of these lawsuits could have a material adverse effect on Genesis s business, results of operations or financial condition.

We are not a party to any other material legal proceedings.

Item 4. ***Submission of Matters To a Vote of Security Holders:***

None.

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PART II

Item 5. ***Market for Our Common Stock and Related Stockholder Matters:***

Market information

Our common stock trades on the Nasdaq National Market under the symbol GNSS. We have not listed our stock on any other markets or exchanges. The following table shows the high and low closing prices for our common stock as reported by the Nasdaq National Market:

	High	Low
2001 Calendar year		
First Quarter	$ 18.88	$ 9.31
Second Quarter	$ 37.40	$ 8.38
Third Quarter	$ 36.00	$ 19.70
Fourth Quarter	$ 69.81	$ 26.70
2002 Calendar year		
First Quarter	$ 72.51	$ 23.49
Second Quarter	$ 28.40	$ 7.72
Third Quarter	$ 9.31	$ 5.64
Fourth Quarter	$ 21.41	$ 6.40
2003 Calendar year		
First Quarter	$ 18.15	$ 10.49
Second Quarter	$ 19.02	$ 13.05
Third Quarter (to July 15)	$ 16.16	$ 14.26

As of July 15, 2003, we had approximately 215 common stockholders of record and a substantially greater number of beneficial owners.

Dividend policy

We have never declared or paid dividends on our common stock. We intend to retain our earnings for use in our business and therefore we do not anticipate declaring or paying any cash dividends in the foreseeable future. In addition, our Agreement and Plan of Merger with Pixelworks, Inc. prohibits us from paying dividends on our common stock without the written consent of Pixelworks.

Item 6. ***Selected Consolidated Financial Data:***

Selected consolidated financial data for the last five fiscal years appears below (in thousands, except per share data):

	Year Ended March 31				Ten Months Ended March 31,
	2003	2002	2001	2000	1999
Statements of Operations Data:					
Revenues	$ 194,325	$ 163,370	$ 63,627	$ 53,332	$ 37,738
Cost of revenues	119,410	89,287	32,416	17,021	14,062
Gross profit	74,915	74,083	31,211	36,311	23,676
Operating expenses:					
Research and development	38,108	21,762	17,413	16,065	10,261
Selling, general and administrative	36,231	21,469	15,947	12,364	10,307
Amortization of acquired intangibles	10,627	1,032			
Provision for costs associated with patent litigation	9,671				
Restructuring		1,858			
In-process research and development		4,700			
Merger-related costs				3,455	
Total operating expenses	94,637	50,821	33,360	31,844	20,568
Income (loss) from operations	(19,722)	23,262	(2,149)	4,427	3,108
Interest and other income, net	946	1,463	2,328	1,941	1,436
Income (loss) before income taxes	(18,766)	24,725	179	6,368	4,544
Provision for (recovery of) income taxes	(4,140)	6,729	(2,483)	360	(986)
Net income (loss)	$ (14,636)	$ 17,996	$ 2,662	$ 6,008	$ 5,530

Earnings (loss) per share: