TIVO INC
Form 10-K
March 23, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

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

For the fiscal year ended January 31, 2016

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number 000-27141

TIVO INC.
(Exact name of registrant as specified in its charter)

Delaware	77-0463167
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2160 Gold Street, San Jose, CA	95002
(Address of principal executive offices)	(Zip Code)

(408) 519-9100
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC (Nasdaq Global Market)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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.

Yes o No x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “accelerated filer”, “large accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes o No x

The aggregate market value of the registrant’s common stock, $0.001 par value per share, held by non-affiliates of the registrant on July 31, 2015, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately $0.9 billion (based on the closing sales price of the registrant’s common stock on that date as reported in the Nasdaq Global Market). Shares of the registrant's common stock held by each officer and director and each person that controls, is controlled by or is under common control of the registrant have been excluded in that such persons may be deemed to be affiliates. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant's outstanding common stock that the registrant believes are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940. This determination of affiliate status is not a determination for other purposes.

On March 11, 2016, the Registrant had 97,863,989 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information from the registrant’s definitive proxy statement (the “Proxy Statement”) for the 2016 Annual Meeting of Shareholders to be filed on or before May 31, 2016.

TIVO INC.
FORM 10-K
For the Fiscal Year Ended January 31, 2016

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Except as the context otherwise requires, the terms “TiVo,” “Registrant,” “Company,” “we,” “us,” or “our” as used herein are references to TiVo Inc. and its consolidated subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains certain 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. These statements relate to, among other things:

- our financial results, including our expectations of future revenues and profitability;
- our intention and ability to protect our intellectual property in the future and the strength and future value of our intellectual property;
- our TiVo-Owned retail subscriptions, our future investments in subscription acquisition activities, future advertising expenditures, hardware costs and associated hardware subsidies, and other sales and marketing activities, including our sales and marketing, subscription acquisition cost (SAC), and average revenue per subscription (ARPU), and subscription churn;
- our TiVo-Owned Subscriptions, our estimates of the useful life of TiVo-enabled digital video recorders (DVRs) and Minis in connection with the recognition of revenue received from product lifetime subscriptions and the expected future increase in the number of fully-amortized TiVo-Owned product lifetime subscriptions, and our estimates of the effects of product lifetime subscriptions on churn;
- our expectations regarding the seasonality of our business and subscription additions to the TiVo service;
- our expectations regarding future growth in subscriptions to the TiVo service;
- our expectations that we will launch a new class of consumer products beyond our current offering;
- our expectations regarding future changes in our TiVo-Owned ARPU as well as fees paid by multiple system operators and broadcasters (MSOs), including decreases in TiVo-Owned ARPUs as a result of increased sales of non-DVR devices such as TiVo Mini which have lower product lifetime service fees than DVRs;
- our expectations regarding future media services and other revenues; including growth from TiVo Research, Digitalsmiths, and Cubiware;
- our expectations regarding future audience research and measurement revenues;
- our future service and hardware revenues from TiVo-Owned subscriptions and future service, technology, and hardware revenues from MSOs;
- our expectations regarding growth in the future next-generation video services market for our services, software, and technology for both our hardware and in-home and outside-of-the-home cloud-based solutions, which will be impacted by alternatives to and competitors with our products, such as broadband content delivered by MSOs to their customers' computers and mobile devices (such as TV Everywhere), video delivered on demand to an MSO customer's set-top box (VOD), and network DVRs;
- our expectations regarding continued regulatory required access to and installation and operational issues surrounding cable-operator provided CableCARDs™ and switched digital devices essential for TiVo consumer devices in cable homes;

- our expectations that in the future we may also offer services for additional non-DVR products that may or may not incorporate the TiVo user interface and non-DVR software including a network DVR service;
- our expectations of the future decrease in hardware revenues and hardware margin as our U.S. MSO customers transition their hardware purchases to third-party hardware manufacturers such as Arris and our belief that this will enable us to gain additional MSO Subscriptions;
- our expectations of the growth of the TiVo service and technology revenues outside the United States;
- our expectations regarding a future decrease in the amount of our research and development spending and our associated ability to remain a competitive technology innovator and invest significant resources in next-generation video services ;
- our expectations regarding future increases in the amount of deferred expenses in costs of technology revenues related to development work for our television distribution partners and our ability to receive revenues equal to or greater than such deferred expenses from such television distribution partners;
- our expectations regarding future changes in our operating expenses, including changes in general and administrative expenses, litigation expenses, and sales and marketing, subscription acquisition costs;
- our expectations regarding our ability to oversee outsourcing of our manufacturing processes and engineering work and our ability to support the hardware, inventory, and hardware customization needs of our MSO customers;
- our expectations regarding the usability of our finished goods inventory of DVRs and non-DVR products and the risks that hardware forecasts of our MSO customers may be reduced or delayed after we have committed manufacturing resources due to long lead times, which may require us to record write-downs if such inventory exceeds forecasted demand;
- our expectations regarding our ability to perform or comply with laws, regulations, and requirements different than those in the United States;
- our expectations regarding future capital allocation activities including share buy-backs, mergers and acquisitions, issuance of debt, and other alternative capital distribution activities;
- our expectations and estimates related to long-term investments and their associated carrying value.; and
- our expectations of growth from our acquisitions of Digitalsmiths Corporation ("Digitalsmiths") and Cubiware Sp. Z.o.o. ("Cubiware").

Forward-looking statements generally can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “intend,” “estimate,” “continue,” “ongoing,” “predict,” “potential,” and “anticipate” or similar express negative of those terms or expressions. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Such factors include, among others, the information contained under the caption Part I, Item 1A. “Risk Factors” in this annual report on Form 10-K The reader is cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this annual report, and we undertake no obligation to publicly update or revise any forward-looking statements in this annual report. The reader is strongly urged to read the information set forth under the caption Part I, Item 1, "Business" and Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and Part I, Item 1A, “Risk Factors” for a more detailed description of these significant risks and uncertainties.

PART I.

ITEM 1. BUSINESS

The Company

TiVo is a leader in next-generation video technology software services and innovative cloud-based software-as-a-service solutions. TiVo's software and cloud-based services provide an all-in-one approach for navigating 'content chaos' by seamlessly combining live, recorded, Video on Demand ("VOD"), and over-the-top (e.g. Netflix, Amazon, Hulu Plus, Vudu, and YouTube, among others) content into one intuitive user interface with simple universal search, discovery, viewing and recording, creating a unified viewing experience. This experience is distributed both directly to consumers and through distribution relationships with approximately 70 television service providers who utilize some or all of TiVo's software, hardware, and cloud services to power their own television products. This includes the traditional TiVo products as well as our cloud-based search and discovery capabilities for non-TiVo user experiences and our emerging market television experiences, which were gained through the Cubiware acquisition. As of January 31, 2016, TiVo had distribution relationships with television service providers representing 90 million global households as well as close to 1 million direct to consumer relationships.

We generate revenues primarily from four sources:

- Television Service Providers (also referred to as MSOs or Pay-TV Operators). We work with a growing number of television service providers, who typically pay us recurring monthly fees or an upfront software fee, which we recognize as service and software revenues. We also receive revenues for providing licensing and professional services, and in some instances we sell television service providers hardware based on retail set-top boxes ("STBs"). The service and software revenue we receive from these television service providers has continued to grow and we expect it to be a larger percentage of our total revenue in the future.
- Consumer Service. One of our largest sources of revenues is from consumers in our direct to consumer business, who subscribe to the TiVo service directly with us and typically pay us monthly fees, or in some cases pay for TiVo service for the life of their product upfront, which we report as our TiVo-Owned service subscriptions.
- Data Analytics Services. We work directly with television advertisers, agencies, and networks to offer a variety of solutions for television audience measurement and advertising analytics. These include unique second-by-second audience measurement metrics that anonymously combine television viewing data with other types of data, including with Internet viewing data, purchase activity or demographic attributes. Additionally, we are focused on providing our data to programmatic and targeting advertising platforms and networks.
- Licensing. We derive revenues from our licensing agreements associated with our litigation settlements. In connection with settlements of litigation, TiVo has entered into agreements with multiple television service providers and hardware manufacturers in which we provide rights to use certain TiVo patents. With one exception these agreements expire in June 2018. TiVo is currently engaged in patent litigation with Samsung.

We continue to be subject to a number of risks, including the continued need for significant research and development and the related costs of such research and development activities; delays in product and service developments; competitive service offerings; lack of market acceptance; dependence on third-parties for technology, manufacturing, marketing, and sales support, as well as third-party rollout schedules and software development issues related to third-party products which contain our technology; access to television programming including digital cable signals in connection with CableCARD™ and switched digital technologies; dependence on our relationships with third-party service providers for our MSO subscription growth; intellectual property claims by and against us and the related costs of such intellectual property litigation; and our ability to maintain our TiVo-Owned subscription base and consumer service business.

We conduct our operations through one operating segment. See Part II, Item 6, Selected Financial Data for our historical financial results. In our fiscal year ended January 31, 2016, we had net income of $21.7 million and cash provided by operating activities was $0.3 million. As of January 31, 2016, we had an accumulated deficit of $358.0 million. We anticipate that our TiVo-Owned business will continue to be seasonal and expect to generate a significant number of our new TiVo-Owned subscriptions during and immediately after the holiday shopping season. We remain cautious about our ability to limit declines or even maintain our current number of TiVo-Owned

subscriptions in our fiscal year ending January 31, 2017, despite recent improvements in TiVo-Owned subscription net additions driven by an improved product offering, pricing changes, and stable churn. See the discussion in Part l, Item 1A. Risk Factors, relating to risks related to our business, including risks specific to our deployments with our television service provider customers.

Our Strategy

We believe the television world is rapidly evolving with proliferating content choice including traditional linear programming, VOD, TV Everywhere solutions and over-the-top services ("OTT"). Further, consumers are accessing and subscribing to video content in new ways such as "skinny bundles" (which include smaller groups of channels) from incumbent Pay-TV Operators or through OTT services on tablets, smart televisions, and streaming devices. This is leading to pressure on the current content and distribution models and we believe that our advanced television offerings and analytics help consumers, Pay-TV Operators and non-traditional players navigate the changing environment.

We believe we have created a unique set of technologies, products, and services that meet the needs of consumers, television service providers, and the advertising community. Our goal is to change the way consumers access and watch linear television, on-demand television, and broadband video by offering a best in class user experience and search and discovery services to generate revenue through the licensing of both our TiVo branded services and technology and non-branded services and technology delivered by Digitalsmiths and Cubiware to television viewing households worldwide.

Provide Compelling, Easy-to-Use Television Offering. Our video technology solutions have an easy, intuitive user interface and many features that we believe dramatically improve a consumer's television viewing experience. Our video technology solutions can support linear television delivered through cable, satellite, from the cloud, or over-the-air, television service provider VOD, and broadband video and consumed either on the television or on mobile devices, including tablets and smartphones. Our technology, including Digitalsmiths, enables consumers to find and watch their favorite content, whether it is on TV, VOD, or OTT, and helps them discover new programming through features that search and browse for content by subject, title, genre, actor, director, or channel, enjoy access to extra content via broadband and comprehensive episode guides, as well as suggesting programs that consumers may like through a variety of TiVo recommendation features. Our goal is to lead the market with innovations that expand the value and potential of our products and services. We plan to continue to invest significant resources in innovation to improve consumer choice, convenience, and control over their home entertainment and to make our services more compelling for both current and potential customers. We expect that a significant portion of our future product development efforts will be focused on OTT and mobile capabilities, enabling the TiVo experience on additional consumer devices and screens, cloud-based services, personalization, and integration of new discovery paradigms like social network recommendations.

Develop Solutions for Television Service Providers. A critical part of our strategy focuses on developing video technology for the global pay television market, which is estimated to grow to more than 1 billion subscribers by 2020. Currently, we have distribution relationships with more than 70 television service providers representing 90 million homes in North America, Europe, Latin America, Asia, and the Middle East/Africa through our TiVo, Digitalsmiths, and Cubiware products. Our focus is on both expanding current relationships with additional products, for example providing non-DVR software, enhanced search & recommendation, or IP services such as a network DVR management, and through working with additional operators. We believe that our breadth of offerings, which include an end-to-end multiscreen next-generation video service, a cloud-based search & recommendation service that helps power non-TiVo branded user experiences, IP/network DVR solutions, and lighter advanced television offerings geared toward lower video ARPU markets, provide a competitive portfolio of products and services for the global television market. Additionally, we believe our retail business uniquely positions us versus other vendors to bring new products and innovations to market in rapid fashion because we are able to leverage our product development across our direct to consumer products as well as products and services provided to television service providers.

Extend the TiVo Service to the Cloud. TiVo has transitioned much of its service to the cloud, which allows TiVo to offer its products on a multitude of devices beyond the set-top box. Further, TiVo is in the process of developing and testing a network DVR service that will allow Pay-TV Operators to offer storage in the cloud reducing their expenditures on hardware, allowing recorded shows to be easily delivered to mobile devices, and enabling features and controls for both consumers and operators that weren’t possible with a set-top box based DVR. Additionally, our Digitalsmiths' service, which provides a software-as-a-service search and recommendation service, enables TiVo to extend its portfolio of products and services through non-TiVo branded user experiences, and to offer services that can be deployed on less expensive STBs or devices that lack built-in DVR capability. We believe these efforts could expand our ability to service market segments beyond traditional television providers such as mobile or online video.

Extend and Protect Our Intellectual Property. The convenience, control, and ease of use of the TiVo service is derived largely from the technology we have developed. Our intellectual property portfolio continues to grow and includes fundamental innovations and corresponding patents, that we believe, among other things, cover many core elements of modern video transport, processing, and consumption.

We have adopted a proactive patent and trademark strategy designed to protect and extend our technology and intellectual property. We have filed patent applications relating to numerous inventions resulting from TiVo research and development, including many critical aspects of the design, functionality, and operation of TiVo products and services as well as technology that we may incorporate in future products and services.

We have engaged in significant intellectual property litigation with certain television service and technology providers in the United States to protect our technology from infringement. To date, we have received cash and future technology revenue payment commitments totaling approximately $1.6 billion from intellectual property litigation. We are currently involved in litigation against Samsung, where we have alleged that Samsung is infringing our intellectual property in connection with certain Samsung DVRs and mobile devices.

Generate Revenue from Media Services.

We offer data analytics products focused on television audiences through TiVo Research whose customers include advertisers, agencies, broadcast and cable networks, and programmatic/target advertising marketplaces. These customers use TiVo Research's software and advanced data analytics which anonymously match TV tuning and purchase data in order to optimize advertising to the right audience. We believe this creates ad placement efficiency, drives more product sales for brands, and a higher return on media investment for advertisers while increasing advertising revenues for networks. We plan to continue to develop and enhance our data analytics capabilities to generate additional revenues and provide additional innovative solutions.

Further, we offer Seamless Insights, an analytics platform from Digitalsmiths, that provides television service providers data both on the consumption of content by network and program and the interactions their customers have with their advanced television interface and interactive advertising products on the TiVo-Owned and MSO subscription bases.

Our Technology

We have developed a technology portfolio that makes the TiVo service available on a standalone retail DVR product line that is capable of receiving over-the-air digital signals, cable through the use of CableCARDs™, and from broadband video sources. The TiVo service is also deployed directly by close to 20 global Pay-TV Operators. We also offer search & discovery products through our Digitalsmiths product and advanced television experiences for emerging markets through our Cubiware product. Our strategy is to sign additional distribution agreements to make the TiVo service and products available on additional set-top boxes and mobile devices such as tablets or computers and other connected devices. We also offer innovative data analytics solutions for advertisers, agencies and TV networks in the television industry through the sale of cross-platform audience research data by our subsidiary, TiVo Research. We believe that our commitment to research and development will allow us to continue to innovate new products for our customers, even while we continue to focus on managing and reducing our overall research and development expenses as compared to fiscal year 2016.

TiVo Service Client Software. The TiVo service client software functions on set-top boxes, and as an app on tablets, and mobile devices which run the TiVo software. We have enhanced the client software to support multiple services and applications, such as receipt of broadband video content, digital music, and photos. The TiVo client software manages interaction with the TiVo service infrastructure in the cloud. After the initial set-up of the TiVo service, the TiVo-enabled set-top box will automatically connect to the TiVo service infrastructure over broadband connection to download the program guide data, client software upgrades, advertising content, and other broadband content. We have also enabled the TiVo service client software to operate on certain third-party set-top boxes, such as on a Cisco, Samsung, or Arris (formerly Pace) manufactured set-top box.

TiVo & Digitalsmiths Service Infrastructure. The TiVo service infrastructure operates the TiVo service, managing the distribution of proprietary services, and specialized content such as program guide data, interactive advertising, and TiVo client software upgrades. It interfaces with our billing and customer support systems for service authorization and bug tracking, among other activities. In addition, the TiVo service infrastructure collects anonymous viewing information uploaded from TiVo-enabled set-top boxes for use in recommendations and personalization, and our audience data analytics efforts. The infrastructure has also been designed to work with the networks of service provider customers.

Cubiware Middleware. In the fiscal year ended January 31, 2016, we acquired Cubiware Sp. Z.o.o. ("Cubiware"), a privately-held provider of cost-effective software solutions for emerging market Pay-TV Operators, based in Warsaw, Poland. Cubiware provides flexible middleware solutions targeted towards Pay-TV Operators - cable, satellite, terrestrial, and telecommunications operators - in developing and emerging markets globally who want to introduce advanced TV services to their networks. Leveraging Cubiware's advanced software technology, such as CubiTV and CubiConnect, Cubiware gives emerging market Pay-TV Operators the ability to cost-effectively deliver a wide range of interactive services along with a superior user experience to their subscribers. Cubiware's multiscreen technology also enables these Pay-TV Operators to cost-effectively deliver video-oriented services through consumer electronics devices, such as tablets, PCs, and smart phones. Cubiware's technology, through the Cubiware software development kit, also allows Cubiware's Pay-TV Operators to customize their implementation of Cubiware's middleware and user experience to their unique requirements.

TiVo-Enabled Hardware Design. The TiVo-enabled hardware designs, including our latest TiVo BOLT and Roamio DVRs and TiVo Mini non-DVR set-top boxes, are specifications developed by TiVo for set-top boxes and other devices. We provide this design to our contract manufacturer that produces TiVo-branded hardware. The TiVo-enabled hardware design includes a modular front-end that allows the basic platform to be used for digital and analog broadcast, cable, OTT, and VOD. In addition, the TiVo-enabled hardware design allows for connection to broadband networks and mobile devices to enable existing and future services. We believe that the TiVo-enabled hardware design and our lack of dependence on third-party hardware design, which can delay time to market, allows us to innovate our client software at a faster pace.

Data Analytics. Through our subsidiary TiVo Research, we provide data analytic solutions to advertisers, agencies and television networks to improve their advertising targeting, accountability, and return on media investment. TiVo Research provides cross media research, measurement and analytics to its customers that are based upon a nationally representative single-source set of data anonymously linked to purchases made at the household level. TiVo Research's solutions help its customers with custom research, media planning, post-advertising campaign analysis, media measurement, and attribution.

Significant Relationships

DIRECTV. DIRECTV is the largest provider of satellite television in the U.S. and was recently acquired by AT&T. We have had a longstanding relationship with DIRECTV from 1999 to the present to provide the TiVo service to DIRECTV's customer base. As of January 31, 2016, DIRECTV was our largest MSO customer by service revenue, but no longer represents a meaningful portion of our 5.8 million MSO subscription base. Historically, DIRECTV has paid us a recurring monthly per-household fee for access to the technology needed to provide its customers the TiVo service subject to an aggregate minimum monthly amount. However, due to the decline in the number of DIRECTV MSO subscriptions in recent years, in fiscal year 2016, we recognized the monthly minimum amount each month during the entire year. We incur limited recurring expenses related to the DIRECTV relationship.

In August 2014, our agreement with DIRECTV was extended. The fees paid by DIRECTV are subject to monthly minimum payments that escalate during the term of the agreement; however the agreement will expire on February 15, 2018. The revenues from DIRECTV are material to TiVo's net income. If we are unable to renew this agreement on favorable terms or not at all, our revenues and profits would be negatively impacted by the loss of these DIRECTV payments.

Customer Service and Support

For our TiVo-Owned service, we provide customer support through outsourced service providers as well as our internal customer service personnel. In most cases, when our product is distributed through a television service provider (such as Grande, ONO, RCN, Suddenlink, Cogeco, GCI, and Virgin) the service provider is primarily responsible for customer support. We offer training, network operating center services (NOC support), and other assistance to these service providers.

Individual customers have access to an Internet-based repository for technical information and troubleshooting techniques. They also can obtain support through other means such as the TiVo website, web forums, email, and telephone support.

We offer a manufacturer's warranty of 90 days for labor and one year for parts on the DVRs TiVo manufacturers, which enable our TiVo-Owned subscriptions. The one year warranty for parts is extended for customers on monthly service plans who also use our latest BOLT and Roamio DVRs for as long as such customers remain active. We contract with third-parties to handle warranty repair. Warranties provided to service providers who distribute TiVo hardware vary in length depending on the agreement.

Research and Product Development

Our research and development efforts are focused on designing and developing the elements necessary to enable the TiVo service. These activities include hardware and software development.

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(in millions)		
Research and Development Expenses	$107.8	$102.2	$106.9

We increased research and development spend by 5% in the fiscal year ended January, 31, 2016 as the number of our regular, temporary, and part-time employees engaged in research and development between January 31, 2015 and January 31, 2016 grew. In the fiscal year ending January 31, 2017, we currently expect our research and development expense to decrease from fiscal year 2016 levels through a combination of resetting research and development priorities and lowering our costs through utilizing international development in Romania and elsewhere.

Manufacturing and Supply Chain

We outsource the manufacturing of our products to third-party manufacturers. This outsourcing extends from prototyping to volume manufacturing and includes activities such as material procurement, final assembly, test, quality control, and shipment to distribution centers. Today the majority of our products are assembled in Mexico, with the majority of our components delivered from manufacturers overseas. Our primary distribution center is operated on an outsourced basis in Texas.

The components that make up our products are purchased from various vendors, including key suppliers such as Broadcom, which supplies system controllers. Some of our components, including system controllers, chassis, remote controls, and certain discrete components are currently supplied by sole source suppliers. Our dependence on these sole source suppliers could expose us to the risk of supply shortages, unexpected price increases, and increased compliance risks with new conflict mineral requirements in the future.

We often require substantial lead time to purchase components and manufacture anticipated quantities of devices that enable the TiVo service. This long lead time requires us to make component purchasing and inventory decisions well in advance of our peak selling periods. We offer our individual end-users who purchase from TiVo.com a 30-day money back guarantee. We typically do not offer a right of return or significant extended payment terms to our retailers.

Seasonality

Sales of our TiVo-Owned devices and subscriptions to the TiVo service are affected by seasonality. Thus, we generate a significant number of our annual device sales and new TiVo-Owned subscriptions during and immediately after the holiday shopping season with associated increases in revenue. We also incur significant increases in expenses in the second half of the year related to hardware costs, marketing development funds and other payments to channel partners, and sales and marketing, subscription acquisition costs in anticipation of the holiday shopping season. There is less seasonality associated with our MSO, Digitalsmiths, Cubiware, and TiVo Research customers.

Competition

We believe that the principal competitive factors in the advanced television market, which includes DVRs, other broadband enabled consumer electronic devices, and mobile apps, are brand recognition and awareness, functionality, ease of use, mobility, personalization, content availability, and pricing. We currently see two primary categories of competitors for the TiVo-Owned channel: DVRs offered by satellite, cable, and telecommunications operators and advanced television products offered by consumer electronics and software companies. The role of the DVR is changing due to on-demand content from VOD, TV Everywhere, Netflix, Hulu, and applications designed to provide programming.

Competition in the TiVo-Owned Subscription Business. Our retail products compete in the United States against solutions sold directly by television service providers. These solutions often have similar feature sets, such as DVR capabilities, search and discovery, multi-room viewing, and TV Everywhere ("TVE") access for mobile devices; Some of these solutions are offered at lower prices but in many cases are bundled with other services provided by the operator and the price for the DVR and DVR service may not be apparent to the consumer. In addition, the DVRs are usually professionally installed and may appeal to consumers who do not pro-actively select a DVR service. TVE for mobile devices and for website portals, could, over time, serve as a substitute to our retail products.

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Our retail products also compete against products with on-demand OTT streaming-enabled devices offered by consumer electronics companies. Though these devices do not offer the breadth of the TiVo service, they do offer alternative ways to access TVE content and OTT internet-delivered video content through devices that many consumers may seek to acquire for other purposes. For example, many consumer electronics companies have television or DVD products that are Internet enabled and others have built dedicated devices for accessing video over the Internet such as AppleTV, FireTV, and Roku. Similarly, companies such as Sony, Sling, and Microsoft have now enabled the digital delivery of video programming over the internet to game consoles and other consumer devices.
Competition in our MSO Business. Our MSO revenues depend upon both our ability to successfully negotiate agreements with our service provider customers and, in turn, upon our customers' successful commercialization of their underlying products. We face competition from companies such as NDS/Cisco, Ericsson (Mediaroom), Motorola/Arris, and from MSO internally developed solutions such as Comcast X1 and Liberty Global's Horizon, which have created competing products that provide user interface software for use on television set-top boxes and consumer electronic and mobile devices. Such companies may offer more economically attractive agreements to service providers and consumer electronics manufacturers by bundling multiple products together.
Competition in the Data Analytics Business. We collect and analyze audience research data in an area where companies such as Nielsen and comScore/Rentrak and other online data analytics companies compete for research spend from advertisers, advertising agencies, and television networks. Other large companies are also focusing resources in this area including: Comcast, Facebook, and Google.

Patents and Intellectual Property

We have filed patent applications relating to numerous inventions resulting from TiVo research and development, including many critical aspects of the design, functionality, and operation of TiVo products and services as well as technology that we may incorporate in future products and services. We have been awarded approximately 533 foreign and domestic patents and have approximately 298 foreign and domestic patent applications pending. For example, we own U.S. Patent No. 6,233,389, titled "Multimedia Time Warping System" (referred to as the Time Warp patent or the '389 patent) which describes an invention that allows an user to store selected television shows while the user is simultaneously watching or storing another program and expires in July 2018. The Time Warp patent has been through reexamination at the United States Patent Office twice and had its claims upheld without modification. The majority of our patents have expirations beyond 2018. In fiscal year ended January 31, 2016, we initiated a patent infringement lawsuit against Samsung in connection with Samsung's making and selling DVRs and mobile devices, and related software, that fall within the scope of one or more claims of the our patents. See Part 1. Item 3. Legal Proceedings for more information on our patent infringement lawsuit with Samsung.

During the fiscal year ended January 31, 2014 we entered into a settlement and patent license agreement with ARRIS Group, Inc. ("Arris") (owner of General Instrument Corporation, formerly a subsidiary of Motorola Mobility, Inc.), Cisco Systems, Inc. ("Cisco"), and Google Inc. ("Google") (owner of Motorola Mobility, LLC formerly Motorola Mobility, Inc.), pursuant to which the parties agreed to settle and dismiss all outstanding litigation between them, including related litigation involving Time Warner Cable (as described in TiVo's periodic reports filed with the Securities and Exchange Commission), provide licenses to certain patents between the parties, and release patent infringement claims between the parties with respect to all outstanding litigation in exchange for a payment of $490 million to TiVo by Google and Cisco in connection with the Motorola/Cisco settlement. During the fiscal year ended January 31, 2012, we entered into separate settlements of pending intellectual property lawsuits we had filed against DISH and AT&T Inc. for $500 million and $215 million, respectively. During the fiscal year ended January 31, 2013 we entered into a settlement of pending intellectual property lawsuit against Verizon for $250.4 million. To date, we have received cash and future technology revenue payment commitments totaling approximately $1.6 billion from intellectual property litigation.

We have secured numerous foreign and domestic trademark registrations for our distinctive marks, including but not limited to registrations, for the marks "TiVo," the TiVo logo, "Season Pass," Thumbs logos, and certain sound marks. We anticipate ongoing progress in our establishment of a defensible and useful intellectual property portfolio; however, we cannot assure you that current patents will be enforceable or our current patent applications will ever be allowed or granted. See Part I. Item 1A. Risk Factors under the headings "Our success depends on our ability to secure and protect our patents, trademarks, and other proprietary rights" and "Intellectual Property claims against us could be extremely costly, result in the loss of significant rights, require us to alter our current product and business strategy and force us to cease operating our business, in which case our business would be harmed” for additional information concerning our intellectual property.

Privacy Policy
We have adopted a privacy policy, which we make available on our website at www.tivo.com/privacy and make available to each new subscriber to the TiVo service. This policy was last updated in August 2013 to cover new features that we have introduced and plan to introduce in the future. Among other things, this policy explains how we collect, use, disclose, and protect information.
Employees
As of March 11, 2016, we employed approximately 724 full-time employees. We also employ, from time to time, a number of temporary and part-time employees as well as consultants on a contract basis. Our future success will depend in part on our ability to attract, train, retain, and motivate highly qualified employees. We may not be successful in attracting and retaining such personnel. Our employees are not represented by a collective bargaining organization and we have never experienced a work stoppage or strike. Our management considers employee relations to be good.
Executive Officers and Key Employees (as of March 11, 2016):

Name	Age	Position
Naveen Chopra	42	Interim Chief Executive Officer and Senior Vice President, Chief Financial Officer
Charles (Dan) Phillips	57	Chief Operating Officer
Matthew Zinn	51	Senior Vice President, General Counsel, Secretary and Chief Privacy Officer
Pavel Kovar	42	Vice President, Chief Accounting Officer

Naveen Chopra was appointed Interim Chief Executive Officer on January 30, 2016, as well as maintaining his position as the Company's Chief Financial Officer. Since 2012, Mr. Chopra has been responsible for overseeing the Company's accounting and financial reporting, planning, tax, and treasury functions. In addition, Mr. Chopra is responsible for the Company's long-term business strategy and corporate development. Mr. Chopra joined TiVo in 2003 as Director, Business Development, where he later served as Vice President, Business Development, before being promoted to Senior Vice President, Corporate Development and Strategy. Since July 2014, Mr. Chopra has served as a member of the Board of Directors of Vonage Holdings Corp. (NASDAQ:VG). He holds bachelor degrees in computer science and economics from Stanford University and an M.B.A. from the Stanford Graduate School of Business.
Charles (Dan) Phillips was named Chief Operating Officer on December 20, 2012. Prior to that Mr. Phillips had served as Senior Vice President of Engineering and Operations from June 21, 2010 to December 19, 2012. Mr. Phillips oversees Engineering and Operations company-wide, which includes engineering activity for consumer product distribution, service providers, advertising and audience research efforts, as well as manufacturing, distribution, call center, service operations, information technology, facilities, and broadcast center operations. Until that time, Mr. Phillips had served as Vice President, Chief Information Officer and Engineering from November 2009 to June 2010 and as Vice President, Chief Information Officer from October 2006 until November 2009. Prior to joining TiVo, Mr. Phillips held several leadership positions in the high-tech industry. From May 2002 to January 2006, he served as Senior Vice President of Products at TRADOS Software, a globalization software company. Mr. Phillips served as Senior Vice President of Product Development at Uniscape Inc. from December 2000 until it merged with TRADOS in 2002. In July 1996, Mr. Phillips joined CrossWorlds' Software and held multiple executive positions including Vice President of Product Management and Vice President of Engineering until December 2000. From February 1995 to June 1997, Mr. Phillips held several senior management positions at SGI. Mr. Phillips co-founded Meta Systems in May 1991. Mr. Phillips holds B.A. degrees in Business Administration and Computer Information Systems from Humboldt State University.
Matthew Zinn was named Senior Vice President, General Counsel, Secretary, and Chief Privacy Officer in April 2006. Mr. Zinn had served as Vice President, General Counsel, and Chief Privacy Officer since July 2000 and as Corporate Secretary since November 2003. From May 1998 to July 2000, Mr. Zinn was the Senior Attorney, Broadband Law and Policy for the MediaOne Group, a global communications company. From August 1995 to May 1998, Mr. Zinn served as corporate counsel for Continental Cablevision, the third largest cable television operator in the United States. From November 1993 to August 1995, he was an associate with the Washington, D.C., law firm of Cole, Raywid & Braverman, where he represented cable operators in federal, state, and local matters. Mr. Zinn holds a B.A. degree in Political Science from the University of Vermont and holds a J.D. degree from the George Washington

University National Law Center.

Pavel Kovar was named Vice President, Chief Accounting Officer in March 2013, prior to that Mr. Kovar had served as Vice President, Corporate Controller and Treasurer from June 2010 to January 2013. From September

2008 to June 2010, Mr. Kovar served as Senior Director, Corporate Controller. From February 2007 to September 2008 Mr. Kovar served as Director, Chief Accountant. Prior to that Mr. Kovar served as a Senior Manager at Ernst and Young LLP. Mr. Kovar holds a master's degree in International Trade from the University of Economics, Prague, Czech Republic and is a Certified Public Accountant in the State of California.

Other Information

TiVo was incorporated in August 1997 as a Delaware corporation and is located in San Jose, California. In August of 2000, we formed a wholly owned subsidiary, TiVo (U.K.) Ltd., in the United Kingdom. In October of 2001, we formed a subsidiary, TiVo International, Inc., a Delaware corporation. On January 12, 2004, we acquired Strangeberry, Inc., a Palo Alto based technology company specializing in using home network and broadband technologies to create new entertainment experiences on television. On July 16, 2004, TiVo Intl. II, Inc., a wholly owned subsidiary of TiVo Inc., was incorporated in the Cayman Islands. On March 22, 2005, TiVo Brands LLC, a wholly owned subsidiary of TiVo Inc., was incorporated in the State of Delaware. On July 18, 2012, we acquired TRA Global, Inc. a privately-held, media and marketing research company headquartered in New York, New York, now named TiVo Research and Analytics, Inc. ("TiVo Research"). On February 14, 2014, we acquired Digitalsmiths Corporation, a privately-held cloud based video search and recommendation service for the pay-TV industry, based in Raleigh, North Carolina. On May 22, 2015 we acquired Cubiware Sp. Z.o.o. ("Cubiware"), a privately-held provider of cost-effective software solutions for emerging market Pay-TV Operators, based in Warsaw, Poland.

We maintain an Internet website at the following address: www.tivo.com. Financial news and reports and related information about our company as well as non-GAAP to GAAP reconciliation can also be found on this website. The information on our website is not incorporated by reference in this annual report on Form 10-K or in any other filings we make with the Securities and Exchange Commission ("SEC").

We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Securities Exchange Act of 1934, as amended ("Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. We make this information available on or through our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The public may read and copy any material we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at: http://www.sec.gov. The contents of these websites are not incorporated into this filing. Further, the Company’s references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Risk Factors

An investment in our securities involves risks. You should carefully consider the risk factors set forth below as well as the other information contained or incorporated by reference in our filings with the Securities and Exchange Commission before investing in our securities. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or prospects, which in turn could adversely affect our ability to repay our outstanding convertible senior notes and the trading price of our common stock. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

We have incurred significant net losses in the past and may never achieve sustained profitability from our non-licensing related operations. We generate a significant amount of revenue from our patent settlement agreements with DISH, AT&T, Verizon, Motorola/Cisco which expire in calendar year 2018 or later, and if we are unable to renew or replace these revenues, our business would be harmed.

During the fiscal years ended January 31, 2016, 2015, and 2014, our net income was $21.7 million, $30.8 million, and $271.8 million, respectively. As of January 31, 2016, we had an accumulated deficit of $(358.0) million. The size of future net losses or income will be impacted by a number of factors, including the timing of the development or deployment of solutions under our television service provider arrangements, the growth or decline in the number of

TiVo subscriptions, the prices at which we sell TiVo set-top boxes, the amount of research and development expenses we incur to fund new product development and expand our engineering services capacity, and the amount and timing of settlement payments. In fiscal year 2012, we entered into patent settlement

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agreements with DISH and AT&T and in fiscal year 2013, we entered into a patent settlement agreement with Verizon. In fiscal year 2014, we entered into a patent settlement agreement with Motorola/Cisco. The patent settlement agreements with DISH, AT&T, Verizon, and Motorola/Cisco will generate recurring revenues for us until 2024, with the majority of these revenues received by 2019. We generate a significant amount of revenues as a result of these settlement agreements. If we are unable to renew or replace these revenues through similar or other business arrangements, our revenues would decline and our business would be harmed as a result. Unless and until we generate significant additional revenues from our operations or substantially reduce our expenses, we are likely to continue to incur losses in future fiscal years, including after we cease further receipt of our current legal settlement payments and we may never achieve sustained profitability. As such, in the future, continued net losses and negative cash flow could drain our existing cash balance.

We are party to a patent infringement lawsuit involving Samsung. We expect to incur significant expenses as a result, and an adverse outcome in the lawsuit could harm our business.

Our claims against Samsung. On September 8, 2015, the Company filed a complaint against Samsung Electronics Co., LTD, Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC. ("Samsung") in the United States District Court for the Eastern District of Texas. The complaint asserts U.S. Patent No. 6,233,389, titled "Multimedia Time Warping System," U.S. Patent No. 6,792,195, titled "Method And Apparatus Implementing Random Access And Time-Based Functions On A Continuous Stream Of Formatted Digital Data," U.S. Patent No. 7,558,472, titled "Multimedia Signal Processing System," and U.S. Patent No. 8,457,476, titled "Multimedia Signal Processing System." The complaint claims that Samsung infringes the Company's patents by making and selling Samsung DVRs and mobile devices, and related software, that fall within the scope of one or more claims of the Company's patents. The Company's complaint also claims that Samsung's infringement is willful, and seeks, among other things, an unspecified amount in damages as well as an injunction.

Samsung's claims against us.: On February 11, 2016, Samsung amended its answer to assert U.S. Patent No. 5,978,043, titled "TV Graphical User Interface That Provides Customized Lists Of Programming," U.S. Patent No. 6,181,333, titled "Television Graphical User Interface Having Channel And Program Sorting Capabilities," U.S. Patent No. 7,231,592, titled "Method And Apparatus For A Home Network Auto-Tree Builder," and U.S. Patent No. 8,233,090, titled "Method Of Linkage-Viewing TV Broadcasting Program Between Mobile Communication Apparatus And Digital TV, And Mobile Communication Apparatus And Digital TV Thereof" against the Company. In its amended answer, Samsung counterclaims that the Company infringes Samsung's patents by making and selling TiVo DVRs, and related software, that fall within the scope of one or more claims of Samsung's patents. Samsung's complaint claims that the Company's infringement is willful, and seeks, among other things, damages in an unspecified amount.

We may make patent assertions, or initiate patent infringement or patent interference actions or other litigation to protect our IP, which could be costly and harm our business.

We are currently engaged in litigation, and litigation may be necessary in the future, to enforce our patents and other IP rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others.

We, and many of our current and potential competitors, dedicate substantial resources to protection and enforcement of IP rights. We believe that companies will continue to take steps to protect their technologies, including, but not limited to, seeking patent protection. Companies in the technology and content-related industries have frequently resorted to litigation regarding IP rights. Disputes regarding the ownership of technologies and their associated rights are likely to arise in the future and we may be forced to litigate to determine the validity and scope of other parties' proprietary rights. Any such litigation is inherently risky, the outcome is uncertain, could be costly, could distract our management from focusing on operating our business, could delay recognition of revenue until a settlement or decision is ultimately reached, could result in the invalidation or adverse claims construction of patents, and might ultimately be unsuccessful. The existence and/or outcome of such litigation could harm our business.

In 2014, the Supreme Court of the United States decided the Alice Corp v. CSL Bank International ("Alice") case. The Alice case generally addresses patentable subject matter, and specifically an exception to patentable subject matter for "abstract ideas." In the Alice case, the court provides some general interpretive guidance to be considered when determining whether patent claims are directed to patent-ineligible abstract ideas, along with a two-step test for determining patentable subject matter eligibility going-forward. Practically, the effects of the Alice decision are still being assessed by patent holders, attorneys, the United States Patent & Trademark Office and various courts, all of which are attempting to determine the appropriate analysis and boundaries of the Alice decision on other patents. In any event, the Alice decision will provide potential licensees and accused infringers of

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certain patents - including our patents - new arguments to challenge the validity of such patents, which could cause some delays or risk in pending or future patent negotiations or litigation.
Additionally, the relationships with our customers, suppliers and technology collaborators may be disrupted or terminated as a result of patent assertions that we may make against them, which could harm our business.
Finally, adverse legal rulings could result in the invalidation of our patents, the narrowing of the claims of our patents, or fostering of the perception by licensees or potential licensees that a judicial finding of their infringement is unlikely. Such results or perceptions could decrease the likelihood that licensees or potential licensees may be interested in licensing our patents, or could decrease the amounts of license fees that they are willing to pay, which could harm our business.
We may not be able to join standards bodies, license technologies or integrate with platforms that are necessary or helpful to our product or services businesses because of the encumbrances that the proposed associated agreements place on our patents.
Standards bodies often require, as a condition of joining such bodies, that potential members license, agree to license, disclose or place other burdens on their patents. Similarly, technology licensors and platform operators often require that licensees cross license, or agree not to assert, their patents. In order to develop, provide or distribute certain products or services, we may find it necessary or helpful to join these standard bodies, license these technologies or contract with these platform operators. However, in order to do so, we might have to sign agreements under which we would have to license or agree not to assert patents without being able to collect royalties or for fees that we believe are less than those that we could otherwise collect. Similarly, these agreements could require us to disclose invention-related information that we would otherwise prefer to keep confidential. This inability to be part of standards bodies, to license certain technologies, or to contract with certain platform operators, could harm our business.
Intellectual property claims against us could be extremely costly, result in the loss of significant rights, require us to alter our current product and business strategy and force us to cease operating our business, in which case our business would be harmed.
From time to time, we are sued in court or receive letters from third-parties alleging that we are infringing on their intellectual property. Regardless of their merit, we are forced to devote time and resources to respond to these lawsuits and letters. In addition, if any of these third-parties or others were to be successful in suing us, our business would be harmed because intellectual property litigation may:
•be time-consuming and expensive;
•divert management's attention and resources away from our business;
•cause delays in product delivery and new service introduction;
•cause the cancellation of current or future products, features, functionality or services, or the inability to include certain features or functionality;
•require us to pay significant amounts in damages, royalties and/or licensing fees;
•cause us to incur material expenses as a result of our indemnification obligations; and
•result in an injunction that could force us to limit the functionality of our products and services, stop importing our products and services into certain markets, or cease operating our business altogether.
The emerging advanced-television industry is highly litigious. Additionally, many patents covering interactive television technologies have been granted but have not been commercialized. A number of companies in the advanced-television industry earn substantial profits from technology licensing, and the introduction of new technologies by us is likely to provoke lawsuits from such companies. A successful claim of infringement against us, our inability to obtain an acceptable license from the holder of the patent or other right, or our inability to design around an asserted patent or other right could cause our manufacturers to cease manufacturing DVRs that enable the TiVo service, our retailers to stop selling the product or us to cease providing our service, or all of the above, which would eliminate our ability to generate revenues.
Under our agreements with many of our manufacturing and licensing partners, we may be required to indemnify them in the event that our technology infringes upon the intellectual property rights of third-parties. Due to indemnity obligations which include infringement of third-party intellectual property rights and may also include indemnification

for open source software violations, we could be forced to incur material expenses if our manufacturing and licensing partners are sued. In addition, because the products sold by our manufacturing and licensing partners often involve the use of other persons' technology, this increases our exposure to litigation in circumstances where there is a claim of infringement asserted against the product in question, even if the claim does not pertain to our technology.

Our success depends in part on our ability to secure and protect our patents, trademarks, and other proprietary rights.

Our success and ability to compete are substantially dependent upon our internally developed technology. We rely on patent, trademark and copyright law, trade secret protection, as well as confidentiality and license agreements with our employees, customers, partners, and others to protect our intellectual property rights. However, the steps we take to protect our proprietary rights may be inadequate. We have filed patent applications and provisional patent applications covering much of the unique technology used to deliver the TiVo service and its features and functionality. To date, several of these patents have been granted, but we cannot assure you that any additional patents will ever be granted, that any issued patents will protect our intellectual property or that third-parties will not challenge any issued patents. Opposition proceedings may result in changes to certain claims or revocation of a patent. In addition, other parties may independently develop similar or competing technologies that design around any patents that may be issued to us. Our failure to secure and protect our proprietary rights could harm our business.

If cable operators were to cease supporting and providing CableCARDs to consumers or cable operators were to transmit television programs using technology that prevents our retail products from receiving and displaying television programs, the functionality of our current retail products would be severely limited, in which case our business would be harmed.

The cable industry in the United States is currently required to provide access to digital high definition television signals to retail products by supplying separable security modules to decrypt encrypted signals. Traditionally, cable operators have satisfied this separable security requirement by supplying CableCARD conditional access security cards. We rely on cable operators to supply CableCARDs for certain types of our DVRs to receive encrypted digital television signals without a cable operator supplied set-top box. With the limited exception of high definition over the air broadcast channels, our DVRs presently are limited to using CableCARDs to access digital cable, high definition, and premium cable channels (such as HBO) that are delivered in a linear fashion where all programs are broadcast to all subscribers all the time. Our retail cable products are unable to access the encrypted digital television signals of satellite providers such as DIRECTV and Dish as well as alternative television service providers such as AT&T U-verse and Google Fiber. And without CableCARDs, there presently is no alternative way for us to sell a retail cable product that works across cable systems nationwide. Furthermore, to the extent more pay TV customers obtain television service from satellite television providers and alternative television providers such AT&T U-verse and Google Fiber, the desirability of our retail products and service will be harmed.

In November 2014, Congress passed the Satellite Television Extension and Localism Act Reauthorization ("STELAR"). Among other things, STELAR repealed an FCC requirement that cable operators employ separable security (i.e., CableCARDs) in the set-top boxes they lease to their subscribers effective December 4, 2015. STELAR did not alter the requirement that cable operators provide separable security to retail devices and the cable industry has represented to Congress that it would continue to provide and support retail CableCARD devices in compliance with the separable security requirement. However, without continued use by operator leased devices, the prices charged by operators to consumers for CableCARDs could increase and support for retail CableCARD devices could deteriorate. As part of STELAR, the FCC Chairman established a working group of technical experts, including a representative from TiVo, representing a wide range of stakeholders, to identify, report, and recommend performance objectives, technical capabilities, and technical standards of a not unduly burdensome uniform, and technology and platform neutral software based downloadable security system designed to allow retail devices to access multichannel video programming.

The working group submitted its report to the FCC on August 28, 2015. On February 18, 2016, the FCC initiated a proceeding proposing rules intended to allow companies to build retail devices or software solutions that can navigate the universe of multichannel video programming with a competitive user interface as well as continued support for retail CableCARD devices. If cable operators were to cease supporting and providing CableCARDs to consumers without providing TiVo with a commercially viable alternative method of accessing digital cable, high definition, and premium cable channels that works across cable systems nationwide, we would be unable to sell most of our current retail products, may be unable to create future retail products, and our business would be harmed as the market for devices which only receive over the air broadcast television signals is significantly smaller than the current pay TV market.

Certain cable operators are deploying switched digital video technologies to transmit television programs in an on demand fashion (switched digital) only to subscribers who request to watch a particular program. Although cable operators are deploying a solution to enable our customers to receive channels delivered with switched technologies (known as the "Tuning Adapter"), if this technology is not successful or is not adopted by our customers (due to cost, complexity, functionality, or other reasons), then the increased use of switched technologies and the continued inability of our products to receive switched cable programming without a Tuning Adapter may reduce the desirability and competitiveness of our products and services and adversely affect sales of our TiVo-Owned subscriptions in which case our business would be harmed.

Similarly, if cable operators implement new technologies in the future to transmit television programming that do not allow programs to be received and displayed on our retail products, the desirability and competitiveness of our products and services will be adversely affected and impact the sales of our TiVo-Owned products and services, in which case our business would be harmed.

Legislation, laws or regulations that govern the consumer electronics and television industry, the delivery of programming, access to television signals, and the collection of viewing information from subscriptions could expose us to legal action if we fail to comply and could adversely impact and/or could require us to change our business.

The delivery of television programming, access to television signals by consumer electronics devices, and the collection of viewing information from subscriptions via the TiVo service and a DVR represent a relatively new category in the television and home entertainment industries. As such, it is difficult to predict what laws or regulations will govern our business. Changes in the regulatory climate, the enactment of new legislation, or the expansion, contraction, enforcement or interpretation of existing laws or regulations could expose us to additional costs and expenses and could adversely impact or require changes to our business. For example, legislation regarding customer privacy or copyright could be enacted or expanded in ways that apply to the TiVo service, which could adversely affect our business. Laws or regulations could be interpreted to prevent or limit access to some or all television signals by certain consumer electronics devices, or impose limits on the number of copies, the ability to transfer or move copies, or the length of time a consumer may retain copies of some or all types of television programming. New or existing copyright laws could be applied to restrict the capture of television programming, which would adversely affect our business. It is unknown whether existing laws and regulations will apply to the digital video recorder market. Therefore, it is difficult to anticipate the impact of current or future laws and regulations on our business. We may have significant expenses associated with staying appraised of and in compliance with local, state, federal, and international legislation and regulation of our business and in presenting TiVo's positions on proposed laws and regulations.

The FCC has broad jurisdiction over the telecommunications and cable industries in the U.S. The FCC could promulgate new regulations, or interpret existing regulations in a manner that would cause us to incur significant compliance costs or force us to alter or eliminate certain features or functionality of the TiVo products or services which may adversely affect our business. For example, the FCC could determine that certain of our products fail to comply with regulations concerning matters such as electrical interference, copy protection, digital tuners, or display of television programming based on rating systems. The FCC could also impose limits on the number of copies, the ability to transfer or move copies, the length of time a consumer may retain copies, or the ability to access some or all types of television programming. New regulations could reduce the desirability of our products and services, require us to make changes to our products or services, or increase our compliance costs.

In the future, our revenues and operating results may fluctuate significantly, which may adversely affect the market price of our common stock.

We expect our revenues and operating results to fluctuate significantly due to a number of factors, many of which are outside of our control. Therefore, you should not rely on period-to-period comparisons of results of operations as an indication of our future performance. It is possible that in some periods our operating results may fall below the expectations of market analysts and investors. In such event, the market price of our common stock would likely fall.

Factors that may affect our annual operating results include:

- demand for TiVo products and the TiVo service;
- the timing and introduction of new services and features on the TiVo service;

•seasonality and other consumer and advertising trends;
•entering into new strategic partnerships or amending or terminating existing strategic partnerships;
•timing of the roll-out of the TiVo service and delivery of customized set-top boxes to our strategic partners;
•changes in our pricing policies, the pricing policies of our competitors and general pricing trends in the consumer electronics market;
•timing of revenue recognition under our agreements;
•loss of subscriptions to the TiVo service;
•recruiting and retention of key personnel; and
•general economic conditions.

Because our expenses precede associated revenues, unanticipated shortfalls in revenues could adversely affect our results of operations for any given period and cause the market price of our common stock to fall.

Our future growth depends substantially on the contributions and abilities of key executives. Our business could be harmed if we are unable to recruit, retain and motivate key personnel and our management team.

We must continue to recruit, retain and motivate key personnel and members of our management in order to maintain our current business and support our projected growth. As originally announced on November 17, 2015, we began an executive transition plan whereby our chief executive officer transitioned to non-executive chairman of our Board of Directors on January 30, 2016. As announced on January 12, 2016, we appointed our current chief financial officer, Naveen Chopra, as interim chief executive officer, effective January 30, 2016. The transition of our chief executive officer involves significant risks, and our ability to successfully manage this transition, recruit a new qualified chief executive officer, retain key personnel and members of our management team and manage other organizational changes resulting from this transition could adversely impact our business. If we are unable to identity or employ a permanent chief executive officer in a timely manner, our operational performance could be negatively impacted.

We generate a significant portion of our service and software revenue from our agreement with DIRECTV, which expires in February 15, 2018, which would lead to substantial revenue loss and possible litigation if not renewed. Our contract with DIRECTV, which was recently acquired by AT&T (who is also a TiVo licensee), expires on February 15, 2018. We cannot assure you that our license agreement with DIRECTV will be renewed on terms acceptable to us or at all. If we are unable to replace the revenue associated with this agreement through similar or other business arrangements, our revenues and profit margins would decline and our business would be harmed as a result. While it is our intent to renew both our DIRECTV and AT&T agreements, as a result of AT&Ts acquisition of DIRECTV, the timing and structure of such renewals with AT&T/DIRECTV could have a negative impact on our future revenues. We also cannot assure you that these license agreements will be renewed. Additionally, we may become involved in litigation with these licensees in connection with attempting to negotiate new agreements. The existence and/or outcome of such litigation could harm our business.

We face risks in connection with our marketing and distribution agreements for the development and deployment of TiVo’s advanced television solutions and services to our television service provider customers, including our ability to gain access to certain necessary third-party technologies and possible conflicts between our marketing of a retail DVR service and related products that compete with the products we offer our television service providers.

We face significant technological challenges in our development of TiVo products and services for our television service provider customers as well as challenges related to our dependence on certain third-party technology providers upon whom we depend to provide technology to us to allow us to meet the agreed upon feature and technology requirements requested by our television service provider customers. We also face challenges in managing our television service provider customer relationships while offering and marketing a competing retail DVR service. For example, we rely on access to and receipt of certain technologies from third-parties to enable Video on Demand and other content and search features on our products. Additionally, we have engaged in intellectual property infringement suits with parties that we may otherwise rely on for the delivery of necessary technologies for the enablement of key features of our products and as required by our contractual arrangements with our television service provider customers. For example, we previously engaged in patent infringement litigation with Motorola and Microsoft, who also license technology to us for use in our products to

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enable certain features. If we were unable to gain access to such technologies on reasonable commercial terms, we may be unable to provide certain features and functionalities in our products. In such an event, our products may not be competitive with similar products in the market and further we may not be able to comply with the contractual arrangements with certain of our television service provider customers, and in either case our business would be harmed as a result. Our ability to benefit from these agreements is dependent upon the mass deployment and adoption of our TiVo-branded and non-branded advanced television solutions, which may include TiVo-branded DVRs, third-party set-top boxes which run TiVo software, mobile (iOS and Android) apps, and DVR and non-DVR set-top boxes, among other solutions, by the customers of our television service provider customers. If our television service provider customers do not market our service to their customers, either because of feature limitations due to our inability to access third party technologies or because of channel conflicts between our retail DVR service and our DVR service offered to our television service providers, then our business will be harmed. If we are unable to complete development of these products in a timely and efficient manner to the satisfaction of our television service provider customers, which includes hiring and retaining the necessary number of engineers and software developers to develop each partner's customized solution, correctly estimating the amount of time and resources that are necessary to develop each such solution, licensing necessary third-party technology (such as, for example, technology which enables the display of VOD content from our partners), and enabling full-scale deployment of our TiVo-branded and non-branded advanced television solutions and services with our television service provider customers, we may not be able to acquire new subscribers from them under these agreements and our business would be harmed.
Furthermore, some of our television service provider customers have the right to receive certain most favored terms from us such that if we were to license similar products and services to other parties at more attractive terms than what such partners receive under their agreements with us, then such partners may be entitled to receive the new more favorable terms. Additionally, such partners may have the right to terminate their agreements with us in the event we are subject to certain specified change of control transactions involving companies specified in their agreements. Further, if any of our partners are subject to a change of control transaction, our business could be harmed if such acquiring company chose to favor a technology provider other than us, despite the fact that many of our agreements with our partners include exclusivity provisions, minimum deployment commitments, or minimum financial commitments. If any of these events occur, including our inability to develop, license, and deploy in a timely, efficient, and on a full-scale basis, we will have difficulty generating revenues and new subscriptions under these agreements and our business would be harmed.
If we fail to adequately manage our increasingly complex distribution agreements, including licensing, development, and engineering services, we could be subjected to unexpected delays in the deployment of TiVo's advanced television solutions, increased costs, possible penalties and adverse accounting and contractual consequences, including termination of such distribution arrangements. In any such event, our business would be harmed.
In connection with our deployment arrangements, we engage in complex licensing, development, and engineering services arrangements with our marketing partners and distributors. These deployment agreements with television service providers usually provide for some or all of the following deliverables: software engineering services, solution integration services, hosting of the TiVo service, maintenance, and support. In general, these contracts are long-term and complex and often rely on the timely performance of such television service provider's third-party vendors that are outside TiVo's control. The engineering services and technology we agree to provide and/or develop may be essential to the functionality of the licensed software and delivered product or such software may involve significant customization and modification for each customer. We have experienced or may experience delays in delivery with television service providers including, for example, Com Hem and Virgin, as well as significant increases in expected costs of development and performance in certain instances in the past. Additional delays could lead to additional costs and adverse accounting treatments forcing us to recognize costs earlier than expected. If we are unable to deliver the contracted for technology, including specified customizations and modifications, and services in a timely manner or at all, then we could face penalties in the form of unreimbursed engineering development work, loss of subscriber or minimum financial commitments on the part of our partners or in extreme cases the early termination of such distribution agreements. In any such case our business would be harmed.

If we fail to properly estimate, manage, and perform the development and engineering services for our television service provider customers, we could incur additional unexpected expenses and losses which could reduce or even eliminate any profit from these deployment arrangements, in which case our business would be harmed.

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When we enter into deployment agreements with television service providers, we are typically required to make cost estimates based on historical experience and various other assumptions. These estimates are assessed continually during the term of the contract and revisions are reflected when the conditions become known. Using different cost estimates related to engineering services may produce materially different operating results, in addition to differences in timing and income statement classification of related expenses and revenues. An unfavorable change in estimates could result in a reduction of profit due to higher cost or the recording of a loss once such a loss becomes known to us that would be borne solely by us. We also recognize revenues for software engineering services that are essential to the functionality of the software or involve significant customization or modification using the percentage-of-completion method. We recognize revenue by measuring progress toward completion based on the ratio of costs incurred, principally labor, to total estimated costs of the project, an input method. If we are unable to properly measure and estimate our progress toward completion in such circumstances, we could incur unexpected additional costs, be required to recognize certain costs earlier than expected, or otherwise be required to delay recognition of revenues unexpectedly. A material inability to properly manage, estimate, and perform these development and engineering services for our television service provider customers could cause us to incur unexpected losses and reduce or even eliminate any profit from these arrangements, and in such a case our business would be harmed.

Many of our current deployment arrangements with television service providers require us to incur significant upfront development, set-up and integration engineering expenses for which we are in total or in part compensated through future service fees received after a solution is launched. If we are required to incur such upfront development and integration costs in excess of any development revenues and we are reasonably assured that these excess upfront development costs are recoverable, we will defer such cost. However, despite the deferral of these development costs, we do incur cash outflows associated with these development efforts resulting in potentially higher cash usage in the near term. The assessment of recoverability is highly dependent on our estimates of engineering and operating costs related to the project. For operators for which we are not hosting the TiVo service (generally outside North America), we would recognize them on a zero margin basis and then start recognizing service revenues (and related margin) only after the initial project-specific development costs are fully recovered. For operators for which we are hosting the TiVo service (generally in North America), we would recognize these deferred integration costs on a straight-line basis after the solution is launched, while at the same time recognizing service revenues (and related margin). As of January 31, 2016, we had approximately $16.2 million in such project-specific deferred costs. As a consequence, it may either be a significant period of time after a solution launches and after we are adding new subscriptions from such deployment arrangement before we experience a corresponding impact on our service revenues (and related margins) from such a deployment arrangement or our overall profitability will be reduced by continued recognition of integration cost. If we fail to properly estimate, manage, and perform these development and engineering services and otherwise comply with the terms of these deployment arrangements, we could incur additional unexpected expenses and losses in connection with these arrangements.

In the event of an early termination of these arrangements with our television service provider customers, we would be forced to recognize any deferred development costs which we have incurred but not recognized without corresponding revenues from development or subscription fees, and in such an event we would be forced to incur unexpected losses. From time to time during development and integration for our television service provider customers, we or our customers may request to revise certain terms of our contracts or statements of work to modify the deliverables required or to otherwise address circumstances and technological requirements not anticipated by the parties when the contract or statement of work was originally agreed upon. Additionally, from time to time, we have experienced delays and may in the future experience delays in our development work with our television service provider customers, which may cause us to modify the terms of those arrangements. If we were to fail in modifying the terms of these arrangements to the satisfaction of both parties and the arrangements were unexpectedly terminated early, we would have to recognize immediately any associated deferred costs that may no longer be deemed recoverable. In such an event that we would have to recognize early such deferred development and integration costs, we would be required to do so without any corresponding revenue in which case we would incur unexpected losses which would harm our business.

We face risks from the consolidation or change of control of television service providers both in the U.S. and internationally. We have marketing and distribution agreements with a number of different television service providers for the licensing and distribution of our technology, products, and services. To the extent our existing television service providers merge or are acquired by other television service providers, we risk losing an existing customer whose new owner may have an existing relationship with a competitor or an existing relationship with us on more favorable terms, or we risk the loss of a potential customer who otherwise may have been interested in our products and services but whose new owner may not. We may also experience delays in adoption of our products or services due to a change in control of such television service providers. In the past year, Vodafone acquired our customer Ono and AT&T acquired our customer DIRECTV. In the event of such consolidation in the television industry, our business could be harmed by the loss of existing or potential future customers opportunities.

We face intense competition from a number of sources, which may impair our revenues, increase our subscription acquisition costs, and hinder our ability to generate new subscriptions.

The DVR and advanced television solutions market is rapidly evolving, and we face significant competition. Moreover, the market for in-home entertainment is intensely competitive and subject to rapid technological change. As a result of this intense competition, we could incur increased subscription acquisition costs that could adversely affect our ability to reach or sustain profitability in the future. If new technologies (such as internet streaming) render the DVR market obsolete, we may be unable to generate sufficient revenue to cover our expenses and obligations.

We believe that the principal competitive factors in the DVR and advanced television solutions market are brand recognition and awareness, functionality, ease of use, mobility, personalization, content availability, and pricing. We currently see two primary categories of DVR competitors and advanced television solutions competitors: DVRs and advanced television solutions (e.g. VOD, TVE ("TV Everywhere"), and OTT capabilities) offered by telecommunications, cable and satellite operators and DVRs and other advanced television solutions (e.g. VOD based services on set-top boxes or other consumer electronic devices (TV, BluRay player, tablets, streaming boxes, etc.) which stream content remotely) offered by consumer electronics and software companies. To the extent consumer preferences for the consumption of video evolve to favor advanced television solutions that stream video (such as VOD, TV Everywhere (the delivery of linear TV channels and video via website and mobile and tablet apps), and OTT services (such as Netflix, Amazon Instant Video, Sling TV, and other services) to devices other than the TV rather than record TV on a DVR, consumers may be less likely to purchase our products and services and our business could be harmed.

Our revenues depend both upon our ability to successfully negotiate agreements with service provider customers and, in turn, upon our customers' successful commercialization of our licensed products and technology. We face competition from companies such as Ericsson (Mediaroom), Arris, Cisco/NDS, and Rovi. Such companies may offer more economically attractive agreements to service providers and manufacturers of DVRs. We also face competition from solutions that MSOs may internally develop such as the Comcast X1, DISH Hopper, and DIRECTV Genie.

We face a number of competitive challenges in the sale and marketing of the TiVo service and products that enable the retail version of the TiVo service.

Our success depends upon the successful retail marketing of the TiVo service and related DVRs.

We compete with other consumer electronics products and home entertainment services for consumer spending. DVRs and the TiVo service compete in markets that are crowded with other consumer electronics products and home entertainment services. The competition for consumer spending is intense, and many consumers may choose other products and services over ours. DVRs compete for consumer spending with products such as DVD players, satellite television systems, personal computers, video game consoles, and other dedicated over-the-top video streaming devices (such as Roku, AppleTV, and Amazon Fire TV). The TiVo service competes with home entertainment services such as cable and satellite television, movie rentals, pay-per-view, video on demand, and mail-order DVD services. Such competition could harm our business, financial condition, and results of operations.

Many of these products or services have established markets, broad user bases, and proven consumer acceptance. In addition, many of the manufacturers and distributors of these competing devices and services have substantially greater brand recognition, market presence, distribution channels, advertising and marketing budgets and promotional activities, and more strategic partners. Faced with this competition, we may be unable to effectively differentiate our DVRs and the TiVo service from other consumer electronics devices or entertainment services and our business, financial condition, and results of operations would be harmed.

Consumers may not be willing to pay for our products and services, we may be forced to discount our products and services, and we may introduce products and services at lower price points which could impact our revenues. Many of our customers already pay monthly fees for cable or satellite television. We must convince these consumers to pay a separate subscription fee to receive the TiVo service. Consumers may perceive the TiVo service and related DVR and non-DVR products as too expensive. In order to continue to grow our subscription base, we have lowered the price of our DVRs in the past and raised our subscription pricing and alternatively we may choose to raise our DVR pricing and lower our subscription pricing in the future. As a result of lower hardware pricing and higher subscription pricing, the profitability of such newly acquired customers was shifted outward in time as we need to first recoup the expenses incurred in connection with the sale of a heavily subsidized DVR. For competitive and financial reasons, we may need to change the pricing of our DVRs and our service fees again in the future. Furthermore, we have introduced non-DVR products such as TiVo Mini meant to expand the TiVo experience throughout the home, but such a product has a lower hardware cost and lower associated service fees and it may impact our total revenues as well as our ARPU per subscription to the extent these products are offered at lower subscription price points. The availability of competing services that do not require subscription fees or that are enabled by low or no cost DVRs will harm our ability to effectively attract and retain subscriptions, and in such an event our business would be harmed.

Growth in our TiVo-Owned subscriptions and related revenues could be harmed by offerings by our television distribution partners who also would be able to offer the TiVo service in the future. Our ability to grow our TiVo-Owned subscriptions and related revenues could be harmed by competition from our television distribution partners, such as RCN, Suddenlink, and others, who may be able to offer TiVo-branded DVR and non-DVR solutions to their customers at more attractive pricing than we may be able to offer the TiVo service to our TiVo-Owned customers. Furthermore, if we are unable to sufficiently differentiate the TiVo service offered direct to consumers by TiVo from the TiVo-branded DVR solutions offered by our licensing partners, customers who would have otherwise chosen the TiVo service offered direct to consumers by us may instead choose to purchase the TiVo-branded DVR solution from our licensing partners. Additionally, to the extent that potential customers defer subscribing to the TiVo service in order to wait for announced, but not yet deployed in their geographic area, TiVo-branded DVR solutions from our licensing partners, the growth of our TiVo-Owned subscriptions could be reduced. If our TiVo-Owned subscriptions continue to decrease, our business will be harmed.

We compete with digital cable, satellite, and telecommunications DVRs. Cable, satellite, and telecommunications service providers are accelerating deployment of integrated cable and satellite receivers with DVRs that bundle DVR services with other digital services and do not require their customers to purchase hardware. If we are not able to enter into agreements with these service providers to embed the TiVo service into their offerings, our ability to attract their subscribers to the TiVo service will be limited and our business, financial condition, and results of operations would be harmed.

We also expect to compete with digital cable, satellite, and telecommunications services that provide consumers with DVR and VOD-based services via a broadband connection on an on-demand basis. We are aware of at least two U.S. cable operators, Cablevision, Inc. and Comcast, as well as a number of international television operators, which have deployed server-based DVR technology. To the extent that cable, satellite, or telecommunication operators offer regular television programming with DVR services as part of their server-based VOD offerings or offer linear television programming in other VOD-based broadband delivered services, consumers would have an alternate means of watching time-shifted shows besides physical DVRs. In such an event, competitors would be able to deploy competing DVR services or equivalent VOD-based viewing services (such as the increasing TV Everywhere services from most pay TV) without the expense of deploying DVR hardware in consumer homes. Such an event would impair our ability to compete in a cost-effective manner with these television providers as well as attract and retain customers, in which case, our business, financial condition, and results of operations would be harmed.

It is expensive to establish a strong brand. We believe that establishing and strengthening the TiVo brand is critical to achieving widespread acceptance of our products and services and to establishing key strategic relationships. The importance of brand recognition will increase as current and potential competitors enter the DVR market with competing products and services. Our ability to promote and position our brand depends largely on the success of our marketing efforts and our ability to provide high quality services and customer support. These activities are expensive and we may not generate a corresponding increase in subscriptions or revenues to justify these costs. If we fail to establish and maintain our brand, or if our brand value is damaged or diluted, we may be unable to attract subscriptions and effectively compete in the DVR market.

We rely on our retail partners and service providers to market and distribute our products and services. In addition to our own efforts, our retail partners distribute DVRs that enable the TiVo service. We rely on their sales forces, marketing budgets, and brand images to promote and support DVRs and the TiVo service. Additionally, we now have arrangements with many service providers, both domestically and internationally, to market and promote the TiVo service. We expect to continue to rely on our relationships with these companies to promote and support DVRs and other devices that enable the TiVo service. The loss of one or more of these companies could require us to undertake more of these activities on our own. Further, if any of our service providers elect to support a competing technology, our business could be harmed despite the fact that many of our agreements with our service providers include exclusivity provisions, minimum deployment commitments, or minimum financial commitments. As a result, we would spend significant resources to support the TiVo service and DVRs and other devices that enable the TiVo service or would otherwise see a reduction in new and existing service provider deployments from such service providers. The failure of one or more of these companies to provide anticipated marketing support will require us to divert more of our limited resources to marketing the TiVo service. If we are unable to provide adequate marketing support for DVRs and the TiVo service, our ability to attract additional subscriptions to the TiVo service will be limited.

To remain competitive, we must continue to innovate and develop new features and products and make our customers aware of the benefits of our video products. DVR products and services and consumer video technology generally are a continually evolving . Retailers, consumers, and potential partners may perceive little or no benefit from DVR products and services in the evolving consumer electronics world. Many consumers are not aware of the benefits of our video products, including our DVR and non-DVR products, such as the ability to seamlessly integrate linear and broadband/VOD-based video, time-shifting of linear television, fast forward through advertisements/commercials, transfer of recorded programs to portable devices, and access to web based and broadband delivered content not available through traditional cable and satellite operators, and therefore may not value the benefits of the TiVo service and products. We will need to continue to devote a substantial amount of time and resources to educate consumers and promote our products in order to increase our subscriptions. We cannot be sure that a broad base of consumers will ultimately subscribe to the TiVo service or purchase the products that enable the TiVo service.

We face competitive risks in the provision of an entertainment offering involving the distribution of digital content through broadband, including from broadband devices connected directly to the TV or through a PC or other device connected to the TV or to mobile devices.

We have previously launched access to the entertainment offerings of Amazon Video on Demand service, Netflix, Hulu Plus, VUDU, Pandora, and others for the distribution of digital content directly to broadband-connected TiVo devices. Our offerings with Amazon Video On Demand, Netflix, Hulu Plus, Pandora, and others typically involve no significant long-term commitments. We face competitive, technological, and business risks in our ongoing provision of an entertainment offering involving the distribution of digital content through broadband to consumer televisions with Amazon, Netflix, and others, including the availability of premium and high-definition content, as well as the speed and quality of the delivery of such content to TiVo devices. For instance, we face increased competition from a growing number of broadband-enabled devices from providers such as Roku, AppleTV, Amazon, and Google that provide broadband delivered digital content directly to a consumer's television connected to such a device. Additionally, we face competition from online content providers and other PC software providers who deliver digital content directly to a consumer's personal computer, which in some cases may then be viewed on a consumer's television. If we are unable to provide a competitive entertainment offering with Amazon Instant Video, Netflix, Hulu Plus, Pandora, and our other partners, on our own, or an equivalent offering with other third-parties, the attractiveness of the TiVo service to new subscribers would be harmed as consumers increasingly look for new ways to receive and view digital content and our ability to retain and attract subscribers would be harmed.

Our ability to retain our current customers may continue to decrease in the future which could increase our TiVo-Owned subscription monthly churn rate and could cause our revenues to suffer.

We believe factors such as increased competition in the DVR marketplace, failure by us to continue to innovate and deliver new features on current deployed DVRs as well as deliver new DVR models in the future, changing television technologies such as the increasing penetration of high definition, the use of switched digital technology to deliver encrypted digital television signals, and the failure of cable operators in the future to transmit both an analog and digital transmission thus impacting our Series2 DVRs, increased price sensitivity in the consumer base, any deterioration in the quality of our service, and product lifetime subscriptions no longer using our service may cause our TiVo-Owned subscription monthly churn rate to increase. If we are unable to retain our subscriptions by limiting the factors that increase subscription churn, our ability to grow our subscription base could suffer and our revenues would be harmed.

The product lifetime subscriptions to the TiVo service that we currently are obligated to service commit us to providing services for an indefinite period. The revenue we generate from these subscriptions may be insufficient to

cover future costs and will negatively impact our TiVo-Owned Average Revenue per Subscription.
We offer a product lifetime subscription option to the TiVo service that commits us to provide the TiVo service for as long as the DVR is in service. We receive product lifetime subscription fees for the TiVo service in advance

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and amortize these fees as subscription revenue over 66 months for product lifetime subscriptions which is our current estimate of the service life of the DVR. If these product lifetime subscriptions use the DVR for longer than anticipated, we will incur costs such as telecommunications and customer support costs without a corresponding subscription revenue stream and therefore will be required to fund ongoing costs of service from other sources, such as advertising revenue. Additionally, if these product lifetime subscriptions use the DVR for longer than the period in which we recognize revenue, our average revenue per subscription ("ARPU") for our TiVo-Owned subscriptions will be negatively impacted as we continue to count these customers as subscriptions without corresponding subscription revenue thus lowering our average revenues across our TiVo-Owned subscription base. As of January 31, 2016, we had approximately 153,000 product lifetime subscriptions that had exceeded the 66 month period we use to recognize product lifetime subscription revenues and had made contact with the TiVo service within the prior six-month period. We will continue to monitor the useful life of a TiVo-enabled DVR and the impact of higher churn, increased competition, and compatibility of our existing TiVo units with high-definition programming. Future results will allow us to determine if our useful life is shorter or longer than currently estimated, in which case we may revise the estimated life and we would recognize revenues from this source over a shorter or longer period.

We face intense competition for advertising and research revenues.

DVR services, in general, and TiVo, specifically, compete with other advertising media such as print, radio, television, Internet, VOD, and other emerging advertising platforms for a share of advertisers' total advertising budgets. If advertisers do not perceive digital video recording services, in general, and TiVo specifically, as an effective advertising medium, they may be reluctant to advertise on the TiVo service. In addition, advertisers may not support or embrace the TiVo technology due to a belief that our technology's ability to fast-forward through commercials will reduce the effectiveness of general television advertising.

We may not fully realize the anticipated positive impacts to future financial results from our restructuring efforts.

We have undertaken recent restructuring efforts to streamline operations and reduce operating expenses. Our ability to achieve the anticipated cost savings and other benefits from our restructuring efforts within expected time frames is subject to many estimates and assumptions, and may vary materially based on factors such as market conditions and the effect of our restructuring efforts on our work force. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There can be no assurance that we will fully realize the anticipated positive impacts to future financial results from our current or future restructuring efforts. If our estimates and assumptions are incorrect or if other unforeseen events occur, we may not achieve the cost savings expected from such restructurings, and our business and results of operations could be adversely affected.

The nature of some of our business relationships may restrict our ability to operate freely in the future.

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From time to time, we have engaged and may engage in the future in discussions with other parties concerning business relationships, which have and may in the future include equity investments by such parties in us or may include exclusivity provisions (such as geographic or product specific limitations), most favored customer limitations, and patent licensing arrangements. While we believe that such business relationships have historically enhanced our ability to finance and develop our business model or otherwise were justified by the terms of the particular relationship, the terms and conditions of such business relationships may place some restrictions on the operation of our business, including where we operate, who we work with, and what kinds of activities we may engage in, in the future.

Entertainment companies and other content owners may claim that some of the features of our DVRs violate copyright or trademark laws, which could force us to incur significant costs in defending such actions and affect our ability to market the TiVo service and the products that enable the TiVo service.

Although we have not been the subject of such actions to date, a past competitor's DVRs were the subject of several copyright infringement lawsuits by a number of major entertainment companies, including the major television networks. These lawsuits alleged that the competitor's DVRs violate copyright laws by allowing users to skip commercials, delete recordings only when instructed and use the Internet to send recorded materials to other users. TiVo-enabled DVRs have some similar features, including the ability to fast-forward as well as skip (in certain newer models) through commercials, the ability to speed up the play back of recordings (in certain newer models), the ability to delete recordings only when instructed and the ability to transfer recordings from a TiVo-enabled DVR to a personal computer and/or portable media devices. Based on market or consumer pressures, we may decide in the future to add additional features that may be objectionable to entertainment companies. If similar actions are filed against us based on current or future features of our DVRs and non-DVR products, entertainment companies may seek injunctions to prevent us from including these features and/or damages. Such litigation can be costly, even if we prevail in the litigation, and may divert the efforts of our management. Furthermore, if we were ordered to remove features from our DVRs or other products, we may experience increased difficulty in marketing the TiVo service and related TiVo products and may suffer reduced revenues as a result.

We depend on a limited number of third-parties to manufacture, distribute, and supply critical components, technologies, assemblies, and services for the DVRs that enable the TiVo service. We may be unable to operate our business if these parties do not perform their obligations or we are unable to incorporate such critical components or technologies into our products.

The TiVo service is enabled through the use of a DVR manufactured for us by a third-party contract manufacturer. In addition, we rely on sole suppliers for a number of key components and technologies for these DVRs and other devices we manufacture. We also rely on third-parties with whom we outsource supply-chain activities related to inventory warehousing, order fulfillment, distribution, and other direct sales logistics. We cannot be sure that these parties will perform their obligations as expected or that any revenue, cost savings, or other benefits will be derived from the efforts of these parties. If any of these parties breaches or terminates its agreement with us or otherwise fails to perform its obligations in a timely manner or we are unable to purchase or license such third party components or technologies, we may be delayed or prevented from commercializing our products and services. Because our relationships with these parties are non-exclusive, they may also support products and services that compete directly with us, or offer similar or greater support to our competitors. Any of these events could require us to undertake unforeseen additional responsibilities or devote additional resources to commercialize our products and services or require us to remove certain features or functionalities from our products which may decrease the commercial appeal of our products for our customers. Any of these outcomes would harm our ability to compete effectively and achieve increased market acceptance and brand recognition.

In addition, we face the following risks in relying on these third-parties:

If our manufacturing relationships are not successful, we may be unable to satisfy demand for our products and services. We manufacture DVRs and non-DVRs that enable the TiVo service through a third-party contract manufacturer, Flextronics. Delays, product shortages, and other problems could impair our distribution and brand image and make it difficult for us to attract subscriptions and service our Pay-TV Operator customers. In addition, as we are dependent on Flextronics as our sole third-party contract manufacturer, the loss of this manufacturer would require us to identify and contract with alternative sources of manufacturing, which we may be unable to do or which could prove time-consuming and expensive.

We are dependent on sole suppliers for key components, technologies and services. If these suppliers

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fail to perform their obligations or we are unable to purchase or license such third party components, technologies or services, we may be unable to find alternative suppliers or deliver our products and services to our customers on time or with the features and functionality they expect. We currently rely on sole suppliers for a number of the key components used in the TiVo-enabled DVRs and the TiVo service, of which we may not have written supply agreements with certain sole suppliers for key components or services for our products. For example, Broadcom is the sole supplier of the system controller for our DVR. We do not currently have a long-term written supply agreement with Broadcom although we do have limited rights to continue to purchase from Broadcom in the event Broadcom notifies us a product is being discontinued. Therefore, Broadcom is not contractually obligated to supply us with these key components on a long-term basis or at all. In addition, because we are dependent on sole suppliers for key components and services, our ability to manufacture our DVRs and other devices is subject to increased risks of supply shortages (without immediately available alternatives), exposure to unexpected cost increases in such sole supplied components, as well as other risks to our business if we were to fail to comply with conflict mineral requirements due to our reliance on these suppliers. Additionally, certain features and functionalities of our TiVo service and DVRs are dependent on third party components and technologies. If we are unable to purchase or license such third party components or technologies, we would be unable to offer certain related features and functionalities to our customers. In such a case, the desirability of our products to our customers could be reduced, thus harming our business.

Gracenote (formerly known as Tribune Media Services, Inc.) is the sole supplier of the program guide data for the TiVo service. Gracenote, is the current sole supplier of program guide data for the TiVo service. Our current Television Listings Data Agreement with Gracenote originally became effective on May 14, 2007 and had an initial term of five years which TiVo has renewed for four additional years, and will expire on May 14, 2016. If we are unable to renew our agreement with Gracenote on terms acceptable to TiVo, our business could be harmed. The agreement provides each party with a termination right if the other party becomes controlled by certain third parties. If Gracenote breaches its obligation to provide us with data, rejects the agreement or otherwise fails to perform its obligations under our agreement, we would be unable to provide certain aspects of the TiVo service to our customers until we are able to incorporate an alternate source of guide data. We currently do not use any alternative television guide data nor have a license to use any alternative guide data. If we were forced to seek an alternative provider of television guide data, there would be significant cost and delay involved in integrating such an alternative source of guide data should we do so in the future. Depending upon the amount of notice we receive of such a breach or rejection of our agreement or notice that we will be unable to renew our agreement by the time it expires, and the amount of development work required by us to incorporate an alternate source of guide data, we may be subject to a period of time in which we are unable to provide the TiVo service to our customers and distribution partners. In such an event, our business would be harmed.

If our arrangements with Broadcom or Gracenote or with our third-party contract manufacturer or other suppliers of critical third party components or technologies were to terminate or expire without a replacement arrangement in place, or if we or our manufacturers were unable to obtain sufficient quantities of these components, technologies, or required program guide data from our suppliers, our search for alternate suppliers could result in significant delays, added expense or disruption in product or service availability.

We depend upon third-parties to provide supply chain services related to inventory management, order fulfillment, and direct sales logistics. We rely on third-party vendors to provide cost-effective and efficient supply chain services. Among other activities, these outsourced services relate to direct sales logistics, including order fulfillment, inventory management and warehousing, and distribution of inventory to third-party retailers. If one or several of our third-party supply chain partners were to discontinue services for us, our ability to fulfill direct sales orders and distribute inventory timely, cost effectively, or at all, would be hindered which could in turn harm our business.

We are dependent on our major retail partners for distribution of our products to consumers. We currently rely on our relationships with major retail distributors including Best Buy, Amazon, and others for distribution of TiVo-enabled DVRs. We do not typically enter into long-term volume commitments with our major retail distributors. If one or several of our major retail partners were to discontinue selling our products, the volume of TiVo-enabled DVRs sold to consumers could decrease which could in turn harm our business.

We face significant risks in overseeing our outsourcing of manufacturing processes as well as in the management of our inventory, and failure to properly oversee our manufacturing processes or to effectively manage our inventory levels may result in product recalls or supply imbalances that could harm our business.

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We have contracted for the manufacture of certain TiVo-enabled DVRs with a contract manufacturer. We sell these units to retailers and distributors, as well as through our own online sales channels. Product manufacturing is outside our core business and we face significant risks if our contract manufacturer does not perform as expected. If we fail to effectively oversee the manufacturing process, including the work performed by our contract manufacturer, we could suffer from product recalls, poorly performing product, and higher than anticipated warranty costs.

In connection with our manufacturing operations, we maintain a finished goods inventory of the DVR units we produce throughout the year. Due to the seasonality in our business and our long-lead time product development and manufacturing cycles, we need to make forecasts of demand and commit significant resources towards manufacturing of our DVR units well in advance of our peak selling periods. We also have risks with respect to changing hardware forecasts with our television service provider customers who may revise their purchase forecasts lower or higher after we have committed manufacturing resources to meeting such forecasts due to long-lead times and prior to the time in which such television service provider forecasts become contractually binding. As such, we are subject to significant risks in managing the inventory needs of our business during the year, including estimates of the appropriate mix of demand across our older and newer DVR models. If we were to overestimate demand for our DVRs, we may end up with inventories that exceed currently forecasted demand which would require us to record additional write-downs. If we were to underestimate demand for our DVRs, we may end up with inventory shortages causing us to fail to meet actual customer demand. Should actual market conditions differ from our estimates, our future results of operations could be materially affected. In the future, we may be required to record write-downs of finished products and materials on-hand and/or additional charges for excess purchase commitments as a result of future changes in our sales forecasts.

Breaches of our cybersecurity systems could degrade our ability to conduct our business operations and deliver products and services to our MSO and retail customers, delay our ability to recognize revenue, compromise the integrity of our products and services, result in significant data losses and the theft of our intellectual property, damage our reputation, result in the breach and termination of our agreements with our MSO customers, expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data.

We increasingly depend upon our IT systems to conduct virtually all of our business operations, ranging from our internal operations and product development activities to the provision of the TiVo service to our MSO and retail customers to our marketing and sales efforts as well as communications with our MSO and retail customers and business partners. Computer hackers and other criminal elements have attempted to penetrate our network security and our website. Such cyberattacks threaten to misappropriate our proprietary information and cause interruption of our ability to provide the TiVo service to our MSO and retail customers and disrupt our back-end IT services. Because the techniques used by such computer programmers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. In addition, sophisticated hardware and operating system software, services, and applications that we produce or procure from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of such systems, services and technologies. We have also outsourced a number of our business functions, including manufacturing, software development, and other activities, to third party contractors, and our business operations also depend, in part, on the success of our contractors’ own cybersecurity measures. Similarly, we rely upon distributors, resellers, and third party manufacturers and licensees to sell our products and our sales operations depend, in part, on the reliability of their cybersecurity measures. Additionally, we depend upon our employees to appropriately handle confidential data and deploy our IT resources in safe and secure fashion that does not expose our network systems to security breaches and the loss of data. Accordingly, if our cybersecurity systems and those of our contractors fail to protect against unauthorized access, sophisticated cyberattacks and the mishandling of data by our employees and contractors, our ability to conduct our business effectively could be damaged in a number of ways, including:

- sensitive data regarding our business and our customers’ businesses, including intellectual property and other proprietary data, could be stolen;

• our electronic communications systems, including email and other methods, could be disrupted, and our ability to conduct our business operations could be seriously damaged until such systems can be restored and secured;
•our ability to process customer orders and electronically deliver products and services could be degraded, and our distribution channels could be disrupted, resulting in delays in revenue recognition;

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•defects and security vulnerabilities could be exploited or introduced into our software products, thereby damaging the reputation and perceived reliability and security of our products and potentially making the data systems of our customers vulnerable to further data loss and cyberincidents; and
•personally identifiable data of our customers, employees and business partners could be stolen or lost.

Should any of the above events occur, we could be subject to significant claims for liability from our customers, and regulatory actions from governmental agencies, our ability to protect our intellectual property rights could be compromised and our reputation and competitive position could be significantly harmed. Also, the regulatory and contractual actions, litigations, investigations, fines, penalties and liabilities relating to data breaches that result in losses of personally identifiable or credit card information of users of our services can be significant in terms of fines and reputational impact and necessitate changes to our business operations that may be disruptive to us. Additionally, we could incur significant costs in order to upgrade our cybersecurity systems and remediate damages. Consequently, our financial performance and results of operations could be adversely affected.

Regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third-parties. These requirements will require companies to perform due diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. These new requirements could adversely affect the sourcing, availability, and pricing of minerals used in the manufacture of our products and the numerous components that go into our products. For instance, a number of our key components in our products are supplied from a single source, and finding alternatives components that would be conflict mineral free in some cases could be expensive and cause delays in our ability to manufacture our products and meet customer demand. In addition, we have and will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through our due diligence procedures, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

We face significant risks to our business when we engage in the outsourcing of engineering work, including outsourcing of software work oversees, which, if not properly managed, could result in the loss of valuable intellectual property, increased costs due to inefficient and poor work product, and subject us to export control restrictions which could impede or prevent us from working with partners internationally, which could harm our business, including our financial results, reputation, and brand.

We have from time-to-time outsourced engineering work related to the design, development, and manufacturing of our products, typically to save money and gain access to additional engineering resources. We have worked, and expect to in the future work, with companies located in jurisdictions outside of the United States, including, but not limited to, Romania, India, Ukraine, the United Kingdom, and Mexico. We have limited experience in the outsourcing of engineering, manufacturing, and other work to third-parties located internationally that operate under different laws and regulations than those in the United States. If we are unable to properly manage and oversee the outsourcing of this engineering, manufacturing and other work related to our products, we could suffer the loss of valuable intellectual property, or the loss of the ability to claim such intellectual property, including patents, trademarks, trade secrets, and copyrights. We could also be subjected to increased regulatory and other scrutiny related to export control restrictions which could impede or prevent us from working with international partners. Additionally, instead of saving money, we could in fact incur significant additional costs as a result of inefficient or delayed engineering services or poor work product. As a result our business would be harmed, including our financial results, reputation, and brand.

Product defects, system failures, or interruptions to the TiVo service may have a negative impact on our revenues, damage our reputation and decrease our ability to attract new customers as well as remain in contractual compliance with our existing MSO customers.

Our ability to provide uninterrupted service and high quality customer support depends on the efficient and uninterrupted operation of our computer and communications systems. Our computer hardware and other operating systems for the TiVo service are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, and similar misconduct. Our ability to provide uninterrupted service may also be

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impacted by internal system errors, bugs, and software deployment issues which may cause us to not meet our obligations to MSO customers. These types of interruptions in the TiVo service may reduce our revenues and profits, including possibly resulting in termination of existing MSO customer contracts. We currently house the server hardware that delivers the TiVo service at only one location; however, in the event that location became unavailable, we do have a backup facility capable of delivering the TiVo service. Our business also will be harmed if consumers or our MSO customers believe our service is unreliable. In addition to placing increased burdens on our engineering staff, service outages create a high volume of customer questions and complaints that must be responded to by our customer support personnel. Any frequent or persistent system failures could irreparably damage our reputation and brand and possibly trigger requests for refunds on subscription fees and hardware purchases and possible consumer litigation.

We have detected in the past and may continue to detect software and manufacturing errors in our products in the future. These problems can affect system uptime and result in significant warranty and repair problems, which could cause customer service and customer relations problems. Correcting errors in our software or fixing defects in our products requires significant time and resources, which could delay product releases and affect market acceptance of the TiVo service. Any delivery by us of products or upgrades with undetected material product defects or software errors could harm our credibility and market acceptance of the DVRs and the TiVo service. In addition, defective products could cause a risk of injury that may subject us to litigation or cause us to have to undertake a product recall. For example, we previously became aware of occasions where a part came loose from the remote control device that comes with the DVRs that enable the TiVo service, including occurrences where a young child gagged on or ingested a part of the remote control device. While we are unaware of any injuries resulting from the use of our products, we may be subject to products liability litigation in the future. Additionally, if we are required to repair or replace any of our products, we could incur significant costs, which would harm our business, including our financial condition and results of operations.

If we are unable to create or maintain multiple revenue streams, we may not be able to cover our expenses and this could cause our revenues to decrease and net losses to increase.

Our long-term success will depend on securing additional revenue from such areas as:

- licensing;
- advertising;
- hardware sales
- data analytics, such as audience research data; and
- electronic commerce.

In order to derive substantial revenues from these activities, we will need to attract and retain a large and growing base of subscriptions to the TiVo service. We also will need to work closely with television advertisers, cable, satellite, and telecommunications network operators, electronic commerce companies, and consumer electronics manufacturers to develop products and services in these areas. We may not be able to work effectively with these parties to develop products that generate revenues that are sufficient to justify their costs. We also may be unable to work with, or to continue working with, these parties to distribute video and collect and distribute data or other information to provide these product or services. In addition, we are currently obligated to share a portion of these revenues with several of our strategic partners in exchange for access to certain technologies or services, such as certain cable operator VOD catalogs. Any inability to attract and retain a large and growing group of subscriptions or inability to attract new strategic partners or maintain and extend our relationships with our current strategic partners would seriously harm our ability to support new services and develop new revenue streams.

If we are unable to introduce new products or services, or if our new products and services are unsuccessful, our subscription base and revenues may suffer.

To attract and retain subscriptions and generate revenues, we must continue to maintain and add to our functionality and content and introduce products and services which embody new technologies and, in some instances, new industry standards. This challenge will require hardware and software improvements, as well as maintaining and adding new collaborations with programmers, advertisers, network operators, hardware manufacturers, and other strategic partners. These activities require significant time and resources and may require us to develop and promote new ways of generating revenue with established companies in the television industry. These companies include television advertisers, cable and satellite network operators, electronic commerce companies, and consumer electronics manufacturers. In each of these examples, a small number of large companies dominate a major portion of the market and may be reluctant to work with us to develop new

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products and services for digital video recorders as well as maintain our current functionality. If we are unable to maintain and further develop and improve the TiVo service or maintain and expand our operations in a cost-effective or timely manner, our ability to attract and retain customers and generate revenue will suffer.

We must manage product transitions successfully in order to remain competitive.

The introduction of a new product or product line is a complex task, involving significant expenditures in research and development, training, promotion and sales channel development, and management of existing product inventories to reduce the cost associated with returns and slow moving inventory. As new products are introduced, we intend to monitor closely the inventory of products to be replaced, and to phase out their manufacture in a controlled manner. However, we cannot assure you that we will be able to execute product transitions in this manner or that product transitions will be executed without harming our operating results. Failure to develop products with required features and performance levels on a cost-effective basis or any delay in bringing a new product to market could significantly reduce our revenues and margins and harm our competitive position.

We may not receive significant revenue from our current research and development efforts for several years, if at all.

Developing TiVo products and integrating acquired technology into existing platforms is expensive, and these investments often require substantial time to generate returns. Our strategy involves significant investments in research and development and related product opportunities. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain and improve our competitive position. However, we cannot ensure that we will receive significant, if any, revenue from these investments.

If we fail to manage the growth and complexity of our activities, it could disrupt our business and impair our ability to generate revenues.

The growth in our subscription base and increasing complexity of our sources of other revenue have placed, and will continue to place, a significant strain on our management, operational and financial resources, and systems. Specific risks we face as our business expands include:

Any inability of our systems to accommodate future subscription growth, or any inability of our TiVo.com website to handle customer traffic, may cause service interruptions or delay our introduction of new services and limit our ability to sell the TiVo service and TiVo-enabled DVRs. We internally developed many of the systems we use to provide the TiVo service and perform other processing functions. The ability of these systems to scale as we add new subscriptions is unproven. We must continually improve these systems to accommodate subscription growth and to add features and functionality to the TiVo service. Our inability to add software and hardware or to upgrade our technology, systems or network infrastructure could adversely affect our business, cause service interruptions or delay the introduction of new services. Our inability to manage customer traffic and sales volume through our TiVo.com website could limit our ability to sell the TiVo service and TiVo-enabled DVRs in the future. If our website were to become unavailable for a significant amount of time, our ability to provide certain features of the TiVo service and our ability to service customers and sell the TiVo service and TiVo-enabled DVRs would be harmed.

We need to provide acceptable customer support, particularly with respect to installation of DVRs and CableCARDs™, and any inability to do so would harm our brand and ability to retain current subscriptions and generate new subscriptions. Our ability to increase sales, retain current and future subscriptions and strengthen our brand will depend in part upon the quality of our customer support operations, including our ability to assist customers with installation and CableCARD™-related issues. Some customers require significant support when installing the DVR and required CableCARDs™ for our HD DVRs and becoming acquainted with the features and functionality of the TiVo service. We have limited experience with widespread deployment of our products, services, and CableCARD™ installation requirements to a diverse customer base, and we may not have adequate personnel to provide the levels of support that our customers require. In addition, we have entered into agreements with third-parties to provide this support and will rely on them for a substantial portion of our customer support functions. Furthermore, the installation of a CableCARD™ for TiVo customers may be performed by third-party cable operators and TiVo would then be dependent on such parties to timely service new subscribers to enable their receipt of digital and premium cable content. Our failure to provide adequate customer support for the TiVo service, DVRs, and a CableCARD™ will damage our reputation in the DVR and consumer electronics marketplace and strain our relationships with customers and consumer electronics manufacturers. This could prevent us from gaining new or retaining existing subscriptions and could cause harm to our reputation and brand.

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We need to improve our operational and financial systems to support our growth in the future, increasingly complex business arrangements, and rules governing revenue and expense recognition and any inability to do so will adversely affect our billing and reporting.

We have increasingly complex business arrangements, and the rules which govern revenue and expense recognition in our business are increasingly complex as well. To manage the expected growth of our operations and increasing complexity, we will need to improve our operational and financial systems, procedures and controls and continue to increase systems automation to reduce reliance on manual operations. Any inability to do so will affect our billing and reporting. Our current and planned systems, procedures and controls may not be adequate to support our complex arrangements and upcoming rules governing revenue and expense recognition for our future operations and expected growth. Delays or problems associated with our operational and financial systems and controls could adversely affect our relationships with our customers; cause harm to our reputation and brand; and result in errors in our financial and other reporting.

The nature of our business requires the application of complex revenue and expense recognition rules and the current legislative and regulatory environment affecting U.S. Generally Accepted Accounting Principles ("GAAP") is uncertain and volatile, and significant changes in current principles could affect our financial statements going forward.

The accounting rules and regulations that we must comply with are complex. Recent actions and public comments from the Securities Exchange Commission and the Financial Accounting Standards Board (the "FASB") have focused on the integrity of financial reporting generally. In addition, many companies' accounting policies are being subject to heightened scrutiny by regulators and the public. Further, the accounting rules and regulations are continually changing in ways that could materially impact our financial statements. For example, in May 2014, the FASB issued a new accounting guidance on revenue recognition, Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), that becomes effective for us in the first quarter of fiscal year 2019. The standard permits the use of either the retrospective or cumulative effect transition method. We have not yet selected a transition method and continue to evaluate the impact that this guidance will have on our financial condition and results of operations. Regardless of the transition method, the application of this new guidance may result in exclusion of certain future licensing revenues from the statement of operations after the adoption date, which, despite no change in associated cash flows, could have a material adverse effect on our net income.

We have limited experience and face significant competition in providing service and operations internationally that are subject to different competitors, laws, regulations, and requirements than those in the United States and our inability to compete or comply with such laws, regulations, and requirements could harm our business, including our reputation and brand.

We have provided and expect to continue to provide the TiVo service in jurisdictions outside of the United States, such as the United Kingdom, Spain, Sweden, Mexico, Canada, Australia, and New Zealand. In 2015, we also acquired a Polish company Cubiware Sp. Z.o.o. which provides products and services globally including to customers in Africa, Middle East, Asia, Europe and Latin America. However, we have limited experience in international operations. There are risks inherent in doing business internationally, including privacy and other regulations that vary from country to country, exposure to conditions in the global financial markets, including the potential for further turmoil, economic volatility or global economic slowdown, currency exchange rate fluctuations and inflationary pressures, the requirements of local laws and customs relating to the distribution of content and the display and sale of advertising, import or export restrictions and changes in trade regulations, difficulties in developing, staffing and managing foreign operations, issues related to occupational safety and adherence to diverse local labor laws and regulations, and potentially adverse tax developments. In addition, we face significant competition and technological challenges in competing with other consumer electronics manufacturers in these jurisdictions and in complying with international laws and technological standards such the various digital over-the-air standards like DVB-T. If we are unable to properly manage our international operations or comply with international laws, regulations, and requirements, we could suffer damage to our reputation, brand, revenues and results of operations, and as a result our business would be harmed. We have partnered, and expect to continue to partner, with local broadcasters, cable television operators, and satellite providers to provide the TiVo service internationally and to sell Cubiware and

Digitalsmiths products and services. Transactions with international partners may never materialize or may not result in significant revenue for us and may result in significant costs.

Privacy concerns and laws, evolving regulation of television viewing behavior as well as cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our services and adversely affect our business.

Regulation related to the provision of services similar to what TiVo provides through the Internet is increasing, as federal, state and foreign governments continue to adopt new laws and regulations addressing data privacy and the collection, processing, storage and use of personal information, including television viewing data. In some cases, foreign data privacy laws and regulations, such as the European Union’s Data Protection Directive, and the country-specific laws and regulations that implement that directive, also govern the processing of personal information. Further, laws are increasingly aimed at the use of personal information for marketing purposes, such as the European Union’s e-Privacy Directive, and the country-specific regulations that implement that directive. Such laws and regulations are subject to new and differing interpretations and may be inconsistent among jurisdictions. These and other requirements could reduce demand for our services or restrict our ability to store and process data or, in some cases, impact our ability to offer our services in certain locations or our customers' ability to deploy our solutions globally. For example, the European Court of Justice recently invalidated the U.S.-EU Safe Harbor framework that had been in place since 2000, which allowed companies to meet certain European legal requirements for the transfer of personal data from the European Economic Area to the United States. While other adequate legal mechanisms to lawfully transfer such data remain, and negotiations to replace the U.S.-EU Safe Harbor framework with a new agreement between U.S. and EU regulators are ongoing, the invalidation of the U.S.-EU Safe Harbor framework may result in different European data protection regulators applying differing standards for the transfer of personal data, which could result in increased regulation, cost of compliance and limitations on data transfer for TiVo and its customers. The costs of compliance with and other burdens imposed by laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, lead to significant fines, penalties or liabilities for noncompliance, or slow the pace at which we sign new operator customers outside the U.S., any of which could harm our business.

Entertainment companies, networks, or video distributors may claim that our advertising products or features may unintentionally violate copyright or trademark laws or otherwise unfairly compete with them, which could result in the blocking, stripping or failure to carry out our advertising products or features or force us to incur significant costs in defending such actions and affect our ability to generate advertising revenues.

Entertainment companies, networks, or video distributors may claim that our advertising products or features may unintentionally violate copyright or trademark laws, or otherwise unfairly compete with them, by being placed within, adjacent to, or on top of, existing video programming or advertising. Entertainment companies or video distributors may seek injunctions to prevent us from offering these products or features, seek damages and/or take other measures, such as blocking, stripping or refusing carriage to prevent us from selling or distributing our advertising products. If we were unable to sell or distribute our advertising products or features on our DVRs, we may suffer reduced revenues as a result.

We use open source software in our products, which could expose us to intellectual property infringement claims, require us to provide indemnification to third-parties, and delay or prevent development of certain products or features, any of which could harm our business.

TiVo's products include open source software. From time to time, we may face claims seeking to enforce the terms of an applicable open source license. Such claims could result in litigation, require us to seek licenses from third-parties in order to keep offering our software, require us to re-engineer our software, require us to release proprietary source code, require us to provide indemnification or otherwise subject us to liability to a customer or supplier, or require us to discontinue the sale of a product in the event re-engineering cannot be accomplished in a timely manner, any of which could adversely affect our business.

If we release software that includes open source software licensed under version 3 of the GNU General Public License ("GPLv3"), even if it was software provided to us by a supplier, we may be required to provide end users with the ability to install modified software on their TiVo product, which could adversely affect our business.

If GPLv3 is widely adopted among the open source community, we may be unable to use future open source enhancements or components in our software, which could adversely affect our business.

DVRs could be the subject of future regulation relating to copyright law or evolving industry standards and practices that could adversely impact our business.

In the future, copyright statutes or case law could be changed to adversely impact our business by restricting the ability of consumers to temporally or spatially shift copyrighted materials for their own personal use. Our business would be harmed as a result. In addition, we are aware that some media companies may attempt to form organizations to develop standards and practices in the DVR industry. These organizations or individual media companies may attempt to require companies in the digital video recorder industry to obtain copyright or other licenses. Lawsuits or other actions taken by these types of organizations or companies could make it more difficult for us to introduce new services, delay widespread consumer acceptance of our products and services, restrict our use of some television content, increase our costs, and adversely affect our business.

We have acquired and may acquire other companies and businesses and may not realize the expected benefits of these acquisitions.

We have acquired and expect to acquire other companies and businesses in the future. In February 2014, we acquired Digitalsmiths and in May 2015 we acquired Cubiware Sp. Z.o.o. Our future revenue growth and expansion of our business may rely on our successful integration of this and other acquisitions. We may incur significant costs in connection with our potential transactions, including acquisitions that are not consummated. Potential and completed acquisitions involve a number of risks. If any of the following acquisition-related risks occur, our business, operating results or financial condition could be seriously harmed:

- The failure to realize anticipated benefits such as cost savings and revenue enhancements;
- The failure to integrate and manage acquired products and businesses effectively;
- The failure to retain key employees of the acquired company or business;
- Difficulties in combining previously separate companies or businesses into a single unit;
- The substantial diversion of management's attention from day-to-day business when evaluating and negotiating these transactions and integrating an acquired company or business;
- The discovery, after completion of the acquisition, of unanticipated liabilities assumed from the acquired company, business or assets, such that we cannot realize the anticipated value of the acquisition;
- Difficulties related to integrating the products of an acquired company or business in, for example, distribution, engineering, licensing models, or customer support areas;
- Unanticipated costs; or
- The failure to understand and compete effectively in markets where we have limited experience.

Future acquisitions may involve the issuances of stock as full or partial payment of the purchase price for the acquired company or business, grants of restricted stock, restricted stock units, or stock options to employees of the acquired companies or businesses (which may be dilutive to existing stockholders), expenditure of substantial cash resources or the incurrence of a material amount of debt. These arrangements may impact our liquidity, financial position, and results of operations.

Compliance with federal securities laws and regulations is costly.

The federal securities laws and regulations, including the corporate governance and other requirements of the Sarbanes-Oxley Act of 2002 and subsequent laws impose complex and continually changing regulatory requirements on our operations and reporting. These requirements impose comprehensive reporting and disclosure requirements, set stricter independence and financial expertise standards for audit committee members, and impose civil and criminal penalties for companies, their chief executive officers, chief financial officers, and directors for securities law violations. These requirements have increased and will continue to increase our legal compliance costs, increase the difficulty and expense in obtaining director and officer liability insurance, and make it harder for us to attract and retain qualified members of our Board of Directors and/or qualified executive officers. Such developments could harm our results of operations and divert management's attention from business operations.

The investment of our cash, cash equivalents and investments in money market funds and marketable debt securities are subject to risks which may cause losses and affect the liquidity of these investments.

Our investments include various money market funds and marketable debt securities, such as corporate debt securities, U.S. Treasury securities, bank certificates of deposit and commercial paper. Weakened financial markets have at times adversely impacted the general credit, liquidity, market prices and interest rates for these and other types of debt securities. Additionally, changes in monetary policy by the Federal Open Market Committee and concerns about the rising U.S. government debt level may cause a decrease in the purchasing power of the U.S. dollar and adversely affect our investment portfolio. Furthermore, if there is a default or downgrade of U.S. government or agency debt securities, our investment portfolio may be adversely impacted, requiring impairment charges that could adversely affect our liquidity, financial position, results of operations, or cash flows. The financial market and monetary risks associated with our investment portfolio may have a material adverse effect on our financial condition, liquidity, results of operations, or cash flows.

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Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.
The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continues to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we cannot assure you that our disclosure controls and procedures and internal control over financial reporting will be effective in accomplishing all control objectives all of the time. For instance, recognizing the significant increase in our investments of cash as a result of our recent patent litigation settlements, we have instituted controls to monitor compliance with the Investment Company Act of 1940 (the “1940 Act”). If we fail to maintain compliance with the 1940 Act in the future such as by failing to continue to qualify for the research and development exemption under the 1940 Act, such noncompliance could have a significant adverse impact on our business. Deficiencies, particularly a material weakness in internal control over financial reporting, which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, the delisting of our common stock from the Nasdaq Global Market, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.
We advertise, market, and sell our services directly to consumers; many of these activities are highly regulated by constantly evolving state and federal laws and regulations and violations of these laws and regulations could harm our business.
We engage in various advertising, marketing, and other promotional activities, such as offering gift subscriptions to consumers, which are subject to state and federal laws and regulations. A constantly evolving network of state and federal laws is increasingly regulating these promotional activities. Additionally, we enter into subscription service contracts directly with consumers which govern both our provision of and the consumers' payment for the TiVo service. For example, consumers who activate new monthly subscriptions to the TiVo service may be required to commit to pay for the TiVo service for a minimum of one year or be subject to an early termination fee if they terminate prior to the expiration of their commitment period. If the terms of our subscription service contracts with consumers, such as our imposition of an early termination fee, or our previously offered rebate or gift subscription programs were to violate state or federal laws or regulations, we could be subject to suit, penalties, and/or negative publicity in which case our business would be harmed.
We and the third-party vendors we work with will need to remain compliant with the Payment Card Industry requirements for security and protection of customer credit card information and an inability to do so by us or our third-party vendors will adversely affect our business.
As a merchant who processes credit card payments from its customers, we are required to comply with the payment card industry requirements imposed on us for the protection and security of our customers' credit card information. If we are unable to successfully remain compliant with the payment card industry requirements imposed on us as a credit card merchant, our business would be harmed because we could be prevented in the future from transacting customer subscription payments by means of a credit card.
We need to safeguard the security and privacy of our subscribers' confidential data and remain in compliance with laws that govern such data, and any inability to do so may harm our reputation and brand and expose us to legal action.
Uncertainty in the marketplace regarding the use of data from our subscribers could reduce demand for the TiVo service and result in increased expenses. Consumers may be concerned about the use of viewing information gathered by the TiVo service and the DVR. Currently, we gather anonymous information about our customers' viewing choices while using the TiVo service, unless a customer affirmatively consents to the collection of personally identifiable viewing information. This anonymous viewing information does not identify the individual customer. Privacy concerns, however, could create uncertainty in the marketplace for digital video recording and for our products and services. Changes in our privacy policy could reduce demand for the TiVo service, increase the cost of doing business as a result of privacy related litigation costs or increased service delivery costs, or otherwise harm our reputation and business.

The DVR collects and stores viewer preferences and other data that many of our customers consider confidential. If our technological security measures are compromised, our customers may curtail or stop use of our products and services. The TiVo service and TiVo products such as DVRs may contain the private information of our customers, and security breaches could expose us to a risk of loss of this information, which could result in potential liability and litigation. Like all services that connect with the Internet, our service, including our website, is vulnerable to break-ins, attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to

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interruptions, delays, or shutdowns of our service, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. If we experience compromises to our security that result in service and website performance or availability problems, the complete shutdown of our service or website, or the loss or unauthorized disclosure of confidential information, our customers may lose trust and confidence in us, and decrease or discontinue their use of our service. Further, outside parties may attempt to fraudulently induce employees to disclose sensitive information in order to gain access to our information or our customers' information. It is also possible that one of our employees who has access to our information or our customer's information as part of his or her employment or who could attempt to gain unauthorized access to our information or our customer's information and use it in violation of our internal policies and procedures. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target, we may be unable to proactively address these techniques or to implement adequate preventative measures from either external or internal threats. We may be required to make significant expenditures to protect against security breaches or to remedy problems caused by any breaches. Additionally, the laws governing such data are constantly changing and evolving and we must comply with these laws or our business, including our reputation, brand and financial results will be harmed. Failure to protect our information and our customer's information from external or internal threats could negatively impact our ability to attract new customers, cause existing customers to cancel their subscriptions, cause commercial partners to cease doing business with us, subject us to third-party lawsuits, regulatory fines or other actions or liabilities, thereby harming our business and operating results.

Legislation, laws or regulations relating to environmental issues, employment matters, and unclaimed property may adversely impact our business in the future.

It is possible that future proposed environmental regulations on consumer electronic devices, such as DVRs and set-top boxes, may regulate and increase the production, manufacture, use, and disposal costs incurred by us and our customers. For example, the Energy Independence and Security Act of 2007 directs the Department of Energy to prescribe labeling or other disclosure requirements for the energy use of standalone digital video recorder boxes. This and future energy regulations could potentially make it more costly for us to design, manufacture, and sell our DVRs to our customers thus harming the growth of our business.

Additionally, as our business grows and we expand our employed and contracted work force, employment laws and regulations will have an increasing impact on our ability to manage and grow our work-force. Regulations and laws relating to the status of contractors, classification and related benefits for exempt and non-exempt employees all may adversely impact our business if we are unable to properly manage and comply with federal, state, and local laws.

Furthermore, as part of our regular business activities now, and in the past, we engage in the issuance of gift subscriptions and the marketing of rebate offers related to the sale of our products and services. It is possible that money received by us for the sale of gift subscriptions or related to our past rebate offers could be subject to state and federal escheat, or unclaimed property, laws in the future. If this were the case, our business could be adversely impacted.

If we fail to comply with the laws and regulations relating to the collection of sales tax and payment of income taxes in the various states in which we do business, we could be exposed to unexpected costs, expenses, penalties, and fees as a result of our noncompliance in which case our business could be harmed.

As our business grows and expands, we have started to do business in an increasing number of states nationally. By engaging in business activities in these states, we become subject to their various laws and regulations, including requirements to collect sales tax from our sales within those states and the payment of income taxes on revenue generated from activities in those states. The laws and regulations governing the collection of sales tax and payment of income taxes are numerous, complex, and vary among states. If we fail to comply with these laws and regulations requiring the collection of sales tax and payment of income taxes in one or more states where we do business, we could be subject to significant costs, expenses, penalties, and fees in which case our business would be harmed.

We are subject to the Foreign Corrupt Practices Act (“FCPA”) and similar laws in other jurisdictions, and our failure to comply with such laws and regulations thereunder could result in penalties which could harm our reputation, business, and financial condition.

We are subject to the FCPA, which generally prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. The FCPA also requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect the transactions of the company. Under the FCPA, U.S. companies may be held liable for actions taken by their strategic or local partners or representatives. The FCPA and similar laws in other countries can impose civil and criminal penalties for violations.

If we do not properly implement practices and controls with respect to compliance with the FCPA and similar laws, or if we fail to enforce those practices and controls properly, we may be subject to regulatory sanctions, including administrative costs related to governmental and internal investigations, civil and criminal penalties, injunctions and restrictions on our business activities, all of which could harm our reputation, business and financial condition.

Our Certificate of Incorporation, Bylaws and Delaware law could discourage a third-party from acquiring us and consequently decrease the market value of our common stock.

In the future, we could become the subject of an unsolicited attempted takeover of our Company. Although an unsolicited takeover could be in the best interests of our stockholders, certain provisions of Delaware law and our organizational documents could be impediments to such a takeover. We are subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws also require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of the stockholders and may not be effected by a consent in writing. In addition, special meetings of our stockholders may be called only by a majority of the total number of authorized directors, the chairman of the board, our chief executive officer or the holders of 50% or more of our common stock. Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws also provide that directors may be removed only for cause by a vote of a majority of the stockholders and that vacancies on the Board of Directors created either by resignation, death, disqualification, removal or by an increase in the size of the Board of Directors may be filled by a majority of the directors in office, although less than a quorum. Our Amended and Restated Certificate of Incorporation also provides for a classified Board of Directors and specifies that the authorized number of directors may be changed only by resolution of the Board of Directors. These provisions of Delaware law, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws could make it more difficult for us to be acquired by another company, even if our acquisition is in the best interests of our stockholders. Any delay or prevention of a change of control or change in management could cause the market price of our common stock to decline.

Seasonal trends may cause our quarterly operating results to fluctuate and our inability to forecast these trends may adversely affect the market price of our common stock.

Consumer electronic product sales have traditionally been much higher during the holiday shopping season than during other times of the year. Although predicting consumer demand for our products is very difficult, we have experienced that sales of DVRs and new subscriptions to the TiVo service have been higher during the holiday shopping season when compared to other times of the year. If we are unable to accurately forecast and respond to consumer demand for our products, our reputation and brand will suffer and the market price of our common stock would likely fall.

We expect that a portion of our future revenues will come from targeted commercials and other forms of interactive television advertising enabled by the TiVo service. Expenditures by advertisers tend to be seasonal and cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities or increase the time it takes to close a sale with our advertisers, which could cause our revenues from advertisements to decline significantly in any given period.

The large number of shares available for future sale could adversely affect the market price for our stock.

Sales of a substantial number of shares of our common stock in the public market or the perception that such sales might occur could adversely affect the market price of our common stock. Several of our stockholders own a substantial number of our shares.

As of January 31, 2016, options to purchase a total of 4,546,811 shares and 5,167,216 unvested restricted stock awards and restricted stock units were outstanding under our option and equity incentive plans, and there were 6,332,232 shares available for future grants. We have filed registration statements with respect to the shares of common stock issuable under our option and equity incentive plans. In addition, there were potentially

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14,267,047 shares to be issued upon conversion of our outstanding convertible senior notes maturing in 2016 ("4.0% Notes due 2016"). There were potentially 12,904,679 shares to be issued upon conversion of our outstanding convertible senior notes maturing in 2021 ("2.0% Notes due 2021"). There were potentially 12,904,679 shares to be issued upon conversion of common stock warrants which were issued in conjunction with the 2.0% Notes due 2021. Future sales of the shares of the common stock, or the registration for sale of such common stock, or the issuance of common stock to satisfy our current or future cash payment obligations, to fund litigation expenses, or to acquire technology, property, or other businesses, could cause immediate dilution and adversely affect the market price of our common stock. The sale or issuance of such stock, as well as the existence of outstanding options and shares of common stock reserved for issuance under our option and equity incentive plans, also may adversely affect the terms upon which we are able to obtain additional capital through the sale of equity securities.

Increased leverage as a result of our convertible senior notes offering may harm our financial condition and results of operations.

In September 2014, we issued convertible senior notes with the aggregate principal amount of $230.0 million. Face value of our total convertible debt as of January 31, 2016 was approximately $362.5 million. The indentures governing the convertible senior notes do not restrict our ability to incur additional indebtedness.

Our level of indebtedness could have important consequences to you, because:

•it could affect our ability to satisfy our obligations under the notes;

•a substantial portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;

•it may impair our ability to obtain additional financing in the future;

•it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and

•it may make us more vulnerable to downturns in our business, our industry or the economy in general.

Our operations may not generate sufficient cash to enable us to service our debt. If we fail to make a payment on the notes, we could be in default on the notes, and this default could cause us to be in default on our other outstanding indebtedness. Conversely, a default on our other outstanding indebtedness may cause a default under the notes.

The hedge transactions and warrant transactions entered into in connection with the 2.0% Notes due 2021 may affect the value of the 2.0% Notes due 2021 and our common stock.

In connection with the offering of the 2.0% Notes due 2021, we entered into privately-negotiated convertible note hedge transactions with certain counterparties ("Options Counterparties") to reduce the potential dilution with respect to our common stock upon conversion of the 2.0% Notes due 2021. The convertible note hedges cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2.0% Notes due 2021, the number of shares of common stock underlying the 2.0% Notes due 2021. We also entered into separate, privately-negotiated warrant transactions with the certain counterparties whereby we sold to independent third parties warrants with the Option Counterparties relating to the same number of shares of our common stock, subject to customary anti-dilution adjustments.

The effect, if any, of these activities, including the direction or magnitude, on the market price of our common stock will depend on a variety of factors, including market conditions, and cannot be ascertained at this time. Any of these activities could, however, adversely affect the market price of our common stock and the trading price of the 2.0% Notes due 2021.

In addition, the Option Counterparties are financial institutions, and we will be subject to the risk that one or more of the Option Counterparties might default under the convertible note hedges. Our exposure to the credit risk of the Option Counterparties will not be secured by any collateral. If any of the Option Counterparties becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under the convertible note hedges with such option counterparty. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price and in the volatility of our common stock.

Our business could be adversely impacted in the event of a natural disaster.

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Our corporate headquarters is located in San Jose, California which is where the overwhelming majority of our employees work. Our primary servers are located nearby in San Jose, California. San Jose lies near the San Andreas Fault, among other known and unknown faults, a major source of earthquake activity in California. In the event of an earthquake or similar natural disaster, our ability to continue operations could be adversely affected in which case our business would be harmed.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our corporate headquarters, which houses our administrative, sales and marketing, customer service, and product development activities, is located in San Jose, California, under a lease that expires on January 31, 2017. Our corporate headquarters includes two buildings totaling 127,124 square feet of office space and an additional 37,145 square feet of office space as part of another building. We have a total of 164,269 square feet of office space in San Jose. We believe that our corporate facilities will be adequate to meet our office space needs for the next year as we currently utilize approximately 93% of our total office space. Our current facilities lease obligations are subject to periodic increases and we believe that our existing facilities are well maintained and in good operating condition. We also have operating leases for engineering, sales and administrative office space in New York City, New York; Denver, Colorado; Durham, North Carolina; and Warsaw, Poland.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is involved in numerous lawsuits as well as subject to various legal proceedings, claims, threats of litigation, and investigations in the ordinary course of business, including claims of alleged infringement of third-party patents and other intellectual property rights, commercial, employment, and other matters. The Company assesses potential liabilities in connection with each lawsuit and threatened lawsuits and accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. While certain matters to which the Company is a party specify the damages claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of the litigation, the ultimate outcome of these matters cannot be predicted at this time, nor with respect to the first two matters listed below, can the amount of possible loss or range of loss, if any, be reasonably estimated.

On September 8, 2015, the Company filed a complaint against Samsung Electronics Co., LTD, Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC. (“Samsung”) in the United States District Court for the Eastern District of Texas. The complaint asserts U.S. Patent No. 6,233,389, titled “Multimedia Time Warping System,” U.S. Patent No. 6,792,195, titled “Method And Apparatus Implementing Random Access And Time-Based Functions On A Continuous Stream Of Formatted Digital Data,” U.S. Patent No. 7,558,472, titled “Multimedia Signal Processing System,” and U.S. Patent No. 8,457,476, titled “Multimedia Signal Processing System.” The complaint claims that Samsung infringes the Company’s patents by making and selling Samsung DVRs and mobile devices, and related software, that fall within the scope of one or more claims of the Company’s patents. The Company’s complaint also claims that Samsung’s infringement is willful, and seeks, among other things, an unspecified amount in damages as well as an injunction. On November 17, 2015, Samsung filed an answer denying the Company’s allegations. On February 11, 2016, Samsung amended its answer to assert U.S. Patent No. 5,978,043, titled “TV Graphical User Interface That Provides Customized Lists Of Programming,” U.S. Patent No. 6,181,333, titled “Television Graphical User Interface Having Channel And Program Sorting Capabilities,” U.S. Patent No. 7,231,592, titled “Method And Apparatus For A Home Network Auto-Tree Builder,” and U.S. Patent No. 8,233,090, titled “Method Of Linkage-Viewing TV Broadcasting Program Between Mobile Communication Apparatus And Digital TV, And Mobile Communication Apparatus And Digital TV Thereof” against the Company. In its amended answer, Samsung counterclaims that the Company infringes Samsung’s patents by making and selling TiVo DVRs, and related software, that fall within the scope of one or more claims of Samsung’s patents. Samsung’s complaint claims that the Company’s infringement is willful, and seeks, among other things, damages in an unspecified amount. On February 22, 2016, the Court issued a scheduling order, setting jury selection for March 6, 2017. The Company expects to incur material expenses in connection with this matter.

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On November 24, 2015, Dolby Laboratories Licensing Corporation & Dolby International AB (“Dolby”) formally notified TiVo that TiVo was in material breach of certain provisions in license agreements with Dolby and that TiVo had 30 days to cure the breaches or Dolby would terminate those license agreements. Dolby alleged that TiVo owes Dolby approximately $1.7 million in connection with TiVo’s alleged failure to properly report and pay royalties for sales of certain TiVo hardware and software products, including accrued interest. Dolby further alleged that TiVo owed Dolby approximately $8.7 million in connection with certain third-party hardware products that run TiVo software. TiVo notified Dolby that it does not agree with the results of its audit nor with its assertions that TiVo’s activities in connection with third-party hardware products in any way breach any of TiVo’s license agreements with Dolby. In late December 2015, in the interest of avoiding termination of those license agreements, TiVo tendered the $1.7 million sum, subject to a reservation of rights. On February 18, 2016, Dolby served a further notice of material breach in which Dolby asserted TiVo continues to be in material breach of the same provisions of Dolby's license agreements with TiVo that Dolby previously notified TiVo in November 2015. TiVo intends to defend against these assertions vigorously; however, TiVo may incur material legal expenses and higher royalty costs if this contractual dispute results in litigation and in the event there is an adverse outcome, TiVo’s business could be harmed. No loss is considered probable at this time and TiVo estimates that the range of possible loss could be between $0 and $8.7 million (plus accrued interest) at this time.

On June 15, 2011, TNS Media Research, LLC (d/b/a Kantar Media Audiences, or Kantar) brought a claim for declaratory judgment against TRA Global Inc. (which was acquired by TiVo in July 2012) in the United States District Court for the Southern District of New York alleging non-infringement of United States Patent No. 7,729,940 entitled “Analyzing Return on Investment of Advertising Campaigns by Matching Multiple Data Sources” (the “940 Patent”) and its affiliate Cavendish Square Holding B.V. brought a claim for breach of contract of a Voting Agreement. On June 6, 2012 TiVo Research filed an amended answer and counterclaims alleging affirmative defenses and counterclaims alleging infringement by Kantar of the 940 Patent as well as United States Patent No. 8,000,993 entitled “Using Consumer Purchase Behavior For Television Targeting” (the “993 Patent”) and United States Patent No. 8,112,301 with the same title at the 993 Patent. TiVo Research also asserted counterclaims for aiding and abetting breach of fiduciary duty, misappropriation of trade secrets, and breach of contract. TiVo Research is seeking damages and injunctive relief, as well as other remedies. The defendants deny TiVo Research’s allegations. With respect to the claims alleging patent infringement by Kantar, on February 22, 2016, the District Court entered an order granting Kantar's motion for summary judgment of invalidity under Section 101 as to each of TiVo Research's asserted patent claims. Trial on TiVo Research’s non-patent claims remains scheduled for May 23, 2016.

ITEM 4. MINE SAFETY DISCLOSURES

None

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

Market Information for Common Equity

Our common stock has traded on the Nasdaq Global Market under the symbol “TIVO” since September 30, 1999. Prior to that time, there was no public trading market for our common stock.

The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as reported by the Nasdaq Global Market, on any trading day during the respective period:

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Fiscal Year 2016	High	Low
Fourth Quarter ended January 31, 2016	$9.87	$7.48
Third Quarter ended October 31, 2015	$10.05	$8.35
Second Quarter ended July 31, 2015	$11.29	$9.72
First Quarter ended April 30, 2015	$11.92	$10.35
Fiscal Year 2015	High	Low
Fourth Quarter ended January 31, 2015	$13.30	$10.27
Third Quarter ended October 31, 2014	$14.29	$11.56
Second Quarter ended July 31, 2014	$13.95	$11.47
First Quarter ended April 30, 2014	$13.80	$11.31

Holders of Record

As of March 11, 2016, we had 986 stockholders of record. The closing price of our common stock on March 11, 2016 was $7.77 per share.

Dividend Policy

We paid no cash dividends during the fiscal years ended January 31, 2016 and 2015 and we have no current plans to pay a cash dividend in the future although we will continue to evaluate our dividend policy going forward.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

We have reacquired shares of stock from employees, upon the vesting of restricted stock that was granted under our Amended & Restated 1999 Employee Incentive Plan and our Amended & Restated 2008 Equity Incentive Award Plan. These shares were surrendered by the employees, and reacquired by us to satisfy the employees' minimum statutory tax withholding which is required on restricted stock once they become vested and are shown in the following table:

Period	(a) Total Number of Shares Purchased		(b) Average Price Paid per share	(c) Total Number of Share Purchased as Part of Publicly Announced Plans or Programs (4)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs (4)
November 1, through November 30, 2015	27,135	(1)	$ 8.99	—	$243,875,183
December 1, through December 31, 2015	21,518	(2)	$ 8.64	—	$243,875,183
January 1, through January 31, 2016	4,368	(3)	$ 8.30	—	$243,875,183

(1) During the month of November 2015 TiVo acquired 27,135 shares at a weighted average price of $8.99 from employees upon the vesting of restricted stock.

(2) During the month of December 2014 TiVo acquired 21,518 shares at a weighted average price of $8.64 from employees upon the vesting of restricted stock.

(3) During the month of January 2015 TiVo acquired 4,368 shares at a weighted average price of $8.30 from employees upon the vesting of restricted stock.

TiVo will continue to reacquire shares of stock from employees as their restricted stock grants vest.

Share Repurchases. During the three past fiscal years ending January 31, 2016, we have purchased a total of 37,923,940 shares of our common stock for an aggregate purchase price of $466.6 million. On September 5, 2014, our board of directors authorized the current discretionary share repurchase program that allows for total new repurchases of $550 million. This plan will expire on January 31, 2017. Under the current discretionary share repurchase program and as of January 31, 2016, we had purchased 21,538,339 shares of common stock at a weighted average price of

12.36 per share for an aggregate purchase price of $266.1 million. Shares repurchased

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are included in issued common shares, but are excluded from outstanding common shares. Additionally, in September 2015, the Company repurchased 4.0% Notes due 2016 with a face value of $40.0 million on the open market. This transaction was made using funds approved under the current discretionary share repurchase program. Any future repurchase or repayment of 4.0% Notes due 2016 will be made using the funds approved under the current discretionary share repurchase program. The remaining authorized amount for stock repurchases under this program was $243.9 million.

Stock Performance Graph

The following table and graph compares the cumulative total stockholder returns for our common stock, the NASDAQ Composite index and the Research Data Group ("RDG") Technology Composite index over the last five fiscal years. The graph and table assume an investment of $100 in TiVo and in each index on January 31, 2011, and that dividends, if any were reinvested. The graph and table depict the change in value of TiVo in relation to the indices as of January 31st of each subsequent year (and not for any interim or other period). The stock performance shown on the graph and table below is not necessarily indicative of future price performance.

* $100 invested on 1/31/2011 in stock or index, including reinvestment of dividends. Fiscal year ending January 31.

	January 31,					
	2011	2012	2013	2014	2015	2016
TiVo Inc.	100.00	107.29	137.95	128.13	108.17	82.52
NASDAQ Composite	100.00	105.66	119.44	159.71	181.15	180.76
RDG Technology Composite	100.00	104.27	113.41	143.92	164.26	163.83

ITEM 6. SELECTED FINANCIAL DATA

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The following selected financial data as of and for the fiscal years ended January 31, 2016, 2015, 2014, 2013, and 2012, respectively are presented below. These historical results are not necessarily indicative of the results of operations to be expected for any future period.

The data set forth below (in thousands, except share and per share data) should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data.

	Fiscal Year Ended January 31,				
	2016	2015	2014	2013	2012
	(in thousands, except per share data and share amounts)				
Consolidated Statements of Operations Data:					
Revenues					
Service and software revenues	$175,178	$150,007	$138,835	$133,725	$131,341
Technology revenues	220,894	202,353	165,630	101,592	58,945
Hardware revenues	93,540	99,119	101,788	68,591	47,893
Net revenues	489,612	451,479	406,253	303,908	238,179
Cost and Expenses					
Cost of service and software revenues	65,536	59,607	49,042	40,107	35,865
Cost of technology revenues	33,426	22,690	25,673	23,175	23,056
Cost of hardware revenues	97,587	95,505	96,633	78,183	59,439
Research and development	107,760	102,209	106,917	115,103	110,367
Sales and marketing	46,705	42,053	39,003	30,353	26,388
Sales and marketing, subscription acquisition costs	11,629	8,906	12,521	8,660	7,392
General and administrative	59,787	59,482	77,311	87,075	96,502
Litigation proceeds	—	—	(108,102)	(78,441)	(230,160)
Transition and restructuring	12,820	—	—	—	—
Income (loss) from operations	54,362	61,027	107,255	(307)	109,330
Interest income	4,168	4,147	4,727	3,951	5,672
Interest expense and other income (expense)	(20,512)	(11,961)	(8,077)	(7,872)	(12,034)
Income (loss) before income taxes	38,018	53,213	103,905	(4,228)	102,968
Benefit from (provision for) income taxes	(16,321)	(22,381)	167,911	(1,036)	(807)
Net income (loss)	$21,697	$30,832	$271,816	$(5,264)	$102,161
Net income (loss) per common share					
Basic	$0.23	$0.29	$2.29	$(0.04)	$0.88
Diluted	$0.23	$0.28	$1.99	$(0.04)	$0.80
Income (loss) for purposes of computing net income (loss) per share:					
Basic	$21,697	$30,832	$271,816	$(5,264)	$102,161
Diluted	$21,697	$35,837	$276,825	$(5,264)	$109,140
Weighted average common and common equivalent shares:					
Basic	92,763,835	106,799,817	118,445,466	119,411,727	116,592,943
Diluted	95,873,814	126,779,467	138,801,463	119,411,727	136,255,424

	As of January 31,				
	2016	2015	2014	2013	2012
Consolidated Balance Sheets Data:					
Cash and cash equivalents	159,392	178,217	253,713	157,104	169,555
Short-term investments	486,677	564,744	748,759	470,136	449,244
Total assets	1,093,877	1,177,521	1,301,791	763,653	719,810
Long-term portion of deferred revenues	179,133	255,816	331,534	71,823	81,336
Convertible senior notes	318,862	352,562	172,500	172,500	172,500
Total stockholders' equity	344,919	309,313	549,085	340,764	313,027

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the consolidated financial statements and the accompanying notes included in this annual report and the section entitled “Risk Factors” in Item 1A, as well as other cautionary statements and risks described elsewhere in this report before deciding to purchase, sell or hold our common stock.

Company Overview

We are a global leader in next-generation video technology and innovative cloud-based software-as-a-service solutions. The TiVo experience provides an all-in-one approach for navigating the ‘content chaos’ by seamlessly combining live, recorded, VOD, and over-the-top (e.g. Netflix, Amazon, Hulu Plus, Vudu, and YouTube, among others) television into one intuitive user interface with simple universal search, discovery, viewing, and recording, creating the ultimate viewing experience on televisions, tablets, smartphones, and other devices. As of January 31, 2016, there were over 6.8 million subscriptions to the TiVo service through our TiVo-Owned and Pay-TV Operator businesses.

The footprint of our over 70 Pay-TV Operator customers deploying our traditional TiVo as well as Cubiware and Digitalsmiths products and services now reaches 90 million homes across more than 25 countries. We generate service revenues, hardware revenues (in some instances), and technology revenues, by providing the traditional TiVo service through agreements with leading satellite and cable television service providers and broadcasters. Through our subsidiary, Cubiware Sp. Z.o.o. ("Cubiware"), which we acquired in May 2015, we offer a compelling, cost effective solution for Pay-TV Operators in developing and emerging markets around the world. Through our subsidiary Digitalsmiths Corporation, we provide one of the Pay-TV industry's most broadly adopted cloud-based search and recommendation services.

In our TiVo-Owned business, we generate revenue through both recurring and upfront service fees through sale of TiVo service subscriptions to consumers and through the sale of TiVo devices by third-party retailers and through our on-line store at TiVo.com. We are focused on developing next-generation products beyond our current offerings that will bolster our position in an evolving consumer video landscape.

Through our subsidiary TiVo Research and Analytics, Inc., we also generate revenues through the sale of cross-platform audience research data by providing innovative data analytics solutions for the television industry.

We have also engaged in significant intellectual property litigation with certain television service and technology providers in the United States to protect our technology from infringement. To date, we have received cash and future technology revenue payment commitments of approximately $1.6 billion from intellectual property litigation.

We are focused on enhancing long term shareholder value, and will continue to evaluate opportunities to grow our business organically and/or through acquisitions. On September 5, 2014, our board of directors authorized the current discretionary share repurchase program that allows for total new repurchases of $550.0 million. This plan will expire on January 31, 2017. Under the current discretionary share repurchase program and as of January 31, 2016, we had purchased 21,538,339 shares of common stock at a weighted average price of $12.36 per share for an aggregate purchase price of $266.1 million. Shares repurchased are included in issued common shares, but are excluded from outstanding common shares. Additionally, in September 2015, we repurchased 4.0% Notes due

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2016 with a face value of $40.0 million on the open market. This transaction was made using funds approved under the current discretionary share repurchase program. Any future repurchase or repayment of 4.0% Notes due 2016 will be made using the funds approved under the current discretionary share repurchase program. The remaining authorized amount for stock repurchases under this program was $243.9 million as of January 31, 2016.

Executive Overview

Fiscal year 2017

In the fiscal year ending January 31, 2017, we plan to continue to be focused on our efforts to build leading next-generation video products, enter into new distribution agreements, engage in development work for existing distribution customers, and continue deployment activities for our existing distribution customers. Additionally, we have been and plan to continue to actively protect our intellectual property. We will continue to focus on the following priorities:

•We expect to further grow our Pay-TV subscription base during the fiscal year ending January 31, 2017 through our Pay-TV Operator relationships both in the U.S. and internationally. We expect this growth to come from both distribution with new operators as well as distribution of incremental products such as our non-DVR products that are intended to drive deeper relationships with current Pay-TV Operator customers.

•In addition to our traditional TiVo product we provide to our Pay-TV Operators, we expect to see revenue and volume growth from Digitalsmiths and Cubiware, which provide products and services to Pay-TV Operators as well. Digitalsmiths currently has business relationships with seven of the top ten U.S. Pay-TV Operators as well as various consumer electronics manufacturers and content providers. Cubiware sells its cost-effective video solutions in developing and emerging Pay-TV markets globally.

•At the same time, we plan to manage our traditional TiVo-Owned consumer business with an increased focus on profitability. This includes pricing the existing products in a way that optimizes for margin contribution, rather than growth in new subscriptions. Further, we plan to develop and launch a new class of consumer products beyond our current offering.

•We believe giving Pay-TV Operators a choice of hardware platforms is critical to attracting new Pay-TV Operator customers as well as driving increased penetration in our current Pay-TV Operator customer base to increase our Pay-TV Operator service revenues in the long term. As a result, we expect hardware revenues from these Pay-TV Operators and the associated margins to substantially decline in the future as our U.S. Pay-TV Operator customers transition to third-party hardware from Arris and others which can support our TiVo service. Although we lose hardware margin in the short-term from decreased hardware sales, we believe we gain additional customers in our Pay-TV Operator business that may not otherwise be willing to license the TiVo service.

•We believe that our investment in research and development is critical to remaining competitive and being a leader in next-generation video solutions. However, while we expect our annual research and development spending in fiscal year 2017 to continue to be significant, we expect it to be at lower levels than the fiscal year ended January 31, 2016 as we implement a number of targeted cost saving measures and organizational enhancements. In fiscal year 2017, we expect to continue to launch and pursue new product developments including enhanced cloud-based services such as network DVR, a more personalized user experience, expanded mobile applications, new consumer offerings, data analytics, and a variety of back-office enhancements to increase our operational capacity to handle more operator deployments.

•We expect to continue our development efforts under our existing Pay-TV deployment arrangements. As part of these arrangements, we anticipate receiving some payments upfront and a portion over time that is a recoupment of costs to develop or implement. As such, to the extent that our development costs exceed upfront development or implementation fees from such arrangements, but the recovery of such development costs through future service fees from these Pay-TV Operators is reasonably assured, we will defer such development costs and start expensing them in our Statement of Operations later upon deployment with the Pay-TV Operator.

Key Business Metrics

Management periodically reviews certain key business metrics in order to evaluate our operations, allocate resources, and drive financial performance in our business. Management monitors these metrics together and not individually as it does not make business decisions based upon any single metric.

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Subscriptions. Management reviews the number of subscriptions and households, and believes they may be useful to investors, in order to evaluate our relative position in the marketplace and to forecast future potential service revenues. Below is a table that details the change in our subscription base during the twelve months ended January 31, 2016, 2015, and 2014, respectively. The TiVo-Owned Subscriptions lines refer to subscriptions sold directly or indirectly by TiVo to end-users who have TiVo-enabled devices (such as a DVR or TiVo Mini) and for which TiVo incurs acquisition costs. The MSO Subscriptions lines refer to subscriptions sold to end-users by MSOs such as Cogeco, Com Hem, Mediacom, Vodafone Spain ("ONO"), RCN, Suddenlink, and Virgin, among others, and for which TiVo expects to incur little or no acquisition costs. Additionally, we provide a breakdown of the average monthly subscriptions for the quarter, the total MSO households and the MSO average households for the quarter, the number of fully amortized active product lifetime subscriptions, and percent of TiVo-Owned Subscriptions for which end-users pay recurring fees as opposed to a one-time prepaid product lifetime fee.

	Fiscal Year Ended January 31,		
(Subscriptions in thousands)	2016	2015	2014
TiVo-Owned Subscription Gross Additions:	188	154	126
Subscription Net Additions/(Losses):			
TiVo-Owned	27	(22)	(63)
MSOs	1,305	1,285	1,123
Total Subscription Net Additions/(Losses)	1,332	1,263	1,060
Cumulative Subscriptions:			
TiVo-Owned	971	944	966
MSOs	5,833	4,528	3,243
Total Cumulative Subscriptions	6,804	5,472	4,209
Average Subscriptions:			
TiVo-Owned Average Subscriptions	949	943	987
MSO Average Subscriptions	5,147	3,888	2,656
Total Average Subscriptions:	6,096	4,831	3,643
Total MSO Households	4,837	3,889	2,912
MSO Average Households	4,330	3,403	2,436
Fully Amortized Active Lifetime Subscriptions	153	149	165
% of TiVo-Owned Cumulative subscriptions paying recurring fees	43%	46%	50%

We define a “subscription” as a contract referencing a TiVo-enabled device such as a DVR or a non-DVR device such as a TiVo Mini for which (i) an end-user has paid or committed to pay for the TiVo service and (ii) service is not canceled. Each TiVo-Owned Subscription represents a single TiVo-enabled device (as defined above) and therefore one or more TiVo-Owned Subscriptions may be present in a single household. MSO Subscriptions are a count of the number of devices that connect to the TiVo service and one or more devices may be present in a single MSO Household. TiVo-Owned Subscriptions currently pay for the TiVo service on a recurring payment plan (such as a monthly or annual payment plan) or on a one-time basis for the life of TiVo-enabled device (referred to as product lifetime subscriptions here and sold commercially as All-in subscriptions). Beginning in October 2014, each TiVo Mini device sale includes a product lifetime subscription for that TiVo Mini device, which have much lower average revenues than DVRs. Sales of the TiVo Mini device began in March 2013. TiVo Mini represented 16% and 9% of cumulative TiVo-Owned Subscriptions as of January 31, 2016 and 2015, respectively. Increasing sales of TiVo Minis have helped slow declines, and in some quarters, led to increases in our cumulative TiVo-Owned Subscriptions as well as increased the number of subscriptions (devices) per TiVo-Owned household. This trend has resulted in a slower rate of decline in the total number of TiVo-Owned households. The 22% increase in gross additions of TiVo-Owned Subscriptions in fiscal year 2016 as compared to fiscal year 2015 led to a net addition of TiVo-Owned Subscriptions, which was driven primarily on changes in our whole-home pricing related to the bundling of product lifetime subscriptions with each TiVo Mini device sold, sales of our TiVo OTA ("over-the-air") product, and the launch of our latest innovation the TiVo BOLT™ product. Subscriptions do not include soft-clients (i.e. mobile applications or web portal) or TiVo Stream users. We count product lifetime subscriptions in our subscription base until both of the following conditions are met: (i) the period we use to recognize product lifetime subscription revenues ends; and (ii) the related TiVo-enabled device has not made contact with the TiVo service within the prior six month period. Product lifetime subscriptions past this period which have not called into the TiVo service for six months are not counted in this total.

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We define a "household" as one or more devices associated with the same contract or customer number. We currently do not report TiVo-Owned households as we currently receive incremental revenue for each new TiVo-Owned Subscription in the TiVo-Owned business whereas, in some cases, our MSO customers pay us on a per household basis. MSO Subscriptions are a count of the number of devices that connect to the TiVo service and one or more devices may be present in a single MSO Household.

We calculate average subscriptions for the period by adding the average subscriptions for each month and dividing by the number of months in the period. We calculate the average subscriptions for each month by adding the beginning and ending subscriptions for the month and dividing by two. We calculate Average MSO Households for the period by adding the average households for each month and dividing by the number of months in the period. We calculate the average households for each month by adding the beginning and ending households for the month and dividing by two. We are not aware of any uniform standards for defining subscriptions or households and caution that our presentation may not be consistent with that of other companies. Additionally, the fees that our MSOs pay us are typically based upon a specific contractual definition of a subscriber, subscription, household or a TiVo-enabled device which may not be consistent with how we define a subscription or household for our reporting purposes nor be representative of how such fees are calculated and paid to us by our MSOs. Our MSO Subscription and MSO Household data is dependent in part on reporting from our third-party MSO partners.

TiVo-Owned subscriptions increased by 27,000 subscriptions during the fiscal year ended January 31, 2016, as compared to a decrease of 22,000 in the same prior year period. The improvement in net TiVo-Owned subscriptions of 49,000 subscriptions was largely related to 22% growth in gross subscription additions versus fiscal year 2015. The TiVo-Owned installed subscription base increased to 971,000 as of January 31, 2016 as compared to 944,000 as of January 31, 2015. We believe the year over year improvement in total TiVo-Owned subscriptions was primarily due to our whole home pricing strategy with respect to the sales of TiVo Mini as well as the launch of the TiVo BOLT combined with a lower churn rate.

For the fiscal year ended January 31, 2016 our MSO installed subscription base increased by 1.3 million subscriptions to approximately 5.8 million subscriptions. The increase in cumulative MSO Subscriptions of approximately 1.3 million subscriptions from January 31, 2015 was due to subscription growth from a variety of partners including Cogeco, Com Hem, Mediacom, ONO, RCN, Suddenlink, Virgin, and others. This subscription growth is well balanced among both international and domestic MSO partners. We expect continued growth in our MSO installed subscription base through continued growth from existing distribution and as additional MSO distribution deals launch.

TiVo-Owned subscriptions declined by 22,000 subscriptions during the fiscal year ended January 31, 2015, as compared to a decrease of 63,000 in the same prior year period. This improvement was driven by increased TiVo-Owned subscriptions gross additions combined with decreased churn rate as a greater portion of our TiVo-Owned subscription base has transitioned to our newer hardware models which have lower churn rate. TiVo-Owned installed subscription base was approximately 0.9 million subscriptions as of January 31, 2015, which was relatively flat as compared to the same prior year period.

For the fiscal year ended January 31, 2015 our MSO installed subscription base increased by 1.3 million subscriptions to approximately 4.5 million subscriptions. This increase in subscriptions was due to subscription growth from a variety of partners including Virgin, RCN, Suddenlink, ONO, Grande, GCI, Midcontinent, Com Hem, CableONE, and others. This subscription growth is largely related to international MSO subscriptions.

TiVo-Owned Churn Rate per Month. Management reviews this metric, and believes it may be useful to investors, in order to evaluate our ability to retain existing TiVo-Owned Subscriptions (including both monthly and product lifetime subscriptions) by providing services that are competitive in the market. Management believes factors such as service enhancements, service commitments, higher customer satisfaction, and improved customer support may improve this metric. Conversely, management believes factors such as increased competition, lack of competitive service features such as high definition television recording capabilities in our older model DVRs or access to certain digital television channels or MSO Video On Demand services, as well as increased price sensitivity, CableCARD™ installation issues, and CableCARD™ technology limitations, may cause our TiVo-Owned Churn Rate per month to increase.

We define the TiVo-Owned Churn Rate per month as the total TiVo-Owned Subscription cancellations in the period divided by the Average TiVo-Owned Subscriptions for the period (including both monthly and product lifetime subscriptions), which then is divided by the number of months in the period. We calculate Average TiVo-Owned Subscriptions for the period by adding the average TiVo-Owned Subscriptions for each month and dividing by the number of months in the period. We calculate the average TiVo-Owned Subscriptions for each month by adding the beginning and ending subscriptions for the month and dividing by two. We are not aware of any uniform

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standards for calculating churn and caution that our presentation may not be consistent with that of other companies.
The following table presents our TiVo-Owned Churn Rate per month information:

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands, except percentages)		
TiVo-Owned subscription cancellations	(161)	(176)	(189)
Average TiVo-Owned subscriptions	949	943	987
Annual Churn Rate	(17.0)%	(18.7)%	(19.1)%
Number of Months	12	12	12
TiVo-Owned Churn Rate per month	(1.4)%	(1.6)%	(1.6)%

TiVo-Owned Churn Rate per month decreased to (1.4)% for the fiscal year ended January 31, 2016 as compared to prior years rates of (1.6)%. The decrease in churn for the fiscal year 2016 was largely due to standard-definition boxes becoming a smaller portion of our subscription base as well as a decrease in the total number of cancellations.
Included in our TiVo-Owned Churn Rate per month are those product lifetime subscriptions that have both reached the end of the revenue recognition period and whose DVRs have not contacted the TiVo service within the prior six months. Conversely, we do not count as churn product lifetime subscriptions that have not reached the end of the revenue recognition period, regardless of whether such subscriptions continue to contact the TiVo service.
Subscription Acquisition Cost or SAC. Management reviews this metric, and believes it may be useful to investors, in order to evaluate trends in the efficiency of our marketing programs and subscription acquisition strategies. We define SAC as our total TiVo-Owned acquisition costs for a given period divided by TiVo-Owned Subscription gross additions for the same period. We define total acquisition costs as sales and marketing, subscription acquisition costs less net TiVo-Owned related hardware revenues (defined as TiVo-Owned related gross hardware revenues less revenue share and market development funds paid to retailers) plus TiVo-Owned related cost of hardware revenues. The sales and marketing, subscription acquisition costs line item includes advertising expenses and promotion-related expenses directly related to subscription acquisition activities, but does not include expenses related to advertising sales. We do not include third-parties' subscription gross additions, such as MSOs' gross additions with TiVo subscriptions, in our calculation of SAC because we typically incur limited or no acquisition costs for these new subscriptions, and so we also do not include MSOs' sales and marketing, subscription acquisition costs, hardware revenues, or cost of hardware revenues in our calculation of TiVo-Owned SAC. We are not aware of any uniform standards for calculating total acquisition costs or SAC and caution that our presentation may not be consistent with that of other companies.

	Fiscal Year Ended January 31,		
Subscription Acquisition Costs	2016	2015	2014
	(In thousands, except SAC)		
Sales and marketing, subscription acquisition costs	$11,629	$8,906	$12,521
Hardware revenues	(93,540)	(99,119)	(101,788)
Less: MSOs related hardware revenues	72,266	75,594	74,498
Cost of hardware revenues	97,587	95,505	96,633
Less: MSOs related cost of hardware revenues	(59,047)	(58,214)	(56,643)
Total Acquisition Costs	$28,895	$22,672	$25,221
TiVo-Owned Subscription Gross Additions	188	154	126
Subscription Acquisition Costs (SAC)	$154	$147	$200

As a result of the seasonal nature of our subscription growth in the past, total acquisition costs have varied significantly during the year. Management primarily reviews the SAC metric on an annual basis due to the timing difference between our recognition of promotional program expense and the subsequent addition of the related subscriptions. For example, we have historically experienced increased TiVo-Owned subscription gross additions during the fourth quarter; however, sales and marketing, subscription acquisition activities occur throughout the year.

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During the twelve months ended January 31, 2016, our total acquisition costs were $28.9 million, which was a $6.2 million increase as compared to the same prior year period. This increase was primarily due to increased sales and marketing, subscription acquisition costs of $2.7 million. The increase in sales and marketing, subscription acquisition costs was the result of significant advertising activities in the current year period which included the initial launch of BOLT that was not present in the prior period. Also contributing to the increased total acquisition costs was an increase in cost of hardware revenues as a result of a change in sales mix, wherein a larger portion of our hardware sales was of DVR units which have higher costs. SAC increased by $7 for the twelve months ended January 31, 2016 as compared to the same prior year period as a result of the increase in total acquisition costs as compared to the same prior year period.

During the twelve months ended January 31, 2015, our total acquisition costs were $22.7 million, which was a $2.6 million decrease as compared to the same prior year period. This decrease was primarily due to decreased sales and marketing, subscription acquisition costs of $3.6 million. The decrease in sales and marketing subscription acquisition costs was the result of significant promotions in the fiscal year ended January 31, 2014 which included the initial launch of Roamio that was not present in the fiscal year ended January 31, 2015. Partially offsetting the decreased sales and marketing, subscription acquisition costs was a decrease in the hardware gross margins which is a result of changes in the pricing of our TiVo Mini product and the introduction of our TiVo Roamio OTA product. SAC decreased by $53 for the twelve months ended January 31, 2015 as compared to the same prior year period as a result of the increase in subscription gross additions and the decrease in sales and marketing, subscription acquisition costs as compared to the same prior year period.

TiVo-Owned Average Revenue Per Subscription or ARPU. Management reviews this metric, and believes it may be useful to investors, in order to evaluate the potential of our subscription base to generate service revenues. Investors should not use ARPU as a substitute for measures of financial performance calculated in accordance with GAAP. Management believes it is useful to consider this metric excluding the costs associated with rebates, revenue share, and other payments to channel because of the discretionary and varying nature of these expenses and because management believes these expenses, which are included in hardware revenues, net, are more appropriately monitored as part of SAC. We are not aware of any uniform standards for calculating ARPU and caution that our presentation may not be consistent with that of other companies.

We calculate TiVo-Owned service revenues by subtracting MSOs'-related service revenues and Media services and other service and software revenues (include Advertising, Research, Cubiware revenues, and Digitalsmiths revenues), from our total reported net Service and Software revenues. The table below provides a more detailed breakdown of our Service and Software revenues, and reconciles to our total Service and Software revenues in our Statement of Operations as reported (or previously reported):

	Fiscal Year Ended January 31,		
Service and Software Revenues	2016	2015	2014
	(In thousands)		
TiVo-Owned-related service revenues	$82,568	$88,249	$94,837
MSOs'-related service revenues	66,129	44,516	33,066
Media services and other service and software revenues	26,481	17,242	10,932
Total Service and Software Revenues	$175,178	$150,007	$138,835

We calculate ARPU per month for TiVo-Owned Subscriptions by taking total reported net TiVo-Owned service revenues and dividing the result by the number of months in the period. We then divide the resulting average service revenue by Average TiVo-Owned Subscriptions for the period, calculated as described above for churn rate. The following table shows this calculation:

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TiVo-Owned Average Revenue per Subscription	Fiscal Year Ended January 31, 2016	2015	2014
	(In thousands, except ARPU)		
TiVo-Owned-related service revenues	$82,568	$88,249	$94,837
Average TiVo-Owned revenues per month	6,881	7,354	7,903
Average TiVo-Owned Subscriptions per month	949	943	987
TiVo-Owned ARPU per month	$7.25	$7.80	$8.01

The decrease in TiVo-Owned ARPU per month for the fiscal year ended January 31, 2016 as compared to the same prior year periods, was due primarily to TiVo Mini, which have much lower average revenues than DVRs, growing to 16% of our TiVo-Owned subscription base versus 9% in fiscal year 2015. We expect to continue to see further decreases in the future in TiVo-Owned ARPU to the extent the number of TiVo-Owned subscriptions that are from non-DVR devices, such as TiVo Mini which have lower service fees than for DVRs, remains at current levels or increases.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income (loss) and net income (loss), as well as on the value of certain assets and liabilities on our consolidated balance sheets. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. At least quarterly, we evaluate our assumptions, judgments and estimates and make changes accordingly. Historically, our assumptions, judgments and estimates relative to our critical accounting estimates have not differed materially from actual results.

Management believes the Company’s critical accounting policies and estimates are those related to revenue recognition, the recognition period for product lifetime subscription revenues, deployment arrangements cost estimates, the valuation of inventory, estimates used in accounting for acquisitions such as the valuation of intangible assets, goodwill and contingent purchase consideration, and the valuation of deferred tax assets. Management considers these policies critical because they are both important to the portrayal of the Company’s financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters. The Company’s senior management has reviewed these critical accounting policies and related disclosures with the Audit Committee of the Company’s Board of Directors.

Revenue Recognition

We generate service revenues from fees for providing the TiVo service to consumers and operators and through the sale of advertising and audience research measurement services. We also generate revenues from standalone sales of licenses of Cubiware software, which are mostly one-time sales. We also generate technology revenues from licensing technology (Refer to Note 18. "Settlements" of Notes to Consolidated Financial Statements included in Part II, Item 8. of this report) and by providing engineering professional services. In addition, we generate hardware revenues from the sale of hardware products that enable the TiVo service. A substantial part of our revenues are derived from multiple element arrangements.

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, collectability is probable, and there are no post-delivery obligations. Service revenue is generally recognized as the services are performed which generally is ratably over the term of the service period.

Multiple Element Arrangements

Our multiple deliverable revenue arrangements primarily consist of bundled sales of TiVo-enabled DVR and non-DVR STBs and TiVo service to consumers; arrangements with multiple system operators and broadcasters ("MSOs") which generally include delivery of software customization and set up services, training, post contract support ("PCS"), TiVo-enabled DVRs and non-DVR STBs and TiVo service; and bundled sales of advertising and audience research measurement services.

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We allocate revenue to each element in a multiple-element arrangement based upon their relative selling price. We determine the selling price for each deliverable using VSOE of selling price or TPE of selling price, if it exists. If neither vendor specific object evidence ("VSOE") nor third-party evidence ("TPE") of selling price exists for a deliverable, we use our best estimated selling price ("BESP") for that deliverable. Any discounts offered by TiVo are allocated to each of the deliverables based upon their relative selling price. Revenue allocated to each element, limited to the amount not contingent on future performance, is then recognized when the basic revenue recognition criteria are met for the respective element.

Consistent with our methodology under previous accounting guidance, if available, we determine VSOE of fair value for each element based on historical standalone sales to third-parties or from the stated renewal rate for the elements contained in the initial contractual arrangement. We currently estimate selling prices for our PCS, training, TiVo-enabled DVRs and non-DVR STBs for MSOs, and consumer TiVo service based on VSOE of selling price.

In some instances, we may not be able to obtain VSOE of selling price for all deliverables in an arrangement with multiple elements. This may be due to TiVo infrequently selling each element separately or not pricing products within a narrow range. When VSOE cannot be established, we attempt to estimate the selling price of each element based on TPE. TPE would consist of competitor prices for similar deliverables when sold separately. Generally, our offerings contain significant differentiation such that the comparable pricing of products with similar functionality or services cannot be obtained. Furthermore, we sell TiVo-enabled DVRs and non-DVR STBs to consumers whereas our competitors usually lease them to their customers. Therefore, TiVo is typically not able to obtain TPE of selling price.

When we are unable to establish a selling price using VSOE or TPE, which is generally the case for sales of TiVo-enabled DVRs and non-DVR STBs to consumers and advertising and audience research measurement services, we use our BESP in determining the allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the product or service were sold on a standalone basis. BESP is generally used for offerings that are not typically sold on a standalone basis or for new or highly customized offerings. We establish pricing for our products and services by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and industry pricing practices. When determining BESP for a deliverable that is generally not sold separately, these factors are also considered.

TiVo-enabled DVRs and non-DVR units and TiVo service

TiVo sells the DVR and non-DVR STBs and service directly to end-users through bundled sales programs through the TiVo website. Under these bundled programs, the customer receives a DVR or non-DVR-STBs and commits to a minimum subscription period of one to three years or product lifetime and has the option to either pay a monthly fee over the subscription term (monthly program) or to prepay the subscription fee in advance (prepaid program). After the initial committed subscription term, the customers have various pricing options at which they can renew the subscription.

The VSOE of selling price for the subscription services is established based on standalone sales of the service and varies by service period. We are not able to obtain VSOE for the DVR or non-DVR STBs element due to infrequent sales of standalone DVR or non-DVR STBs to consumers. The BESP of the DVR or non-DVR STBs is established based on the price that we would sell the DVR or non-DVR STBs without any service commitment from the customer. Under these bundled programs, revenue is allocated between hardware revenue for the DVR or non-DVR STBs and service revenue for the subscription using on a relative basis, with the hardware revenue recognized upon delivery, up to an amount not contingent on future service delivery, and the subscription revenue recognized over the term of the service.

Subscription revenues from product lifetime subscriptions are recognized ratably over our estimate of the useful life of a TiVo-enabled DVR or non-DVR STBs associated with the subscription. The estimates of expected lives are dependent on assumptions with regard to future churn of product lifetime subscriptions. We continuously monitor the useful life of a TiVo-enabled DVR or non-DVR STBs and the impact of the differences between actual churn and forecasted churn rates. If subsequent actual experience is not in line with our current assumptions, including higher churn of product lifetime subscriptions due to the incompatibility of its standard definition TiVo units with high definition programming and increased competition, we may revise the estimated life which could result in the recognition of revenues from this source over a longer or shorter period. We recognize product lifetime subscription revenues over a product lifetime of 66 months.

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End users have the right to cancel their subscription within 30 days of subscription activation for a full refund. We establish allowances for expected subscription cancellations.

Arrangements with MSOs

We have two different types of arrangements with MSOs under technology deployment and engineering services agreements. Our arrangements with MSOs typically include software customization and set up services, limited training, PCS, TiVo-enabled DVRs, non-DVR STBs, and TiVo service.

In instances where TiVo hosts the TiVo service, we recognize revenue under the general revenue recognition guidance. We determine whether evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is probable. Revenue recognition is deferred until such time as all of the criteria are met. Elements in such arrangements usually include DVRs, non-DVR STBs, TiVo service hosting, associated maintenance and support and training. Non-refundable payments received for customization and set up services are deferred and recognized as revenue ratably over the longer of the contractual or customer relationship period. The related cost of such services is capitalized to the extent it is deemed recoverable and amortized to cost of revenues over the longer of the contractual or customer relationship period. We have established VSOE of selling prices for training, DVRs, non-DVR STBs, and maintenance and support, based on the price charged in standalone sales of the element or stated renewal rates in the agreement. The BESP of TiVo service is determined considering the size of the MSO and expected volume of deployment, market conditions, competitive landscape, internal costs, and gross margin objectives. Total arrangement consideration is allocated among individual elements on a relative basis and revenue for each element is recognized when the basic revenue recognition criteria are met for the respective elements.

In arrangements where TiVo does not host the TiVo service and which include engineering services that are essential to the functionality of the licensed technology or involve significant customization or modification of the software, we recognize revenue under industry specific software revenue recognition guidance. Under this guidance, such arrangements are accounted for using the percentage-of-completion method or a completed-contract method. The percentage-of-completion method is used if we believe we are able to make reasonably dependable estimates of the extent of progress toward completion and the arrangement as a whole is reasonably expected to be profitable. We measure progress toward completion using an input method based on the ratio of costs incurred, principally labor, to date to total estimated costs of the project. These estimates are assessed continually during the term of the contract, and revisions are reflected when the changed conditions become known.

In some cases, it may not be possible to separate the various elements within the arrangement due to a lack of VSOE of selling prices for undelivered elements in the contract or because of the lack of reasonably dependable estimates of total costs or development costs exceed development revenues but the Company is reasonably assured that no loss will be incurred under the arrangement. Accordingly, the Company applies the following:

•Where no VSOE exists for undeliverable elements, the revenue is recognized on a zero margin up to the amount billable until the Company has established VSOE for undelivered elements or the Company has delivered all elements.

•Where there is a lack of reasonably dependable estimates, the revenue is recognized on a zero margin up to the amount billable until the Company has resolved the estimation uncertainty, after which the Company will recognize margin under the percentage of completion method.

•If the Company cannot be reasonably assured that no loss will be incurred under the arrangement, the Company will account for the arrangement under the completed contract method, which results in a full deferral of the revenue and costs until the project is complete. Provisions for losses are recorded when estimates indicate that a loss will be incurred on the contract.

Where development costs exceed billable development revenues provided that the Company is reasonably assured that no loss will be incurred under the arrangement, the Company recognizes revenues and costs based on a zero profit model, which results in the recognition of equal amounts of revenues and costs, until the engineering professional services are complete. Development costs incurred in excess of revenues recognized are deferred up to the amount deemed recoverable. Thereafter, as the Company recognizes revenue from the MSO arrangement for services, an equal amount of deferred development costs are recognized until all deferred development costs are recovered. Afterwards, any additional MSO service revenue is recognized as service revenue.

Advertising and Audience Research Measurement Services

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Advertising and audience research measurement service revenue is recognized as the service is provided. Advertising services are usually sold in packages customized for each campaign which generally lasts for up to three months. Because of the significant customization of offerings, we have historically not been able to obtain VSOE of selling prices for each element in the package. Accordingly, we would combine all elements in the package as a single unit and recognize revenue ratably over the campaign period. As a result of the updated guidance on multiple element revenue arrangements, we can now estimate BESP for each element in the package and separate them into individual units of accounting. Nonetheless, the new units of accounting have very similar revenue earning patterns and timing and the amounts of revenue recorded in each period are not significantly impacted by the new guidance.

Hardware Revenues

Hardware revenues represent revenues from standalone hardware sales and amounts allocated to hardware elements in multiple element arrangements. Revenues are recognized upon product shipment to the customers or receipt of the products by the customer, depending on the shipping terms, provided that all fees are fixed or determinable, evidence of an arrangement exists, and collectability is reasonably assured. End users have the right to return their product within 30 days of the purchase. We established allowances for expected product and service returns and these allowances are recorded as a direct reduction of revenues and accounts receivable.

Certain payments to retailers and distributors such as market development funds and revenue share are recorded as a reduction of hardware revenues rather than as a sales and marketing expense. Our policy for revenue share payments is to reduce revenue when these payments are incurred and fixed or determinable. Our policy for market development funds is to reduce revenue at the later of the date at which the related hardware revenue is recognized or the date at which the market development program is offered.

Software Revenues

Software revenues represent revenues from standalone sales of licenses of software and amounts allocated to software elements in multiple element arrangements. These sales are to operators or resellers which utilize Cubiware software in set-top boxes produced by the operator, reseller, or a third party. Revenues are recognized upon production of the set-top box in which the software is utilized, provided that all fees are fixed or determinable, evidence of an arrangement exists, and collectability is reasonably assured.

Recognition Period for Product Lifetime Subscription Revenues

We perform a quarterly quantitative and qualitative analysis of the expected life of a product lifetime subscription which incorporates historical and future churn rates. We recognize product lifetime subscription revenues over a product lifetime of 66 months. The estimate of the expected life is dependent on assumptions with regard to future churn of the product lifetime subscriptions. As of January 31, 2016 and 2015, 153,000 and 149,000 product lifetime subscriptions have exceeded the period we use to recognize product lifetime subscription revenues and had made contact with the TiVo service within the prior six month period. This represents approximately 28% and 30% of our active lifetime subscriptions for the fiscal years ended January 31, 2016 and 2015, respectively. We will continue to monitor the useful life of a TiVo-enabled DVR and the impact of the differences between actual churn and forecasted churn rates. If subsequent actual experience is not in line with our current assumptions, we may revise the estimated life which could result in the recognition of revenues from this source over a longer or shorter period.

Deployment Arrangements Cost Estimates

We enter into deployment agreements with MSOs, which typically include software customization and set up services, limited training, PCS, TiVo-enabled DVRs, non-DVR STBs, and TiVo service. We usually incur development cost for which we are in total or in part compensated through service fees received after a solution launch. When we are reasonably assured that these upfront development costs are recoverable, we defer such cost and recognize them after the launch of the solution. The assessment of recoverability is highly dependent on our estimates of engineering costs related to the project. We also recognize revenues for certain software engineering services that are essential to the functionality of the software or involve significant customization or modification using the percentage-of-completion method. We recognize revenue by measuring progress toward completion based on the ratio of costs incurred, principally labor, to total estimated costs of the project, an input method. For these projects we believe we are able to make reasonably dependable estimates based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. These estimates include forecasting of costs and schedules, tracking progress of costs incurred to date, and projecting the remaining effort to complete the project. Costs included in project costs are labor, materials, and overhead related to the specific activities that are required for the project. Costs related to general infrastructure or

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uncommitted platform development are not included in the project cost estimates. These estimates are assessed continually during the term of the contract and revisions are reflected when the conditions become known. Using different cost estimates, or different methods of measuring progress to completion, engineering services revenues and expenses may produce materially different results or development costs may not be deemed recoverable. A favorable change in estimates in a period could result in additional profit, and an unfavorable change in estimates could result in a reduction of profit or the recording of a loss that would be borne solely by us including a write-off of development costs that were incurred in prior periods and previously deferred because they were previously deemed recoverable. See also the discussions Part I. Item lA. Risk Factors under the heading “Risks Related to Our Business - If we fail to properly estimate, manage, and perform the development and engineering services for our television service provider customers, we could incur additional unexpected expenses and losses which could reduce or even eliminate any profit from these deployment arrangements, in which case our business would be harmed.” As of January 31, 2016 and 2015 we had deferred costs of approximately $16.2 million and $20.1 million, respectively, related to development work, largely related to Com Hem, Charter Communications Operating, LLC ("Charter"), and Cogeco.

Valuation of Inventory

We value inventory at the lower of cost or market with cost determined on the first-in, first-out method. We base write-downs of inventories upon current facts and circumstances and determine net realizable value on an aggregate pool basis (DVR type and non-STBs). We perform a detailed assessment of excess and obsolete inventory and purchase commitments at each balance sheet date, which includes a review of, among other factors, demand requirements and market conditions. Based on this analysis, we record adjustments, when appropriate, to reflect inventory of finished products and materials on hand at lower of cost or market and to reserve for products or materials which are not forecasted to be used. We also record accruals for charges that represent management’s estimate of our exposure to the contract manufacturer for excess non-cancelable purchase commitments. Although we make every effort to ensure the accuracy of our forecasts of product demand and pricing assumptions, any significant unanticipated changes in demand, pricing, or technological developments would significantly impact the value of our inventory and our reported operating results. If we find that our estimates are too optimistic and determine that our inventory needs to be written down, we will be required to recognize such costs in our cost of revenue at the time of such determination. Conversely, if we find our estimates are too pessimistic and/or circumstances beyond our control change and we subsequently sell product that has previously been written down, our gross margin in the period of sale will be favorably impacted.

Business Combinations

We apply the acquisition method of accounting for business combinations, including our acquisition of Cubiware on May 22, 2015. Under this method of accounting, all assets acquired and liabilities assumed are recorded at their respective fair values at the date of the completion of the transaction. Determining the fair value of assets acquired and liabilities assumed requires our management’s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, intangibles and other asset lives, among other items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, we may have been required to value the acquired assets at fair value measures that do not reflect our intended use of those assets. Use of different estimates and judgments could yield different results. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information that may be obtained from the management of the acquired company and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates, or actual results. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

The fair value of contingent purchase consideration arising from the acquisition of Cubiware (Refer to Note 19. "Acquisitions" of Notes to Consolidated Financial Statements included in Part II, Item 8. of this report) is determined based on a probability-based approach that includes significant unobservable inputs which include projected revenues and EBITDA, percentage probability of occurrence, and a discount rate to calculate the present value of future cash earn-out payments. A significant change in these inputs could result in a significantly

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higher or lower fair value measurement. The fair value of contingent purchase consideration is calculated on a quarterly basis. Any change in the fair value is recorded to interest expense and other expense, net of that period.

Intangible Assets

Purchased intangibles are definite-lived intangible assets which are amortized on a straight-line basis over their estimated useful lives. Useful lives generally range from two to ten years. Purchased intangibles include intangible assets subject to amortization, such as developed technology, intellectual property rights, customer relationships, and trade names. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We measure recoverability of long-lived assets by comparing the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. If such assets are considered to not be recoverable, we recognize an impairment charge for the amount by which the carrying amounts of the assets exceeds the fair value of the assets. Fair value is estimated based on discounted future cash flows.

We recognized no non-cash impairment charges during the twelve months ended January 31, 2015.

TiVo recognized non-cash impairment charges of $4.8 million in the three and twelve months ended January 31, 2014 of which $4.5 million related to intangible assets acquired as part of the TiVo Research acquisition. The lower than expected profitability indicated that the carrying value of these assets exceeded their estimated fair values as determined by future discounted cash flow projections. When projecting the stream of future cash flows associated with TiVo Research for purposes of determining long-lived asset recoverability, management makes assumptions, incorporating market conditions, sales growth rates, gross profit, and operating expenses.

Deferred Tax Assets

We make certain estimates in determining income tax expense for financial statement purposes. These estimates occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. From time-to-time, we evaluate the expected realization of our deferred tax assets and determine whether a valuation allowance needs to be established or released. In determining the need for and amount of our valuation allowance, we assess the likelihood that we will be able to recover our deferred tax assets using historical levels of income and estimates of future income. Our estimates of future income include our internal projections and various internal estimates and certain external sources which we believe to be reasonable, but that are unpredictable and inherently uncertain. We also consider the jurisdictional mix of income and loss, changes in tax regulations in the period the changes are enacted, and the type of deferred tax assets and liabilities. In assessing whether a valuation allowance needs to be established or released, we use judgment in considering the cumulative effect of negative and positive evidence and the weight given to the potential effect of the evidence. Recent historical income or loss and future projected operational results have the most influence on our determinations of whether a deferred tax valuation allowance is required or not.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

As of January 31, 2016, TiVo has adopted Accounting Standards Update ("ASU") 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes. This standard requires companies to classify deferred income tax assets and liabilities as non-current in a statement of financial position. We have elected to early adopt this standard prospectively beginning with the deferred tax assets and liabilities reported on the consolidated balance sheet for the year ended January 31, 2016. No prior periods were adjusted.

Recently Issued But Not Yet Adopted Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB approved a one year deferral to the effective date of ASU 2014-09 for all entities so that the new standard will be effective for TiVo on February 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In April 2015, the FASB issued ASU No. 2015 03, Interest-Imputation of Interest, to simplify the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct

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deduction from the carrying amount of debt liability, consistent with debt discounts. The new standard is effective for TiVo on February 1, 2016. While permitted, we have elected not to early adopt this ASU. Upon adoption, the new standard will result in a total decrease of prepaid expenses and other, current and long-term assets and a decrease in the carrying amount of our current and long-term convertible senior notes of approximately $4.1 million as of January 31, 2016 and $6.1 million as of January 31, 2015.

In July 2015, the FASB issued ASU 2015-11, Inventory-Simplifying the Measurement of Inventory, which, for entities that do not measure inventory using the last-in, first-out ("LIFO") or retail inventory method, changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. The ASU also eliminates the requirement for these entities to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. This ASU is effective for TiVo on February 1, 2017. This ASU will be applied prospectively. We have not yet determined the effect of the standard on our ongoing financial reporting.

In February 2016, the FASB issued ASU 2016-6, Leases, which will require that lessees recognize most leases on-balance sheet. This will increase their reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. This ASU is effective for TiVo on February 1, 2019. This ASU will be applied prospectively. We have not yet determined the effect of the standard on our ongoing financial reporting.

Results of Operations

Net Revenues.

Our net revenues for the fiscal years ended January 31, 2016, 2015, and 2014 as a percentage of total net revenues were as follows:

	Fiscal Year Ended January 31,								
	2016			2015			2014		
	(In thousands, except percentages)								
Service and software revenues	$175,178	36	%	$150,007	33	%	$138,835	34	%
Technology revenues	$220,894	45	%	$202,353	45	%	$165,630	41	%
Hardware revenues	$93,540	19	%	$99,119	22	%	$101,788	25	%
Net revenues	$489,612	100	%	$451,479	100	%	$406,253	100	%
Change from same prior year period	8	%		11	%		34	%	

Service and Software Revenues. The increase in service and software revenues of $25.2 million for the fiscal year ended January 31, 2016, as compared to the same prior year period was related to an increase in MSO-related service revenues of $21.6 million due to an increased subscription base and recognition of ONO service revenues (which were previously deferred) which began during the three months ended January 31, 2015 as well as from an increase in Media service and other service and software revenues of $9.2 million for the fiscal year ended January 31, 2016, primarily driven by the Cubiware acquisition and, to a lesser extent, increased revenue from Digitalsmiths products and services. These increases were partially offset by decreases in TiVo-Owned subscription revenues of $5.7 million. This decrease in TiVo-Owned subscription revenues is primarily due to the lower ARPUs on our TiVo Mini product, partially offset by an increase in our subscription base.

The increase in service and software revenues of $11.2 million for the fiscal year ended January 31, 2015, as compared to the same prior year period was related to an increase in MSO-related service revenues of $11.5 million due a larger subscription base and also to full year of recognition of Virgin service revenues which began during the three months ended January 31, 2014 and to recognition of ONO service revenues which began during the three months ended January 31, 2015. This increase was combined with an increase in Media service and other revenues of $6.3 million largely related to the acquisition of Digitalsmiths. These increases were partially offset by decreases in TiVo-Owned subscription revenues of $6.6 million. This decrease in TiVo-Owned subscription revenues was primarily due to the decrease in our subscription base.

Technology Revenues. Technology revenues for the fiscal years ended January 31, 2016, and 2015 increased by $18.5 million and $36.7 million as compared to the same prior year periods primarily due to an increase in the number and scope of technology related projects for our MSO partners and to a lesser extent an increase in licensing revenue from Verizon and AT&T. In future periods we anticipate a decrease in licensing revenue as we expect decreases in additional revenue from our AT&T agreement beyond the minimum future revenues disclosed below.

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Revenue and cash under our licensing agreements with EchoStar, AT&T, Verizon, and Cisco and Google/Motorola Mobility through January 31, 2016 have been:

	Licensing Related Technology Revenues	Cash Received
Fiscal Year Ending January 31,	(in thousands)	
2012	$35,275	$117,679
2013	77,340	86,855
2014	141,583	469,776
2015	179,271	93,209
2016	181,591	87,591
Total	$615,060	$855,110

Based on current GAAP, revenue and cash from the contractual minimums (i.e. the following amounts do not include any additional revenues from our AT&T or Verizon agreements) under all our licensing agreements with EchoStar, AT&T, Verizon, and Cisco and Google/Motorola Mobility are expected to be recognized (revenues) and received (cash) on an annual basis for the fiscal years as follows:

	Licensing Related Technology Revenues	Minimum Cash Due
	(in thousands)	
Fiscal Year Ending January 31,		
2017	$173,129	$89,595
2018	174,411	83,579
2019	88,629	31,139
2020	1,855	—
2021	1,855	—
2022 - 2024	4,483	—
Total	$444,362	$204,313

Hardware Revenues. Hardware revenues, net of allowance for sales returns and net of revenue share and marketing development fund payments for the fiscal year ended January 31, 2016 decreased by $5.6 million as compared to the same prior year period. These decreases were driven by both decreased TiVo-Owned hardware sales and decreased MSO hardware sales. While we had an increase in TiVo-Owned units sold, this was offset by lower average prices causing an aggregate decrease in TiVo-Owned hardware revenue. Additionally, we saw a decrease in units sold to MSO operator partners as they transition to third-party hardware. We expect hardware revenue related to our MSO business to substantially decrease in the future as many of operator partners choose to deploy the TiVo service on third-party hardware.

Hardware revenues, net of allowance for sales returns and net of revenue share and marketing development fund payments for the fiscal year ended January 31, 2015 decreased by $2.7 million as compared to the same prior year period. The decrease in net hardware revenues was largely related to changes in sales mix. While we sold an increased number of units to our consumer and MSO customers, a larger portion of those units were lower priced non-DVR units as compared to the same prior year period.

Cost of service and software revenues.

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	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands, except percentages)		
Cost of service and software revenues	65,536	59,607	49,042
Change from same prior year period	10 %	22 %	22 %
Percentage of service and software revenues	37 %	40 %	35 %
Service and software gross margin	109,642	90,400	89,793
Service and software gross margin as a percentage of service and software revenues	63 %	60 %	65 %

Cost of service and software revenues consists primarily of telecommunication and network expenses, employee salaries, service center, credit card processing fees, and other expenses related to providing the TiVo service and amortization of acquired developed technology associated with our acquisitions. Cost of service and software revenues increased by $5.9 million during the fiscal year ended January 31, 2016, as compared to the same prior year period. The increases were driven by supporting our increased service and software revenues from MSO partners. Service and software gross margins increased by 3% to 63% as compared to the same prior year period which was driven by increased service and software revenues from MSO partners as compared to the related costs.

Cost of service and software revenues increased by $10.6 million during the fiscal year ended January 31, 2015, as compared to the same prior year period. The increase was due to amortization of intangibles from the acquisition of Digitalsmiths, which was $6.0 million for fiscal year ended January 31, 2015 as well as increases in costs for MSO partner support and maintenance contracts driven by increased service and software revenues.

Cost of technology revenues.

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands, except percentages)		
Cost of technology revenues	33,426	22,690	25,673
Change from same prior year period	47 %	(12)%	11 %
Percentage of technology revenues	15 %	11 %	16 %
Technology gross margin	187,468	179,663	139,957
Technology gross margin as a percentage of technology revenues	85 %	89 %	84 %

Cost of technology revenues includes costs associated with our development work primarily for Com Hem, Virgin, ONO and our other international and domestic projects. Cost of technology revenues increased by $10.7 million during the fiscal year ended January 31, 2016 as compared to the same prior year period. This increase was related primarily to increased volume of development work for certain MSO partners, such as Virgin.

Cost of technology revenues decreased by $3.0 million during the fiscal year ended January 31, 2015 as compared to the same prior year period. This decrease was related primarily to the recovery of deferred development costs for Virgin recognized during the fiscal year ended January 31, 2014 and the decreased volume of development work for certain MSO partners.

Technology gross margin decreased by 4% and increased 5% for the fiscal years ended January 31, 2016 and January 31, 2015, respectively, as compared to the same prior year periods. Technology revenues consists of revenues from technology related projects for our MSO partners and licensing revenue. We earn close to a 100% gross margin on licensing revenue. As revenues from technology related projects increase as a percentage of total Technology revenues, our margin will usually decrease. During the fiscal years ended January 31, 2016, 2015, and 2014, revenues from technology related projects were 14%, 9%, and 14% of total Technology revenues.

In certain of our distribution deals, TiVo is not being paid in full for the upfront development costs. However, in exchange, TiVo is receiving guaranteed financial commitments over the duration of the distribution deal. If we are reasonably assured that these arrangements as a whole will be profitable (assuming successful completion of development), we do not expense the development costs that exceed cash payable for the development work as incurred but rather we defer those costs and recognize these costs later when we receive service fees. However, despite the deferral of these development costs, we do incur cash outflows associated with these development efforts resulting in potentially higher cash usage in the near term. As a result, a portion of service fees used to

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recover the initial development costs would be classified as technology revenues and timing of recognition of these costs and revenues may differ from when these costs are actually incurred.

In accordance with our revenue recognition policies, we have deferred costs of approximately $16.2 million related to development work, largely related to Com Hem, Charter, and Cogeco and these costs are recorded on our Consolidated Balance Sheets under deferred cost of technology revenues, current and deferred cost of technology revenues, long-term as of January 31, 2016. In instances where TiVo does not host the TiVo service, these costs (up to the amount billed) will be recognized when related revenues are recognized upon billing our customers, as specified in the agreement. In instances where TiVo hosts the TiVo service, starting upon deployment, these costs will be amortized to cost of revenues over the longer of the contractual or customer relationship period.

Cost of hardware revenues.

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands, except percentages)		
Cost of hardware revenues	$97,587	$95,505	$96,633
Change from same prior year period	2 %	(1)%	24 %
Percentage of hardware revenues	104 %	96 %	95 %
Hardware gross margin	$(4,047)	$3,614	$5,155
Hardware gross margin as a percentage of hardware revenue	(4)%	4 %	5 %

Cost of hardware revenues include all product costs associated with the TiVo-enabled DVRs and non-DVRs we distribute and sell, including manufacturing-related overhead and personnel, warranty, certain licensing, order fulfillment, and freight costs. We sell this hardware primarily as a means to grow our service revenues and, as a result, generating positive gross margins from hardware sales that are linked with the sale of TiVo-Owned service is not the primary goal of the consumer business.

Cost of hardware revenues for the fiscal year ended January 31, 2016 increased by $2.1 million as compared to the same prior year period. The increase was largely due to a change in sales mix. While we sold fewer total units (TiVo-Owned and MSO combined) during the fiscal year ended January 31, 2016, a larger portion of those units were DVR units which have higher costs.

Hardware gross margins for the fiscal year ended January 31, 2016 decreased from 4% to (4)% as compared to the same prior year period largely due to the mix of units sold and decreasing prices to our consumer customers during the period as compared to the same prior year period.

Cost of hardware revenues for the fiscal year ended January 31, 2015 decreased by $1.1 million as compared to the same prior year period. The decrease is largely related to changes in sales mix. While we sold an increased number of units to our consumer and MSO customers as compared to the same prior year period, a larger portion of those units were non-DVR units which have lower costs.

Hardware gross margin for the fiscal year ended January 31, 2015 decreased by $1.5 million as compared to the same prior year period largely due to the mix of units sold and the channel in which they were sold during the period as compared to the same prior year periods. As our hardware sales to our MSO customers are likely to decline in future periods as our MSO customers continue to transition to third-party hardware such as the Pace DVR and non-DVR products, we expect our hardware gross margin to decrease.

Research and development expenses.

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands, except percentages)		
Research and development expenses	$107,760	$102,209	$106,917
Change from same prior year period	5 %	(4)%	(7)%
Percentage of net revenues	22 %	23 %	26 %

Our research and development expenses consist primarily of employee salaries, related expenses, and consulting expenses related to our development of new technologies and products, such as whole home DVR

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technology and new features and functionality as well as investments in creating an integrated software code base across our product lines to increase the efficiency of our product development efforts in the future and in expanding those services and software acquired through TiVo Research, Digitalsmiths, and Cubiware. During the fiscal year ended January 31, 2016, research and development expenses increased by $5.6 million as compared to the same prior year period. The increase was largely related to increased headcount and headcount related costs which were driven by launch of our latest DVR BOLT, and continued investment in TiVo Research, Digitalsmiths, and the acquisition of Cubiware in efforts to create new products and capabilities.

During the fiscal year ended January 31, 2015, research and development expenses decreased by $4.7 million as compared to the same prior year period. These decreases were largely related to decreased headcount and headcount related costs as we have increased our efforts to improve our engineering efficiency and lower our research and development costs.

Sales and marketing expenses.

	Fiscal Year Ended January 31,					
	2016		2015		2014	
	(In thousands, except percentages)					
Sales and marketing expenses	$46,705		$42,053		$39,003	
Change from same prior year period	11	%	8	%	28	%
Percentage of net revenues	10	%	9	%	10	%

Sales and marketing expenses consist primarily of employee salary related expenses, consulting expenses, amortization of acquired intangibles, as well as advertising expenses and promotional expenses other than those related to our efforts to acquire new TiVo-Owned Subscriptions to the TiVo service which are included in Sales and marketing, subscription acquisition costs. During the year ended January 31, 2016, sales and marketing expenses increased by $4.7 million as compared to the same prior year period which was principally related to increased compensation due to increased headcount as well as other sales and marketing activities largely related to the release of the TiVo BOLT at the end of September 2015.

During the year ended January 31, 2015, sales and marketing expenses increased by $3.1 million as compared to the same prior year period. These increases are largely related to our acquisition of Digitalsmiths. Amortization of acquired customer relationship intangibles was $3.7 million for the year ended January 31, 2015 as compared to $0.4 million for the same prior year periods.

Sales and marketing, subscription acquisition costs.

	Fiscal Year Ended January 31,					
	2016		2015		2014	
	(In thousands, except percentages)					
Sales and marketing, subscription acquisition costs	$11,629		$8,906		$12,521	
Change from same prior year period	31	%	(29	)%	45	%
Percentage of net revenues	2	%	2	%	3	%

Sales and marketing, subscription acquisition costs include advertising expenses and promotional expenses directly related to our efforts to acquire new TiVo-Owned subscriptions to the TiVo service. Sales and marketing, subscription acquisition expenses for the year ended January 31, 2016 increased by $2.7 million as compared to the same prior year period due to higher advertising spending during the current period largely related to the release of the TiVo BOLT at the end of September 2015. As indicated by the trends between fiscal years 2015, 2014, and 2013, total sales and marketing subscription acquisition costs vary based on the extent of marketing that is executed and on the number of TiVo-Owned units that are sold. We continue to evaluate the efficiency of these expenses in driving profitable subscription growth and we may choose to align sales and marketing subscription acquisition costs with changes in our subscription base.

Sales and marketing, subscription acquisition expenses for the year ended January 31, 2015 decreased by $3.6 million as compared to the same prior year period due to decreases in advertising spending versus the year ended January 31, 2014 where we launched our new Roamio DVR and introduced the out-of-home streaming feature.

General and administrative expenses.

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	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands, except percentages)		
General and administrative	$59,787	$59,482	$77,311
Change from same prior year period	1 %	(23)%	(11)%
Percentage of net revenues	12 %	13 %	19 %
Litigation expense (included in total general and administrative costs above)	$(292)	$2,122	$20,317
Change from same prior year period	(114)%	(90)%	(35)%
Percentage of net revenues	— %	— %	5 %
General and administrative, net of litigation expense	$60,079	$57,360	$56,994
Change from same prior year period	5 %	1 %	8 %
Percentage of net revenues	12 %	13 %	14 %

General and administrative expenses consist primarily of employee salaries and related expenses for executive, administrative, accounting, and legal and professional fees. During the fiscal year ended January 31, 2016, general and administrative expenses increased by $0.3 million as compared to the same prior year period which was primarily related to increases in headcount related expenses, partially offset by decreases in legal expenses including a reversal of the $1.5 million accrual for the Kantar litigation. The Federal Appeals Court vacated the District Court's $1.5 million fee award against TiVo Research during the fiscal year ended January 31, 2016. General and administrative, net of litigation expense increased by $2.7 million during the fiscal year ended January 31, 2016 as compared to the same prior year period largely due to expenses related to the acquisition of Cubiware including the amortization of guaranteed payments to be paid over three years contingent on continued employment of certain key individuals. Cubiware acquisition, general and administrative expenses during the fiscal year ended January 31, 2016 were $3.9 million.

During the fiscal year ended January 31, 2015, general and administrative expenses decreased by $17.8 million as compared to the same prior year period. The decrease was primarily related to decreased legal fees of $15.2 million and were associated with litigation expenses related to our patent enforcement cases in the prior year. The decrease in legal fees for the year ended January 31, 2015 was offset by accruals totaling $2.5 million in the period in connection with our litigation with Kantar and an arbitration related to a contractual dispute. General and administrative expense, net of litigation expense, increased in the amount of $366,000 during the fiscal year ended January 31, 2015 as compared to the same prior year periods. The increase was related largely to headcount related expenses.

Transition and restructuring.

During the fiscal year ended January 31, 2016, we recorded transition and restructuring expenses relating to the termination of the employment agreement of our former chief executive officer, Thomas Rogers, effective as of January 30, 2016. Pursuant to the terms of his existing employment agreement, Mr. Rogers received the following compensation and benefits upon the Company's termination of that agreement: a sum equal to $4.6 million, his FY16 bonus based on his attainment of applicable performance criteria for FY16, accelerated vesting of all equity-related awards held by Mr. Rogers and continued health and welfare coverage for up to 24 months. The total transition and restructuring charge during the twelve months ended January 31, 2016 was $12.8 million which was comprised of a cash sum equal to $5.4 million, stock based compensation of $6.4 million from accelerated vesting of all equity-related awards held by Mr. Rogers, and legal and other expenses incurred by the Company of $1.0 million. There were no transition and restructuring activities in the fiscal years ended January 31, 2015 and 2014.

Litigation proceeds. During the fiscal year ended January 31, 2016, 2015, and 2014 we recorded litigation proceeds of $0.0 million, $0.0 million, and $108.1 million, respectively from our patent infringement settlements.

Litigation proceeds in fiscal 2014 related to a settlement and patent license agreements with ARRIS Group, Inc. (owner of General Instrument Corporation, formerly a subsidiary of Motorola Mobility, Inc.), Cisco Systems, Inc. ("Cisco"), and Google Inc. ("Google") (owner of Motorola Mobility, LLC formerly Motorola Mobility, Inc.) (with the settlement with Arris, Google, and Cisco referred to as the Motorola/Cisco settlement). The total consideration of $490.0 million was received during the fiscal year ended January 31, 2014 and was allocated on a relative fair value basis as $381.1 million to the future licensing revenue element, $752,000 to interest income related to past infringement and $108.1 million to the past infringement and litigation settlement element.

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Interest income. Interest income for the fiscal years ended January 31, 2016, 2015, and 2014 was $4.2 million, $4.1 million, and $4.7 million, respectively. Interest income for the fiscal year ended January 31, 2016 increased by $21,000 as compared to the same prior year period. Interest income for the fiscal year ended January 31, 2015 decreased by $580,000 as compared to the same prior year period. During the year ended January 31, 2014, interest income included $752,000 of interest related the Google/Motorola Mobility settlement and the interest associated with their past infringement.

Interest expense and other income (expense). Interest and other income (expense) for the fiscal years ended January 31, 2016, 2015 and 2014, was $(20.5) million, $(12.0) million, and $(8.1) million, respectively.

The interest expense in the fiscal year ended January 31, 2016 increased by $8.5 million as compared to the same prior year period. This increase was due to the issuance of the 2.0% Notes due 2021 which were issued during September 2014. As the notes were outstanding for the entirety of the fiscal year ended January 31, 2016, the interest expense relating to the notes increased by $7.5 million.

The interest expense in the fiscal year ended January 31, 2015 increased by $3.9 million. This increase was due to the issuance of the 2.0% Notes due 2021 which were issued during September 2014. Interest expense relating to the 2.0% Notes due 2021 was $4.1 million during the fiscal year ended January 31, 2015.

Benefit from (Provision for) income taxes. Income tax benefit from (provision for) was $(16.3) million, $(22.4) million, and $167.9 million, in the fiscal years ended January 31, 2016, 2015, and 2014, respectively. The effective tax rate for the fiscal years ended January 31, 2016, 2015, and 2014 was a provision of 42.9%, a provision of 42.1%, and a benefit of (161.6)%, respectively. For fiscal year 2016 and 2015 the difference between the effective tax rate and the income tax determined by applying the statutory federal income tax rate of 35% was primarily due to certain non-deductible expenses offset by tax credits. The decrease in the provision for income taxes for fiscal year ended January 31, 2016 as compared to the same prior year was primarily due to a decrease in income before taxes as the effective tax rates for both fiscal years remained relatively flat.

The income tax benefit recorded in the fiscal year ended January 31, 2014 was primarily related to the release of the valuation allowance previously recorded against deferred tax assets.

As of January 31, 2016 the Company has net operating loss carryforwards for federal and state income tax purpose of approximately $74 million and $173 million, respectively, available to reduce future taxable income. The federal net operating loss carryforwards expire beginning in fiscal years ending 2030 through 2036. The state net operating loss carryforwards expire beginning in fiscal year ending 2017 through 2026.

Liquidity and Capital Resources

We have financed our operations and met our capital expenditure requirements primarily from the proceeds from the sale of equity securities, issuance of convertible senior notes, litigation proceeds, and cash flows from operations. Our cash resources are subject, in part, to the amount and timing of cash received from our license agreements, subscriptions, deployment agreements, and hardware customers. As of January 31, 2016, we had $646.1 million of cash, cash equivalents, and short-term investments. We have $132.5 million in outstanding convertible senior subordinated notes, which are due on March 15, 2016 (the "4.0% Notes due 2016"). The 4.0% Notes due 2016 are unsecured senior obligations of TiVo and we may not redeem these notes prior to their maturity date although investors may convert the notes into TiVo common stock at any time until March 14, 2016 at their option at a conversion price of $11.16 per share. We also have $230.0 million in outstanding convertible senior notes, which are due on October 1, 2021 (the "2.0% Notes due 2021"). The 2.0% Notes due 2021 are unsecured senior obligations of TiVo. We will settle the principal of the 2.0% Notes due 2021 in cash upon maturity unless converted by investors prior to their maturity date. We may not redeem these notes prior to their maturity date, although investors may convert the notes at any time until July 1, 2021 at their option at a conversion price of $17.82 per share, under certain circumstances. Concurrently with the issuance of the 2.0% Notes due 2021, we purchased convertible note hedges and sold warrants. In purchasing the convertible note hedges for $54.0 million, counterparties agreed to sell to us up to approximately 12.9 million shares of our common stock, which is the number of shares initially issuable upon conversion of the 2.0% Notes due 2021 in full, at a price of $17.82 per share. TiVo received $30.2 million from the same counterparties from the sale of warrants to purchase up to approximately 12.9 million shares of our common stock at a strike price of $24.00 per share.

We believe our cash, cash equivalents and short-term investments, provide sufficient resources to fund operations, capital expenditures, future repurchases of TiVo shares in connection with our previously announced share repurchase program, and working capital needs through at least the next twelve months.

Statement of Cash Flows Discussion

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The following table summarizes our cash flow activities:

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Net cash provided by operating activities	$288	$22,901	$495,049
Net cash provided by (used in) used in investing activities	$39,577	$37,055	$(296,566)
Net cash used in financing activities	$(58,270)	$(135,452)	$(101,874)

Net Cash Provided by Operating Activities

During the fiscal year ended January 31, 2016 our net cash provided by operating activities was $0.3 million as compared to $22.9 million during the same prior year period. This is principally due to the changes in working capital. During the fiscal year ended January 31, 2015 our net cash provided by operating activities was $22.9 million as compared to $495.0 million during the same prior year period. This change in operating cash flow as compared to the same prior year period was largely related to the cash of $490.0 million received in the prior year period received from our Motorola/Cisco settlement. During the fiscal year ended January 31, 2015, there were no such similar transactions.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities for the fiscal year ended January 31, 2016 was $39.6 million compared to $37.1 million cash used for the same prior year period.

For the fiscal year ended January 31, 2016, the principal sources of cash from investing activities was a net cash inflow of $69.5 million related to our cash management process, and the purchase and sales of short-term investments. That inflow was partially offset by $16.6 million cash paid to acquire Cubiware, net of cash acquired, and the purchase of property and equipment and other long-term assets of $9.9 million which is used to support our business, long-term cost method investments of $2.5 million, and intangibles assets of $1.0 million.

For the fiscal year ended January 31, 2015, the principal sources of cash from investing activities was a net cash inflow of $171.9 million related to our cash management process, and the purchase and sales of short-term investments. That inflow was partially offset by $128.4 million cash paid for our acquisition of Digitalsmiths and the purchase of property and equipment and other long-term assets of $6.5 million which is used to support our business.

Net Cash Used in Financing Activities

Net cash used in financing activities for the fiscal year ended January 31, 2016 was approximately $58.3 million as compared to net cash used in financing activities of $135.5 million for the same prior year period.

For the fiscal year ended January 31, 2016, the principal uses of cash for financing activities were repurchases of 4.0% Notes due 2016 for $41.0 million and $30.9 million of TiVo stock comprised of $20.3 million in repurchases pursuant to a 10b5-1 plan and $10.6 million in repurchases of restricted stock to satisfy employee tax withholdings on vesting of stock-based awards. This outflow was partially offset by proceeds from the issuance of common stock upon exercise of stock options which generated $8.0 million combined with proceeds from the issuance of common stock pursuant to the employee stock purchase plan of $5.7 million.

For the fiscal year ended January 31, 2015, the principal uses of cash for financing activities were repurchases of TiVo stock and repurchase of restricted stock to satisfy employee tax withholdings on vesting of stock-based awards of a combined $360.8 million offset by proceeds from the issuance of common stock upon exercise of stock options which generated $5.9 million, excess tax benefits from employee stock-based compensation of $13.7 million, and proceeds from the issuance of common stock pursuant to the employee stock purchase plan of $6.0 million.

Additionally, in September 2014, the Company issued convertible senior notes payable for proceeds of $223.6 million net of issuance costs. In conjunction with the issuance of the convertible senior notes payable, the Company also issued warrants for proceeds of $30.2 million and purchased convertible note hedges for $54.0 million.

Financing Agreements

Share Repurchases.

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During the three past fiscal years ending January 31, 2016, we have made open-market purchases totaling 37,923,940 shares of our common stock for an aggregate purchase price of $466.6 million. On September 5, 2014, our board of directors authorized the current discretionary share repurchase program that allows for total new repurchases of $550 million. This plan will expire on January 31, 2017. Under the current discretionary share repurchase program and as of January 31, 2016, we had purchased 21,538,339 shares of common stock at a weighted average price of $12.36 per share for an aggregate purchase price of $266.1 million. Shares repurchased are included in issued common shares, but are excluded from outstanding common shares. Additionally, in September 2015, the Company repurchased 4.0% Notes due 2016 with a face value of $40.0 million on the open market. This transaction was made using funds approved under the current discretionary share repurchase program. Any future repurchase or repayment of 4.0% Notes due 2016 will be made using the funds approved under the current discretionary share repurchase program. The remaining authorized amount for stock repurchases under this program was $243.9 million.

Universal Shelf Registration Statement. We are a well known seasoned issuer and are eligible to file a registration statement on Form S-3 which would be immediately effective upon filing with the SEC under which we may issue an unlimited amount of securities, including debt securities, common stock, preferred stock, and warrants. Depending on market conditions, we may issue securities under future registration statements or in private offerings exempt from registration requirements.

Contractual Obligations

	Payments due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
	(In thousands)				
Long-term debt obligations maturing in 2016	$132,500	$132,500	$—	$—	$—
Interest on Long-Term Debt Obligations maturing in 2016	2,650	2,650	—	—	—
Long-Term Debt Obligations maturing in 2021	230,000	—	—	—	230,000
Interest on Long-Term Debt Obligations maturing in 2021	27,600	4,600	9,200	9,200	4,600
Operating leases	5,017	$3,750	1,267	—	—
Purchase obligations	10,059	10,059	—	—	—
Total contractual cash obligations	$407,826	$153,559	$10,467	$9,200	$234,600

Purchase Commitments with Contract Manufacturers and Suppliers. We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and help assure adequate component supply, we enter into agreements with contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by us or to establish the parameters defining our requirements. The table above displays that portion of our purchase commitments arising from these agreements that is firm, non-cancelable, and unconditional. If there are unexpected changes to anticipated demand for our products or in the sales mix of our products, some of the firm, non-cancelable, and unconditional purchase commitments may result in our being committed to purchase excess inventory.

As of January 31, 2016, gross unrecognized tax benefits, which if recognized would affect our effective tax rate, were approximately $7.7 million, which offset deferred tax assets on the consolidated balance sheets. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of tax audit outcomes and the related ability to use net operating loss or tax credit carryforwards; therefore, such amounts are not included in the above contractual obligation table.

Off-Balance Sheet Arrangements

As part of our ongoing business, we generally do not engage in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. Accordingly, our operating results, financial condition, and cash flows are not generally subject to off-balance sheet risks associated with these types of arrangements. We did not have any material off-balance sheet arrangements as of January 31, 2016.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates.

Interest Rate Risk: Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our investment portfolio. We currently invest the majority of our cash in money market funds, investment-grade government and corporate debt, and investment-grade foreign corporate and government securities, all denominated in U.S. dollars. We maintain our investments with two financial institutions with high credit ratings. As part of our cash management process, we perform periodic evaluations of the relative credit ratings of issuers of these securities. We have not experienced any credit losses on our cash, cash equivalents, or short and long-term investments. Our investment portfolio only includes instruments with original maturities of less than two years held for investment purposes, not trading purposes. Due to the short-term nature of our cash equivalents and short-term investments we do not anticipate any material effect on our portfolio due to fluctuations in interest rates. Our convertible senior debt has a fixed interest rate and therefore we are not exposed to fluctuations in interest rates on this debt.

The table below presents principal amounts and related weighted average interest rates for our cash and cash equivalents and short-term investments as of January 31, 2016 and 2015, respectively.

	As of January 31,	
	2016	2015
Cash and cash equivalents and short-term investments (in thousands)	$646,069	$742,961
Average interest rate for fiscal year ended	0.61 %	0.52 %

Although payments under the operating leases for our facility are tied to market indices, we are not exposed to material interest rate risk associated with the operating leases.

Foreign Currency Risk: The majority of our revenue and cost is transacted in the U.S. dollar, with less than 5% of revenue and cost transacted in other currencies (primarily Euro and Polish Zloty). We also have various monetary assets and liabilities held by our wholly-owned Cubiware subsidiary and denominated in Euro and Polish Zloty which are immaterial.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
TiVo Inc.:

We have audited the accompanying consolidated balance sheets of TiVo Inc. and subsidiaries (the Company) as of January 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2016. We also have audited TiVo Inc.'s internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. TiVo Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TiVo, Inc. and subsidiaries as of January 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, TiVo, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the presentation of deferred income taxes as of January 31, 2016 due to the adoption of ASU 2015-17, Accounting for Income Taxes: Balance Sheet Classification of Deferred Taxes.

(signed) KPMG LLP
Santa Clara, California

March 23, 2016

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TIVO INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share and share amounts)

	As of January 31, 2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$159,392	$178,217
Short-term investments	486,677	564,744
Accounts receivable, net of allowance for doubtful accounts of $521 and $647, respectively	55,654	40,184
Inventories	17,535	20,341
Deferred cost of technology revenues, current	3,910	5,076
Deferred tax assets, current	—	55,787
Prepaid expenses and other, current	13,511	13,851
Total current assets	736,679	878,200
LONG-TERM ASSETS		
Property and equipment, net of accumulated depreciation of $56,188 and $52,021, respectively	12,629	11,854
Intangible assets, net of accumulated amortization of $41,471 and $31,277, respectively	57,627	51,810
Deferred cost of technology revenues, long-term	12,277	15,016
Goodwill	108,735	99,364
Deferred tax assets, long-term	155,719	114,486
Prepaid expenses and other, long-term	10,211	6,791
Total long-term assets	357,198	299,321
Total assets	$1,093,877	$1,177,521
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$21,243	$29,359
Accrued liabilities	53,305	54,431
Deferred revenue, current	166,361	175,503
Convertible senior notes, current	132,500	—
Total current liabilities	373,409	259,293
LONG-TERM LIABILITIES		
Deferred revenue, long-term	179,133	255,816
Convertible senior notes, long-term	186,362	352,562
Deferred tax liability, long-term	2,588	—
Other long-term liabilities	7,466	537
Total long-term liabilities	375,549	608,915
Total liabilities	748,958	868,208
COMMITMENTS AND CONTINGENCIES (see Note 9)		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.001: Authorized shares are 10,000,000; Issued and outstanding shares - none	—	—
Common stock, par value $0.001: Authorized shares are 275,000,000; Issued shares are 143,473,136 and 138,577,153, respectively, and outstanding shares are 98,206,449 and 96,221,867, respectively	142	138

Treasury stock, at cost - 45,266,687 shares and 42,355,286 shares, respectively	(545,744)	(514,853)
Additional paid-in capital	1,251,865	1,203,722
Accumulated deficit	(357,983)	(379,680)
Accumulated other comprehensive income (loss)	(3,361)	(14)
Total stockholders’ equity	344,919	309,313
Total liabilities and stockholders’ equity	$1,093,877	$1,177,521

The accompanying notes are an integral part of these consolidated financial statements.

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TIVO INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share and share amounts)

	Fiscal Year Ended January 31,		
	2016	2015	2014
Revenues			
Service and software revenues	$175,178	$150,007	$138,835
Technology revenues	220,894	202,353	165,630
Hardware revenues	93,540	99,119	101,788
Net revenues	489,612	451,479	406,253
Cost of revenues			
Cost of service and software revenues	65,536	59,607	49,042
Cost of technology revenues	33,426	22,690	25,673
Cost of hardware revenues	97,587	95,505	96,633
Total cost of revenues	196,549	177,802	171,348
Gross margin	293,063	273,677	234,905
Research and development	107,760	102,209	106,917
Sales and marketing	46,705	42,053	39,003
Sales and marketing, subscription acquisition costs	11,629	8,906	12,521
General and administrative	59,787	59,482	77,311
Litigation proceeds	—	—	(108,102)
Transition and restructuring	12,820	—	—
Total operating expenses	238,701	212,650	127,650
Income from operations	54,362	61,027	107,255
Interest income	4,168	4,147	4,727
Interest expense and other income (expense)	(20,512)	(11,961)	(8,077)
Income (loss) before income taxes	38,018	53,213	103,905
Benefit from (provision for) income taxes	(16,321)	(22,381)	167,911
Net income	$21,697	$30,832	$271,816
Net income per common share			
Basic	$0.23	$0.29	$2.29
Diluted	$0.23	$0.28	$1.99
Income for purposes of computing net income per share:			
Basic	21,697	30,832	271,816
Diluted	21,697	35,837	276,825
Weighted average common and common equivalent shares:			
Basic	92,763,835	106,799,817	118,445,466
Diluted	95,873,814	126,779,467	138,801,463

The accompanying notes are an integral part of these consolidated financial statements.

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TIVO INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Fiscal Year Ended January 31,		
	2016	2015	2014
Net income	$21,697	$30,832	$271,816
Other comprehensive income:			
Available-for-sale securities:			
Unrealized gain (loss) on marketable securities, net of tax	(254)	(591)	355
Foreign currency translation adjustments	(3,093)	—	—
Total comprehensive income, net of tax	$18,350	$30,241	$272,171

The accompanying notes are an integral part of these consolidated financial statements.

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TIVO INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common Stock		Treasury Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated other comprehensive income (loss)	Total
BALANCE JANUARY 31, 2013	129,545,267	$ 129	(3,922,910)	$ (37,791)	$ 1,060,532	$ (682,328)	$ 222	$ 340,764
Issuance of common stock related to exercise of common stock options	1,013,782	1	—	—	7,867	—	—	7,868
Excess tax benefit from employee stock-based compensation plans	—	—	—	—	668	—	—	668
Issuance of common stock related to employee stock purchase plan	762,864	—	—	—	6,016	—	—	6,016
Issuance of restricted shares of common stock	3,738,468	4	—	—	(4)	—	—	—
Forfeiture of unvested restricted shares	(471,925)	—	—	—	—	—	—	—
Treasury Stock - repurchase of stock	—	—	(10,047,607)	(116,280)	—	—	—	(116,280)
Recognition of stock-based compensation	—	—	—	—	37,878	—	—	37,878
Net loss	—	—	—	—	—	271,816	—	271,816
Other comprehensive loss	—	—	—	—	—	—	355	355
BALANCE JANUARY 31, 2014	134,588,456	$ 134	(13,970,517)	$ (154,071)	$ 1,112,957	$ (410,512)	$ 577	$ 549,085
Issuance of common stock related to exercise of common stock options	805,042	1	—	—	5,862	—	—	5,863
Excess tax benefit from employee stock-based compensation plans	—	—	—	—	18,036	—	—	18,036
Issuance of common stock related to employee stock purchase plan	621,720	1	—	—	6,029	—	—	6,030
Issuance of restricted shares of common stock	2,833,713	3	—	—	(3)	—	—	—
Forfeiture of unvested restricted shares	(271,778)	(1)	—	—	1	—	—	—
Treasury Stock - repurchase of stock	—	—	(28,384,769)	(360,782)	—	—	—	(360,782)
	—	—	—	—	33,320	—	—	33,320

Recognition of stock-based compensation								
Equity value of issuance of convertible senior notes	—	—	—	—	27,520	—	—	27,520
Net income	—	—	—	—	—	30,832	—	30,832
Other comprehensive income	—	—	—	—	—	—	(591)	(591)
BALANCE JANUARY 31, 2015	138,577,153	$ 138	(42,355,286)	$ (514,853)	$ 1,203,722	$ (379,680)	$ (14)	$ 309,313
Issuance of common stock related to exercise of common stock options	1,562,635	1	—	—	7,965	—	—	7,966
Tax detriment from employee stock-based compensation plans	—	—	—	—	(403)	—	—	(403)
Issuance of common stock related to employee stock purchase plan	697,554	1	—	—	5,694	—	—	5,695
Issuance of restricted shares of common stock	2,791,712	3	—	—	(3)	—	—	—
Forfeiture of unvested restricted shares	(155,918)	(1)	—	—	1	—	—	—
Treasury Stock - repurchase of stock	—	—	(2,911,401)	(30,891)	—	—	—	(30,891)
Recognition of stock-based compensation	—	—	—	—	34,889	—	—	34,889
Net income	—	—	—	—	—	21,697	—	21,697
Other comprehensive loss	—	—	—	—	—	—	(3,347)	(3,347)
BALANCE JANUARY 31, 2016	143,473,136	142	(45,266,687)	(545,744)	1,251,865	(357,983)	(3,361)	344,919

The accompanying notes are an integral part of these consolidated financial statements.

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TIVO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended January 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$21,697	$30,832	$271,816
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment and intangibles	17,440	13,855	9,830
Loss on impairment of intangible assets	—	—	4,752
Stock-based compensation expense	35,325	33,681	37,765
Amortization of discounts and premiums on investments	6,193	10,239	9,016
Change in fair value of contingent purchase consideration	669	—	—
Deferred income taxes	13,881	(4,632)	(171,113)
Amortization of debt issuance costs and debt discount	7,886	3,382	961
Loss on repurchase of notes payable	1,141	—	—
Excess tax benefits from employee stock-based compensation	—	(13,665)	(522)
Allowance for doubtful accounts	(64)	424	253
Changes in assets and liabilities:			
Accounts receivable	(13,890)	(2,214)	4,698
Inventories	2,806	1,975	(7,816)
Deferred cost of technology revenues	3,469	6,758	3,626
Prepaid expenses and other	1,736	783	1,178
Accounts payable	(8,155)	5,185	(1,454)
Accrued liabilities	(821)	12,496	829
Deferred revenue	(85,824)	(75,924)	330,945
Other long-term liabilities	(3,201)	(274)	285
Net cash provided by operating activities	$288	$22,901	$495,049
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short-term investments	(546,437)	(652,859)	(930,546)
Sales or maturities of long-term and short-term investments	615,985	824,789	640,311
Purchase of long-term investment	(2,470)	—	—
Acquisition of business, net of cash acquired	(16,616)	(128,387)	—
Acquisition of property and equipment and other long-term assets	(9,885)	(6,488)	(6,331)
Acquisition of intangible assets	(1,000)	—	—
Net cash provided by (used in) investing activities	$39,577	$37,055	$(296,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock related to exercise of common stock options	7,966	5,863	7,868
Proceeds from issuance of common stock related to employee stock purchase plan	5,695	6,030	6,016
Excess tax benefits from employee stock-based compensation	—	13,665	522
Proceeds from issuance of convertible senior notes, net of issuance costs	—	223,623	—
Proceeds from issuance of common stock warrants	—	30,167	—
Purchase of convertible note hedges	—	(54,018)	—
Repurchase of notes payable	(41,040)	—	—
Treasury stock - repurchase of stock	(30,891)	(360,782)	(116,280)
Net cash used in financing activities	$(58,270)	$(135,452)	$(101,874)

EFFECT OF EXCHANGE RATE CHANGES ON CASH	$(420)	$—	$—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$(18,825)	$(75,496)	$96,609
CASH AND CASH EQUIVALENTS:			
Balance at beginning of period	178,217	253,713	157,104
Balance at end of period	$159,392	$178,217	$253,713
SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH FLOW INFORMATION			
Cash paid for interest	11,691	6,900	6,900
Cash paid for income taxes	3,282	7,328	2,590

The accompanying notes are an integral part of these consolidated financial statements.

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TIVO INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

TiVo Inc. (together with its subsidiaries the "Company" or "TiVo") was incorporated in August 1997 as a Delaware corporation and is located in San Jose, California. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The Company conducts its operations through one operating segment.

The Company is subject to a number of risks, including delays in product and service developments; competitive product and service offerings; lack of market acceptance; the dependence on third-parties for manufacturing, marketing, and sales support, as well as third-party rollout schedules, software development issues for third-party products which contain its technology; intellectual property claims by and against the Company; access to television programming including digital cable signals in connection with CableCARD and switched digital Internet Protocol, downloadable conditional access, and other new signal delivery and encryption technologies; dependence on over-the-top (OTT) sources of content; dependence on its relationships with third-party service providers for subscription growth; and the Company’s ability to sustain and grow both its TiVo-Owned and MSO subscription base. The Company anticipates that its retail business will continue to be seasonal and expects to generate a significant portion of its new subscriptions during and immediately after the holiday shopping season.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and judgments affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to estimated lives of product lifetime subscriptions, total estimated cost of engineering service and profitability of deployment agreements, allowance for doubtful accounts, product returns, inventories and related reserves, warranty obligations, contingencies, stock compensation, valuation of deferred taxes, valuation of intangible assets, valuation of contingent purchase consideration, and allocation of amounts from litigation settlements. The Company bases estimates on historical experience and on other assumptions that its management believes are reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates will be reflected in the financial statements in future periods.

Cash and Cash Equivalents

The Company considers investments with a maturity of three months or less when purchased to be cash equivalents. The majority of payments due from banks for third-party credit card, debit card, and electronic benefit transactions (EBT) process within 24-72 hours, except for transactions occurring on a Friday, which are generally processed the following Monday. All credit card, debit card, and EBT transactions that process in less than three days are classified as cash and cash equivalents. Amounts due from banks for these transactions classified as cash totaled $1.0 million and $1.4 million at January 31, 2016 and 2015, respectively.

Short-term Investments

Short-term investments are classified as available-for-sale and are carried at fair value. The Company’s short-term and long-term investments are reviewed each reporting period for declines in value that are considered to be other-than temporary and, if appropriate, the investments are written down to their estimated fair value. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in the Company’s Consolidated Statements of Operations. Unrealized gains and unrealized losses deemed temporary are included in accumulated other comprehensive income (loss). The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income in the Consolidated Statements of Operations.

Receivables

Accounts receivable consist primarily of receivables from retailers, cable and satellite companies, as well as individual consumers and relate to its subscription, technology, hardware, and software revenues. Additionally, amounts due from banks for customer credit card, debit card, and EBT transactions that take in excess of three days to process are classified as accounts receivable. As of January 31, 2016 and 2015 the Company had approximately $9.8 million and $6.2 million, respectively, of unbilled accounts receivable related to MSO service revenue and $4.6 million and $6.4 million, respectively, of unbilled accounts receivable related to technology revenue from AT&T.

Allowance for doubtful accounts

TiVo maintains an allowance for doubtful accounts to reserve for potentially uncollectible trade receivables. The Company reviews its trade receivable by aging category to identify significant customers with known disputes or collection issues. For accounts not specifically identified, the Company provides allowances based on the age of the receivable. In determining the allowance, the Company makes judgments about the credit-worthiness of significant customers based on ongoing credit evaluations. TiVo also considers its historical level of credit losses and current economic trends that might impact the level of future credit losses.

	Beginning Balance	Charged to Operating Expenses	Deductions/Additions (*)	Ending Balance
	(in thousands)			
Allowance for doubtful accounts:				
Fiscal year ended:				
January 31, 2016	$647	$(64)	$(62)	$521
January 31, 2015	$429	$424	$(206)	$647
January 31, 2014	$362	$253	$(186)	$429

(*) Deductions/additions related to the allowance for doubtful accounts represent amounts written off against the allowance, less recoveries.

Inventories and Inventory Valuation

Inventories consist primarily of finished DVR units and accessories and are stated at the lower of cost or market on an aggregate basis, with cost determined using the first-in, first-out method. The Company performs a detailed assessment of excess and obsolete inventory and purchase commitments at each balance sheet date, which includes a review of, among other factors, demand requirements and market conditions. Based on this analysis, the Company records adjustments, when appropriate, to reflect inventory of finished products and materials on hand at lower of cost or market and to reserve for products and materials which are not forecasted to be used in future production.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repair expenditures are expensed as incurred.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture and fixture	3-5 years
Computer and office equipment	3-5 years
Lab equipment	3 years
Leasehold improvements	The shorter of 7 years or the term of the lease
Capitalized software for internal use	1-5 years

Capitalized Software

Software development costs are capitalized when a product’s technological feasibility has been established by completion of a working model of the product and amortization begins when a product is available for general release to customers. The period between the development of a working model and the release of the final product to customers is short, and, therefore, the development costs incurred during this short period are immaterial and, as such, are not capitalized.

Software development costs incurred as part of an approved project plan that result in additional functionality to internal use software are capitalized and amortized on a straight-line basis over the estimated useful life of the software, between one and five years.

Acquisitions

The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, the Company's estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill to the extent the Company identifies adjustments to the preliminary purchase price allocation. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Goodwill

The Company has goodwill in the amount of $108.7 million which represents the excess of the purchase price of its acquisitions over the fair value of the identified net tangible and intangible assets. The goodwill recognized in these acquisitions was derived from expected benefits from future technology, cost synergies, and a knowledgeable and experienced workforce who joined the Company after these acquisitions. Goodwill is not amortized, but is tested instead for impairment annually or more frequently if certain indicators of impairment are present. The majority of goodwill is not expected to be tax deductible for income tax purposes.

Goodwill is tested for impairment on an annual basis in the fourth quarter of the Company's fiscal year using a two-step model. Management has determined that the Company has one reporting unit. The Company has the option to first assess qualitative factors to determine whether events and circumstances indicate that it is more likely than not that the goodwill is impaired and determine whether further action is needed ("Step 0"). For the year ended January 31, 2016, the Company performed a Step 1 quantitative assessment of its goodwill and did not identify an impairment of goodwill. In each period presented the fair value of the reporting unit exceeded its carrying value, thus it was not required to perform the second step of the analysis, and no goodwill impairment charges were recorded.

Goodwill activity is summarized as follows (in thousands):

As of January 31, 2014	$12,266	
Goodwill Acquired	$87,098	
As of January 31, 2015	$99,364	
Goodwill Acquired	10,436	
Foreign currency translation adjustments	(1,065	)
As of January 31, 2016	$108,735	

Intangible Assets

Purchased intangibles are definite-lived intangible assets which are amortized on a straight-line basis over their estimated useful lives. Useful lives generally range from two to ten years. Purchased intangibles include intangible assets subject to amortization, such as developed technology, intellectual property rights, customer relationships, and trade names. The Company review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company measures recoverability of long-lived assets by comparing the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. An asset group is a group of assets and liabilities including the long lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If such assets are considered to not be recoverable, TiVo recognizes an impairment charge for the amount by which the carrying amounts of the assets exceeds the fair value of the assets. Fair value is estimated based on discounted future cash flows.

The Company recognized no non-cash impairment charges during the twelve months ended January 31, 2016 and January 31, 2015.

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The Company recognized non-cash impairment charges of $4.5 million in the twelve months ended January 31, 2014 related to intangible assets acquired as part of the TiVo Research acquisition. The lower than expected profitability indicated that the carrying value of these assets exceeded their estimated fair values as determined by future discounted cash flow projections. When projecting the stream of future cash flows associated with TiVo Research for purposes of determining long-lived asset recoverability, management makes assumptions, incorporating market conditions, sales growth rates, gross profit, and operating expenses.

Deferred Tax Assets

The Company makes certain estimates in determining income tax expense for financial statement purposes. These estimates occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. From time-to-time, TiVo evaluates the expected realization of its deferred tax assets and determines whether a valuation allowance needs to be established or released. In determining the need for and amount of our valuation allowance, the Company assesses the likelihood that it will be able to recover its deferred tax assets using historical levels of income and estimates of future income. TiVo's estimates of future income include its internal projections and various internal estimates and certain external sources which it believes to be reasonable, but that are unpredictable and inherently uncertain. Management also considers the jurisdictional mix of income and loss, changes in tax regulations in the period the changes are enacted, and the type of deferred tax assets and liabilities. In assessing whether a valuation allowance needs to be established or released, management uses judgment in considering the cumulative effect of negative and positive evidence and the weight given to the potential effect of the evidence. Recent historical income or loss and future projected operational results have the most influence on the Company's determination of whether a deferred tax valuation allowance is required or not.

Sales Taxes

The Company accounts for sales taxes imposed on its goods and services on a net basis in the Consolidated Statements of Operations.

Revenue Recognition

The Company generates service revenues from fees for providing the TiVo service to consumers and television service providers (also referred to as MSOs) and through the sale of advertising and audience research measurement services. The Company also generates revenues from licensing of Cubiware software, which are mostly one-time sales. The Company also generates technology revenues from licensing technology (Refer to Note 18. Settlements) and by providing engineering professional services. In addition, the Company generates hardware revenues from the sale of hardware products that enable the TiVo service. A substantial portion of the Company's revenues is derived from multiple element arrangements.

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, collectability is probable, and there are no post-delivery obligations. Service revenue is recognized as the services are performed which generally is ratably over the term of the service period.

Multiple Element Arrangements

The Company's multiple deliverable revenue arrangements primarily consist of bundled sales of TiVo-enabled DVRs and TiVo service to consumers; arrangements with MSOs which generally include delivery of software customization and set up services, training, post contract support (PCS), TiVo-enabled DVRs, non-DVR set-top boxes (STBs), and TiVo service; and bundled sales of advertising and audience research measurement services.

The Company allocates revenue to each element in a multiple-element arrangement based upon its relative selling price. The Company determines the selling price for each deliverable using VSOE of selling price or TPE of selling price, if it exists. If neither VSOE nor TPE of selling price exists for a deliverable, the Company uses its BESP for that deliverable. Since the use of the residual method is not permitted under applicable accounting standards, any discounts offered by the Company are allocated to each of the deliverables. Revenue allocated to each element is then recognized when the basic revenue recognition criteria are met for the respective element. However, revenue recognized for each deliverable is limited to amounts that are not contingent on future performance for other deliverables in the arrangement.

Consistent with its methodology under previous accounting guidance, if available, the Company determines VSOE of fair value for each element based on historical standalone sales to third parties or from the stated renewal rate for the elements contained in the initial contractual arrangement. The Company currently estimates selling prices for its PCS, training, TiVo-enabled DVRs and non-DVR STBs for MSOs and TiVo service for consumers based on VSOE of selling price. In some instances, the Company may not be able to obtain VSOE of selling price for all deliverables in an arrangement with multiple elements. This may be due to the Company infrequently selling each element separately or not pricing products within a narrow range. When VSOE cannot be established, the Company attempts to estimate the selling price of each element based on TPE. TPE would consist of competitor prices for similar deliverables when sold separately. Generally, the Company's offerings contain significant differentiation such that the comparable pricing of products with similar functionality or services cannot be obtained. Furthermore, the Company sells TiVo-enabled DVRs to consumers whereas its competitors usually lease them to their customers. Therefore, the Company is typically not able to obtain TPE of selling price. When the Company is unable to establish a selling price using VSOE or TPE, which is generally the case for sales of TiVo-enabled DVRs to consumers and advertising and audience research measurement services, the Company uses its BESP in determining the allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a standalone basis. BESP is generally used for offerings that are not typically sold on a standalone basis or for new or highly customized offerings. The Company establishes pricing for its products and services by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and industry pricing practices. When determining BESP for a deliverable that is generally not sold separately, these factors are also considered.

TiVo-enabled DVRs and TiVo service

The Company sells the DVR and service directly to end-users through bundled sales programs through the TiVo website. Under these bundled programs, the customer receives a DVR and commits to a minimum subscription period of one year for monthly payment plans (monthly program) or for the lifetime of the product for one upfront payment (prepaid program). In the case of the monthly program, after the initial committed subscription term, the customers have various pricing options at which they can renew the subscription.

VSOE of selling price for the subscription services is established based on standalone sales of the service and varies by service period. The Company is not able to obtain VSOE for the DVR element due to infrequent sales of standalone DVRs to consumers. The BESP of the DVR is established based on the price at which the Company would sell the DVR without any service commitment from the customer. Under these bundled programs, revenue is allocated between hardware revenue for the DVR and service revenue for the subscription on a relative selling price basis, with the DVR revenue recognized upon delivery, up to an amount not contingent on future service delivery, and the subscription revenue recognized over the term of the service.

Subscription revenues from product lifetime subscriptions are recognized ratably over the Company's estimate of the useful life of a TiVo-enabled DVR associated with the subscription. The estimates of expected lives are dependent on assumptions with regard to future churn of product lifetime subscriptions. The Company continuously monitors the useful life of a TiVo-enabled DVR and the impact of the differences between actual churn and forecasted churn rates. If subsequent actual experience is not in line with the Company's current assumptions, including higher churn of product lifetime subscriptions due to the incompatibility of its standard definition TiVo units with high definition programming and increased competition, the Company may revise the estimated life which could result in the recognition of revenues from this source over a longer or shorter period. The Company recognizes product lifetime subscription revenues over a product lifetime of 66 months.

End users have the right to cancel their subscription within 30 days of subscription activation for a full refund. TiVo establishes allowances for expected subscription cancellations.

Arrangements with MSOs

The Company has two different types of arrangements with MSOs that include technology deployment and engineering services in such agreements. The Company's arrangements with MSOs typically include software customization and set up services, limited training, PCS, TiVo-enabled DVRs, non-DVR STBs, and TiVo service.

In instances where TiVo hosts the TiVo service, the Company recognizes revenue under the general revenue recognition guidance. The Company determines whether evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured. Revenue recognition is deferred until such time as all of the criteria are met. Elements in such arrangements usually include DVRs, non-DVR STBs, TiVo service hosting, associated maintenance, and support and training. Non-refundable payments received for customization and set up services are deferred and recognized as revenue over the period the services are expected to be provided (the longer of the contractual term or customer relationship period) as the upfront services do not have standalone value. The related cost of such services is capitalized to the extent it is deemed recoverable and amortized to cost of revenues over the same period as revenue. The Company has established VSOE of selling prices for training, DVRs, non-DVR STBs, and maintenance and support based on the price charged in standalone sales of the element or stated renewal rates in the agreement. The BESP of TiVo service is determined considering the size of the MSO and expected volume of deployment, market conditions, competitive landscape, internal costs, and gross margin objectives. Total arrangement consideration (other than fees for customization and set up services which are allocated to the ongoing hosting services) is allocated among individual elements on a relative basis.

In arrangements where the Company does not host the TiVo service and that include engineering services that are essential to the functionality of the licensed technology or involve significant customization or modification of the software, the Company recognizes revenue under industry specific software revenue recognition guidance. Under this guidance, such arrangements are accounted for using the percentage-of-completion method or a completed-contract method. The percentage-of-completion method is used if the Company believes it is able to make reasonably dependable estimates of the extent of progress toward completion and the arrangement as a whole is reasonably expected to be profitable. The Company measures progress toward completion using an input method based on the ratio of costs incurred, principally labor, to date to total estimated costs of the project. These estimates are assessed continually during the term of the contract, and revisions are reflected when the changed conditions become known.

In some cases, it may not be possible to separate the various elements within the arrangement due to a lack of VSOE of selling prices for undelivered elements in the contract or because of the lack of reasonably dependable estimates of total costs or development costs exceed development revenues but the Company is reasonably assured that no loss will be incurred under the arrangement. Accordingly, the Company applies the following:

•Where no VSOE exists for undeliverable elements, the revenue is recognized on a zero margin up to the amount billable until the Company has established VSOE for undelivered elements or the Company has delivered all elements.

•Where there is a lack of reasonably dependable estimates, the revenue is recognized on a zero margin up to the amount billable until the Company has resolved the estimation uncertainty, after which the Company will recognize margin under the percentage of completion method.

•If the Company cannot be reasonably assured that no loss will be incurred under the arrangement, the Company will account for the arrangement under the completed contract method, which results in a full deferral of the revenue and costs until the project is complete. Provisions for losses are recorded when estimates indicate that a loss will be incurred on the contract.

Where development costs exceed billable development revenues provided that the Company is reasonably assured that no loss will be incurred under the arrangement, the Company recognizes revenues and costs based on a zero profit model, which results in the recognition of equal amounts of revenues and costs, until the engineering professional services are complete. Development costs incurred in excess of revenues recognized are deferred up to the amount deemed recoverable. Thereafter, as the Company recognizes revenue from the MSO arrangement for services, an equal amount of deferred development costs are recognized until all deferred development costs are recovered. Afterwards, any additional MSO service revenue is recognized as service revenue.

Advertising and Audience Research Measurement Services

Advertising and audience research measurement service revenue is recognized as the service is provided. When advertising services are sold in packages customized for each campaign, they generally last for up to three months. Because of the significant customization of offerings, the Company historically has not been able to obtain VSOE or TPE of selling prices for each element in the package. The Company estimates BESP for each element in the package and separates them into individual units of accounting. Nonetheless, the units of accounting have very similar revenue earning patterns and timing and the amounts of revenue recorded in each period are not significantly impacted by separating them.

Software Revenues

Software revenues represent revenues from licenses of Cubiware software and amounts allocated to software elements in multiple element arrangements. These license arrangements are with operators or resellers who integrate our software in set top boxes manufactured by the operators or resellers. Revenues are generally recognized upon manufacture of the set top boxes in which the software is integrated, provided that all fees are fixed or determinable, evidence of an arrangement exists, and collectability is reasonably assured.

Hardware Revenues
Hardware revenues represent revenues from standalone hardware sales and amounts allocated to hardware elements in multiple element arrangements. Revenues are recognized upon product shipment to the customers or receipt of the products by the customer, depending on the shipping terms, provided that all fees are fixed or determinable, evidence of an arrangement exists, and collectability is reasonably assured. End users have the right to return their product within 30 days of the purchase. TiVo establishes allowances for expected product and service returns and these allowances are recorded as a direct reduction of revenues and accounts receivable.
Certain payments to retailers and distributors such as market development funds and revenue share are recorded as a reduction of hardware revenues rather than as a sales and marketing expense. TiVo's policy for revenue share payments is to reduce revenue when these payments are incurred and fixed or determinable. TiVo reduces revenue at the later of the date at which the related hardware revenue is recognized or the date at which the market development program is offered.
Stock-Based Compensation
The Company has equity incentive plans under which officers, employees, consultants, and non-employee directors may be granted options to purchase shares of the Company’s authorized but unissued or reacquired common stock, and may also be granted restricted stock, performance based stock options and other stock awards. Additionally the Company has an Employee Stock Purchase Plan (ESPP) in which officers and employees can participate. Upon the exercise of options, the Company issues new common stock from its authorized shares.
The fair value of TiVo’s restricted stock awards is calculated based on the fair market value of the Company’s stock at the grant date. The fair value of TiVo’s stock options and ESPP awards is estimated using a Black-Scholes option valuation model and Monte-Carlo valuation model for stock awards with market vesting conditions. TiVo recognizes compensation expense for stock option awards expected to vest on a straight-line basis over the requisite service period of the award.
Advertising Costs
The Company expenses advertising costs related to its products and service as incurred. Marketing co-op development payments, where the Company receives, or will receive, an identifiable benefit (goods or services) in exchange for the amount paid to its customer, and the Company can reasonably estimate the fair value of the benefit it receives, are classified as marketing expense. For the fiscal years ended January 31, 2016, 2015, and 2014, this amount was immaterial. All other marketing co-op development payments are classified as a reduction of hardware revenues. Advertising expenses were $6.1 million, $2.3 million, and $4.9 million, of sales and marketing, subscription acquisition costs for the fiscal years ended January 31, 2016, 2015, and 2014, respectively. Included in these advertising expenses were $5.2 million, $2.1 million, and $3.4 million, respectively, related to media placement costs.
Warranty Expense
The Company accrues for the expected material and labor costs required to provide warranty services on its hardware products. The Company’s warranty reserve liability is calculated as the total volume of unit sales over the warranty period, multiplied by the expected rate of warranty returns (based on historical experience) multiplied by the estimated cost to replace or repair the customers’ product returns under warranty.
Income Taxes
The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.
TiVo takes a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.
The Company’s policy is to include interest and penalties related to unrecognized tax benefits, if any, within the provision for taxes in the Consolidated Statements of Operations.

Business Concentrations and Credit Risk

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The Company’s business is concentrated primarily in the United States and is dependent on discretionary consumer spending. Continued uncertainty or adverse changes in the economy could lead to additional significant declines in discretionary consumer spending, which, in turn, could result in further declines in the demand for the TiVo service and TiVo-enabled DVRs. Decreases in demand for the Company’s products and services, particularly during the critical holiday selling season, could have an adverse impact on its operating results and financial condition. Uncertainty and adverse changes in the economy could also increase the risk of losses on the Company’s investments, increase costs associated with developing and producing its products, increase TiVo’s churn rate per month, increase the cost and decrease the availability of potential sources of financing, and increase the Company’s exposure to losses from bad debts, any of which could have an adverse impact on the Company’s financial condition and operating results.

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash, cash equivalents, short-term and long-term investments, and trade receivables. The Company currently invests the majority of its cash in high-grade government and corporate debt and maintains them with two financial institutions with high credit ratings. As part of its cash management process, the Company performs periodic evaluations of the relative credit ratings of these financial institutions and issuers of the securities the Company owns. The Company has not experienced significant credit losses on its cash, cash equivalents, or short-term and long-term investments.

The majority of the Company’s customers and assets are concentrated in the United States. Revenue by geographic region is based on the bill-to address on the customer order. The following presents total revenue by geographic region:

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands)		
United States of America	396,731	408,538	379,746
Europe	49,811	26,055	25,380
Other International	43,070	16,886	1,127
Total	489,612	451,479	406,253

The following presents a summary by geographic region of long-lived assets, excluding deferred tax assets, deferred cost of technology, revenues, other assets, goodwill, and intangible assets:

	Fiscal Year Ended January 31,	
	2016	2015
	(In thousands)	
United States of America	11,809	11,378
International	820	476
Total	12,629	11,854

The Company is subject to a minimal amount of credit risk related to service revenue contracts as these are primarily obtained through credit card sales. The Company sells its TiVo-enabled DVRs to retailers under customary credit terms and generally requires no collateral. The Company's significant revenue concentrations as of January 31, 2016, 2015, and 2014 were as follows:

	Fiscal Year Ended January 31,		
	2016	2015	2014
DISH	*	*	11 %
Google and Cisco in connection with Motorola/Cisco settlement	15 %	16 %	11 %

* Less than 10%.

The Company’s accounts receivable concentrations as of January 31, 2016 and 2015 were as follows:

	As of January 31,	
	2016	2015
Virgin Media	22 %	*
AT&T	*	16 %
Cogeco Cable Canada	12 %	11 %
DIRECTV	10 %	*

* Less than 10%.

The Company does not have a long-term written supply agreement with Broadcom, the sole supplier of the system controller for its DVR. In instances where a supply agreement does not exist and suppliers fail to perform their obligations, the Company may be unable to find alternative suppliers or deliver its products and services to its customers on time if at all.

The TiVo service is enabled through the use of a DVR manufactured for TiVo by a third-party contract manufacturer. The Company also relies on third-parties with whom it outsources supply-chain activities related to inventory warehousing, order fulfillment, distribution, and other direct sales logistics. The Company cannot be sure that these parties will perform their obligations as expected or that any revenue, cost savings, or other benefits will be derived from the efforts of these parties. If any of these parties breaches or terminates their agreement with TiVo or otherwise fails to perform their obligations in a timely manner, the Company may be delayed or prevented from commercializing its products and services.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

As of January 31, 2016, the Company has adopted Accounting Standards Update (ASU) 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes. This standard requires companies to classify deferred income tax assets and liabilities as non-current in a statement of financial position. The Company has elected to early adopt this standard prospectively beginning with the deferred tax assets and liabilities reported on the Consolidated Balance Sheet for the year ended January 31, 2016. No prior periods were adjusted.

Recently Issued But Not Yet Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB approved a one year deferral to the effective date of ASU 2014-09 for all entities so that the new standard will be effective for the Company on February 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2015, the FASB issued ASU No. 2015 03, Interest-Imputation of Interest, to simplify the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts. The new standard is effective for the Company on February 1, 2016. While permitted, the Company has elected not to early adopt this ASU. Upon adoption, the new standard will result in a total decrease of prepaid expenses and other, current and long-term assets and a decrease in the carrying amount of the Company's current and long-term convertible senior notes of approximately $4.1 million as of January 31, 2016 and $6.1 million as of January 31, 2015.

In July 2015, the FASB issued ASU 2015-11, Inventory-Simplifying the Measurement of Inventory, which, for entities that do not measure inventory using the last-in, first-out (LIFO) or retail inventory method, changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. The ASU also eliminates the requirement for these entities to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. This ASU is effective for the Company on February 1, 2017. This ASU will be applied prospectively. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

In February 2016, the FASB issued ASU 2016-6, Leases, which will require that lessees recognize most leases on-balance sheet. This will increase their reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. This ASU is effective for the Company on February 1, 2019. This ASU will be applied prospectively. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

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3. CASH AND INVESTMENTS

Cash, cash equivalents, short-term investments, and long-term investments consisted of the following:

	As of January 31, 2016			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Cash	$14,362	$—	$—	$14,362
Cash equivalents:				
Commercial paper	31,576	4	—	31,580
Money market funds	105,787	—	—	105,787
Corporate debt securities	7,665	1	(3)	7,663
Total cash and cash equivalents	$159,390	$5	$(3)	$159,392
Marketable securities:				
Certificates of deposit	$7,000	$—	$—	$7,000
Commercial paper	47,692	1	(3)	47,690
Corporate debt securities	387,927	66	(464)	387,529
Foreign government securities	9,458	2	(8)	9,452
Variable-rate demand notes	215	—	—	215
Asset and mortgage-backed securities	21,002	2	(17)	20,987
Municipal bonds	13,797	11	(4)	13,804
Current marketable debt securities	$487,091	$82	$(496)	$486,677
Total cash, cash equivalents, and marketable debt securities	646,481	87	(499)	646,069

	As of January 31, 2015			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Cash	$29,135	$—	$—	$29,135
Cash equivalents:				
Commercial paper	48,207	3	—	48,210
Money market funds	100,872	—	—	100,872
Total cash and cash equivalents	$178,214	$3	$—	$178,217
Marketable securities:				
Certificates of deposit	$27,400	$—	$—	$27,400
Commercial paper	85,031	31	—	85,062
Corporate debt securities	416,391	112	(170)	416,333
Foreign government securities	10,851	—	(2)	10,849
Variable-rate demand notes	285	—	—	285
Asset and mortgage-backed securities	18,864	—	(3)	18,861
Municipal bonds	5,948	6	—	5,954
Current marketable debt securities	$564,770	$149	$(175)	$564,744
Total cash, cash equivalents, and marketable debt securities	$742,984	$152	$(175)	$742,961

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None of these investments were in a loss position for greater than twelve months as of January 31, 2016 and 2015.
Marketable securities
The Company’s investment securities portfolio consists of various debt instruments, including certificates of deposit, commercial paper, corporate bonds, asset and mortgage-backed securities, foreign government securities, variable-rate demand notes, and municipal bonds, all of which are classified as available-for-sale.
Other investment securities
TiVo has investments in private companies where the Company’s ownership is less than 20% and TiVo does not have significant influence. The investments are accounted for under the cost method and are periodically assessed for other-than-temporary impairment. The Company's cost basis in such investments was $2.7 million and $250,000 as of January 31, 2016 and 2015, respectively. Refer to Note 4. "Fair Value" for additional information on the impairment assessment of the investments.
Contractual Maturity Date
The following table summarizes the estimated fair value of the Company’s debt investments, designated as available-for-sale classified by the contractual maturity date of the security:

	As of January 31,	
	2016	2015
	(in thousands)	
Due within 1 year	$361,365	$451,571
Due within 1 year through 5 years	125,097	112,888
Due within 5 years through 10 years	—	—
Due after 10 years	215	285
Total	$486,677	$564,744

None of these investments were in a loss position for greater than twelve months as of January 31, 2016 and January 31, 2015.
4. FAIR VALUE
Inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect TiVo's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1	-	Quoted prices for identical instruments in active markets;
Level 2	-	Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
Level 3	-	Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires TiVo to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value. TiVo recognizes transfers between levels of the hierarchy based on the fair values of the respective financial instruments at the end of the reporting period in which the transfer occurred.
Cash equivalents and available-for-sale marketable securities (including asset and mortgage-backed securities) are reported at their fair value. Additionally, carrying amounts of certain of the Company’s financial instruments including accounts receivable, accounts payable, and accrued expenses approximate their fair value because of their short maturities. The Company has financial liabilities for which it is obligated to repay the carrying value, unless the holder agrees to a lesser amount. These financial liabilities include TiVo's convertible senior notes which mature in March 2016 (the "4.0% Notes due 2016") and October 2021 (the "2.0% Notes due 2021"). The fair

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values of TiVo's convertible senior notes are influenced by interest rates, TiVo's stock price and stock price volatility and are determined by Level 2 inputs. The carrying value of the 4.0% Notes due 2016 at January 31, 2016 and January 31, 2015 was $132.5 million and $172.5 million and the fair value was $133.0 million and $193.7 million, based on the notes' quoted market price as of January 31, 2016 and 2015, respectively. The carrying value of the 2.0% Notes due 2021 at January 31, 2016 and January 31, 2015 was $186.4 million and $180.1 million and the fair value was $195.5 million and $211.1 million, based on the note's quoted market price as of January 31, 2016 and 2015, respectively.

On a quarterly basis, TiVo measures at fair value certain financial assets and liabilities. The fair value of those financial assets and liabilities was determined using the following levels of inputs as of January 31, 2016 and January 31, 2015:

	As of January 31, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash equivalents:				
Commercial paper	$31,580	$—	$31,580	$—
Money market funds	105,787	105,787	—	—
Corporate debt securities	7,663	—	7,663	—
Short-term investments:				
Certificates of deposit	7,000	—	7,000	—
Commercial paper	47,690	—	47,690	—
Corporate debt securities	387,529	—	387,529	—
Foreign government securities	9,452	—	9,452	—
Variable-rate demand notes	215	—	215	—
Asset- and mortgage-backed securities	20,987	—	20,987	—
Municipal bonds	13,804	—	13,804	—
Contingent Liabilities				
Acquisition purchase consideration	10,098	—	—	10,098
Total	$641,805	$105,787	$525,920	$10,098

	As of January 31, 2015			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash equivalents:				
Commercial paper	$48,210	$—	$48,210	$—
Money market funds	100,872	100,872	—	—

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Short-term investments:				
Certificates of deposit	27,400	—	27,400	—
Commercial paper	85,062	—	85,062	—
Corporate debt securities	416,333	—	416,333	—
Foreign government securities	10,849	—	10,849	—
Variable-rate demand notes	285	—	285	—
Asset- and mortgage-backed securities	18,861	—	18,861	—
Municipal bonds	5,954	—	5,954	—
Total	$713,826	$100,872	$612,954	$—

Level 1 Measurements
TiVo's cash equivalents held in money market funds are measured at fair value using Level 1 inputs.
Level 2 Measurements
The Company uses inputs such as broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets and liabilities. The Company uses such pricing data as the primary input to make its assessments and determinations as to the ultimate valuation of its investment portfolio and has not made, during the periods presented, any material adjustments to such inputs.
Level 3 Measurements
The fair value of contingent purchase consideration arising from the acquisition of Cubiware (See Note 19. Acquisitions) is determined based on a probability-based approach that includes significant unobservable inputs which include projected revenues and EBITDA, percentage probability of occurrence, and a discount rate to calculate the present value of future cash earn-out payments. A significant change in these inputs could result in a significantly higher or lower fair value measurement. The fair value of contingent purchase consideration is calculated on a quarterly basis. Any change in the fair value is recorded to interest expense and other expense, net of that period. The change in the fair value of the Company’s contingent purchase consideration liability is as follows:

	Fair Value (in thousands)
As of May 22, 2015	$9,429
Add: Change in fair value of contingent purchase consideration	669
As of January 31, 2016	$10,098

Quantitative information about our Level 3 fair value measurement during the fiscal ended January 31, 2016 for contingent purchase consideration is as follows:

Unobservable Inputs	Range
Total expected payments (in thousands)	$12,705 - $13,013
Time-to-payments (weighted average)	1.65 yrs - 1.69 yrs
Discount rate	15%

The Company did not have any transfers between Level 1, Level 2, and Level 3 fair value measurements during the periods presented as there were no changes in the composition of Level 1, 2, or 3 securities.
TiVo also has a direct investment in a privately-held company accounted for under the cost method, which is periodically assessed for other-than-temporary impairment. If the Company determines that an other-than-temporary impairment has occurred, TiVo will write-down the investment to its fair value. The fair value of a cost method investment is not evaluated if there are no identified events or changes in circumstances that may have a

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significant adverse effect on the fair value of the investment. However, if such significant adverse events were identified, the Company would estimate the fair value of its cost method investment considering available information at the time of the event, such as pricing in recent rounds of financing, current cash position, earnings and cash flow forecasts, recent operational performance, and any other readily available data. The carrying amount of the Company's cost method investments was $2.7 million as of January 31, 2016 and $250,000 as of January 31, 2015. No events or circumstances indicating a potential impairment were identified as of or during the fiscal years ended January 31, 2016 and 2015.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	As of January 31, 2016	2015
	(In thousands)	
Furniture and fixtures	4,639	4,455
Computer and office equipment	22,240	20,676
Lab equipment	5,247	4,470
Leasehold improvements	10,140	10,005
Capitalized internal use software	26,551	24,269
Total property and equipment	68,817	63,875
Less: accumulated depreciation and amortization	(56,188)	(52,021)
Property and equipment, net	12,629	11,854

Depreciation and amortization expense for property and equipment for the fiscal years ended January 31, 2016, 2015, and 2014 was $6.6 million, $5.6 million, and $5.5 million, respectively. Additionally, the Company recognized non-cash impairment charges of $4.8 million in the twelve months ended January 31, 2014 of which $296,000 was related to capitalized internal use software associated with assets acquired in its acquisition of TiVo Research. The Company recognized no non-cash impairment charges during the fiscal years ended January 31, 2016 and 2015.

6. DEVELOPED TECHNOLOGY AND INTANGIBLE ASSETS, NET

Developed technology and intangible assets, net consists of the following:

	As of January 31, 2016			2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Developed technology	$32,359	$(13,403)	$18,956	$24,359	$(8,485)	$15,874
Intellectual property rights	19,318	(19,115)	203	19,318	(18,743)	575
Customer relationships and trade names	47,421	(8,953)	38,468	39,410	(4,049)	35,361
Developed technology and intangible assets	$99,098	$(41,471)	$57,627	$83,087	$(31,277)	$51,810

During the fiscal year ended January 31, 2016 the Company acquired intangible assets of $16.7 million with a weighted average life of 6.84 years. See Note 19, Acquisitions for details of the acquisition.

Developed technology and intellectual property rights are amortized to costs of service and software revenues. Customer relationships and Trade names are amortized to Sales and marketing expenses.

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The Company recognized no non-cash impairment charges during the twelve months ended January 31, 2016 or 2015. The Company recognized non-cash impairment charges of $4.8 million during the fiscal year ended January 31, 2014 of which $4.5 million was related to intangible assets acquired as part of the TiVo Research acquisition. The lower than expected profitability indicated that the carrying value of these assets exceeded their estimated fair values as determined by future discounted cash flow projections. When projecting the stream of future cash flows associated with TiVo Research for purposes of determining long-lived asset recoverability, management makes assumptions, incorporating market conditions, sales growth rates, gross profit, and operating expenses. The impairment charge of $3.0 million associated with impairment of developed technology is included in the cost of service revenues and $1.5 million associated with the impairment of customer relationships and trade names is included sales and marketing expenses for the fiscal year ended January 31, 2014.

The total expected future annual amortization expense related to developed technology, intellectual property rights, customer relationships, and trade names is calculated on a straight-line basis, using the estimated useful lives of the assets, which range from two to ten years. Amortization expense for the fiscal years ended January 31, 2016, 2015, and 2014, was $10.3 million, $8.2 million, and $4.3 million, respectively. As of January 31, 2016, the estimated future annual amortization expense is set forth in the table below:

Fiscal Year Ending January 31,	Estimated Annual Amortization Expense
	(In thousands)
2017	11,271
2018	9,888
2019	8,745
2020	8,689
2021	5,243
Thereafter	13,791
Total	$57,627

7. INVENTORY

Inventory was as follows:

	As of January 31,	
	2016	2015
	(in thousands)	
Raw Materials	$1,378	$1,473
Finished Goods	16,157	18,868
Total Inventory	$17,535	$20,341

8. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

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	As of January 31, 2016	2015
	(In thousands)	
Compensation and vacation	$20,796	$24,625
Marketing and promotions	1,198	2,656
Legal services	1,104	3,453
Redeemable gift certificates for subscriptions	2,350	2,370
Interest payable	3,521	4,236
Royalties	7,524	8,042
Transition and restructuring	6,493	—
Guaranteed and contingent purchase consideration, current	5,417	—
Other	4,902	9,049
Total accrued liabilities	$53,305	$54,431

9. COMMITMENTS AND CONTINGENCIES

Product Warranties

The Company’s standard manufacturer's warranty period to consumers for TiVo-enabled DVRs is 90 days for parts and labor from the date of consumer purchase, and from 91-365 days for parts only. Within the limited warranty period, consumers are offered a no-charge exchange for TiVo-enabled DVRs returned due to product defect, within 90 days from the date of consumer purchase. Thereafter, consumers may exchange a TiVo-enabled DVR with a product defect for a variable charge. The Company also includes a warranty through its Continual Care program to TiVo-Owned customers who use Roamio and BOLT DVRs for as long as they are monthly or annual subscribers to our service. The Company recognizes the cost associated with the Continual Care warranties at the time of the DVR sale. As of January 31, 2016 and January 31, 2015, the accrued warranty reserve was $401,000 and $471,000, respectively. The Company’s accrued warranty reserve is included in accrued liabilities in the accompanying Consolidated Balance Sheets.

The Company also offers its TiVo-Owned customers who purchase a lifetime subscription separately priced optional 2-year and 3-year extended warranties. The Company defers and amortizes cost and revenue associated with the sales of these extended warranties over the warranty period or until a warranty is redeemed. Additionally the Company offers its MSO customers separately priced optional 3-year extended warranties. The Company recognizes the revenues associated with the sale of these MSO extended warranties over the second and third year of the warranty period. The extended warranty for MSOs applies through the end of the period of warranty. As of January 31, 2016, the extended warranty deferred revenue and cost was $1.9 million and $180,000, respectively. As of January 31, 2015, the extended warranty deferred revenue and cost was $2.1 million and $263,000, respectively.

Purchase Commitments with Contract Manufacturers and Suppliers

The Company purchases components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for its products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, the Company enters into agreements with the Company's contract manufacturer and suppliers that either allow them to procure inventory based upon criteria as defined by the Company or that establish the parameters defining the Company’s requirements. A significant portion of the Company’s reported purchase commitments arising from these agreements consists of firm, noncancelable, and unconditional purchase commitments. In certain instances, these agreements allow the Company the option to cancel, reschedule, and adjust the Company’s requirements based on its business needs prior to firm orders being placed. As of January 31, 2016 the Company had total purchase commitments for inventory of $10.1 million.

Indemnification Arrangements

The Company undertakes indemnification obligations in its ordinary course of business. For instance, the Company has undertaken to indemnify its underwriters and certain investors in connection with the issuance and sale of its securities and the Company provides indemnification for its directors and officers in accordance with Delaware law. The Company has also undertaken to indemnify certain customers and business partners for, among other things, the licensing of its products, the sale of its DVRs, and the provision of engineering and consulting

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services. Pursuant to these agreements, the Company may indemnify the other party for certain losses suffered or incurred by the indemnified party in connection with various types of claims, which may include, without limitation, intellectual property infringement, advertising and consumer disclosure laws, certain tax liabilities, negligence and intentional acts in the performance of services and violations of laws, including certain violations of securities laws with respect to underwriters and investors. The term of these indemnification obligations is generally perpetual. The Company's obligation to provide indemnification under its agreements with customer and business partners would arise in the event that a third party filed a claim against one of the parties that was covered by the Company's indemnification obligation. As an example, if a third party sued a customer for intellectual property infringement and the Company agreed to indemnify that customer against such claims, its obligation would be triggered.

The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to its indemnification obligations, if any. Variables affecting any such assessment include but are not limited to: the nature of the claim asserted; the relative merits of the claim; the financial ability of the party suing the indemnified party to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. Due to the nature of the Company's potential indemnity liability, its indemnification obligations could range from immaterial to having a material adverse impact on its financial position and its ability to continue operation in the ordinary course of business.

Under certain circumstances, the Company may have recourse through its insurance policies that would enable it to recover from its insurance company some or all amounts paid pursuant to its indemnification obligations. The Company does not have any assets held either as collateral or by third parties that, upon the occurrence of an event requiring it to indemnify a customer, the Company could obtain and liquidate to recover all or a portion of the amounts paid pursuant to its indemnification obligations.

Legal Matters

From time to time, the Company is involved in numerous lawsuits as well as subject to various legal proceedings, claims, threats of litigation, and investigations in the ordinary course of business, including claims of alleged infringement of third-party patents and other intellectual property rights, commercial, employment and other matters. The Company assesses potential liabilities in connection with each lawsuit and threatened lawsuits and accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. While certain matters to which the Company is a party specify the damages claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of the litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated. As of January 31, 2016, the Company has not accrued any pre-judgment liability for any lawsuits filed against the Company, as the Company has neither determined that it is probable that a liability has been incurred at the date of the financial statements nor that the amount of any loss can be reasonably estimated. The Company expenses legal costs as they are incurred.

On September 8, 2015, the Company filed a complaint against Samsung Electronics Co., LTD, Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC. ("Samsung") in the United States District Court for the Eastern District of Texas. The complaint asserts U.S. Patent No. 6,233,389, titled "Multimedia Time Warping System," U.S. Patent No. 6,792,195, titled "Method And Apparatus Implementing Random Access And Time-Based Functions On A Continuous Stream Of Formatted Digital Data," U.S. Patent No. 7,558,472, titled "Multimedia Signal Processing System," and U.S. Patent No. 8,457,476, titled "Multimedia Signal Processing System." The complaint claims that Samsung infringes the Company's patents by making and selling Samsung DVRs and mobile devices, and related software, that fall within the scope of one or more claims of the Company's patents. The Company's complaint also claims that Samsung's infringement is willful, and seeks, among other things, an unspecified amount in damages as well as an injunction. On November 17, 2015, Samsung filed an answer denying the Company's allegations. On February 11, 2016, Samsung amended its answer to assert U.S. Patent No. 5,978,043, titled "TV Graphical User Interface That Provides Customized Lists Of Programming," U.S. Patent No. 6,181,333, titled "Television Graphical User Interface Having Channel And Program Sorting Capabilities," U.S. Patent No. 7,231,592, titled "Method And

Apparatus For A Home Network Auto-Tree Builder," and U.S. Patent No. 8,233,090, titled "Method Of Linkage-Viewing TV Broadcasting Program Between Mobile Communication Apparatus And Digital TV, And Mobile Communication Apparatus And Digital TV Thereof" against the Company. In its amended answer, Samsung counterclaims that the Company infringes Samsung's patents by

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making and selling TiVo DVRs, and related software, that fall within the scope of one or more claims of Samsung's patents. Samsung's complaint claims that the Company's infringement is willful, and seeks, among other things, damages in an unspecified amount. On February 22, 2016, the Court issued a preliminary scheduling order, setting jury selection for March 6, 2017. The Company expects to incur material expenses in connection with this matter.

On November 24, 2015, Dolby Laboratories Licensing Corporation & Dolby International AB ("Dolby") formally notified TiVo that TiVo was in material breach of certain provisions in license agreements with Dolby and that TiVo had 30 days to cure the breaches or Dolby would terminate those license agreements. Dolby alleged that TiVo owes Dolby approximately $1.7 million in connection with TiVo's alleged failure to properly report and pay royalties for sales of certain TiVo hardware and software products, including accrued interest. Dolby further alleged that TiVo owed Dolby approximately $8.7 million in connection with certain third-party hardware products that run TiVo software. TiVo notified Dolby that it does not agree with the results of its audit nor with its assertions that TiVo's activities in connection with third-party hardware products in any way breach any of TiVo's license agreements with Dolby. In late December 2015, in the interest of avoiding termination of those license agreements, TiVo tendered the $1.7 million sum, subject to a reservation of rights. The Company expensed $1.1 million as cost of revenues and $0.4 million as interest expense and other income (expense) in the fiscal year ended January 31, 2016. The remaining $0.2 million was expensed in prior periods. On February 18, 2016, Dolby served a further notice of material breach in which Dolby asserted TiVo continues to be in material breach of the same provisions of Dolby's license agreements with TiVo that Dolby previously notified TiVo in November 2015. TiVo intends to defend against these assertions vigorously; however, TiVo may incur material legal expenses and higher royalty costs if this contractual dispute results in litigation and in the event there is an adverse outcome, TiVo's business could be harmed. No additional loss is considered probable at this time and TiVo estimates that the range of possible loss could be between $0 and $8.7 million (plus accrued interest) at this time.

On June 15, 2011, TNS Media Research, LLC (d/b/a Kantar Media Audiences, or Kantar) brought a claim for declaratory judgment against TRA Global Inc. (which was acquired by TiVo in July 2012) in the United States District Court for the Southern District of New York alleging non-infringement of United States Patent No. 7,729,940 entitled "Analyzing Return on Investment of Advertising Campaigns by Matching Multiple Data Sources" (the "940 Patent") and its affiliate Cavendish Square Holding B.V. brought a claim for breach of contract of a Voting Agreement. On June 6, 2012 TiVo Research filed an amended answer and counterclaims alleging affirmative defenses and counterclaims alleging infringement by Kantar of the 940 Patent as well as United States Patent No. 8,000,993 entitled "Using Consumer Purchase Behavior For Television Targeting" (the "993 Patent") and United States Patent No. 8,112,301 with the same title as the 993 Patent. TiVo Research also asserted counterclaims for aiding and abetting breach of fiduciary duty, misappropriation of trade secrets, and breach of contract. TiVo Research is seeking damages and injunctive relief, as well as other remedies. The defendants deny TiVo Research's allegations. With respect to the claims alleging patent infringement by Kantar, on February 22, 2016, the District Court entered an order granting Kantar's motion for summary judgment of invalidity under Section 101 as to each of TiVo Research's asserted patent claims. Trial on TiVo Research's non-patent claims remains scheduled for May 23, 2016.

Facilities Leases

The Company leases its corporate headquarters, located in San Jose, California, comprising a total of 176,254 square feet of office space. The corporate headquarters houses its administrative, sales and marketing, customer service, and product development activities, under a lease that expires on January 31, 2017. The Company also has operating leases for sales and administrative office space in New York City, New York; Denver, Colorado; Durham, North Carolina and Warsaw, Poland. The leases generally provide for base monthly payments with built-in base rent escalations periodically throughout the lease term. All the Company's property leases are deemed operating leases. Rent expense is recognized using the straight-line method over the lease term and for fiscal years ended January 31, 2016, 2015, and 2014 was $3.6 million, $3.4 million, and $3.2 million, respectively. Operating lease cash payments for the fiscal years ended January 31, 2016, 2015, and 2014 were $3.7 million, $3.7 million, and $3.7 million, respectively. Future minimum operating lease payments as of January 31, 2016, are as follows:

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Fiscal Year Ending January 31,	Lease Payments (In thousands)
2017	$3,750
2018	$722
2019	$545
Total	$5,017

10. TRANSITION AND RESTRUCTURING

Our transition and restructuring costs and liabilities relate to the Transition Agreement entered into with our former chief executive officer, Thomas Rogers, effective as of January 30, 2016, pursuant to which Mr. Rogers will receive the compensation and benefits under his employment agreement. The total transition and restructuring charge during the twelve months ended January 31, 2016 was $12.8 million which was comprised of a cash sum equal to $5.4 million, stock-based compensation of $6.4 million from fully accelerating the vesting of all unvested equity-related awards held by Mr. Rogers, and legal and other expenses of $1.0 million. These costs are incremental expenses to compensation expenses related to Mr. Rogers services as chief executive officer through January 29, 2016, which were recorded as general and administrative expenses. Equity-related awards with accelerated vesting included 1,065,916 market-based awards, 341,666 restricted stock awards, and 240,000 stock-settled restricted stock units.

As of January 31, 2016, the transition and restructuring liabilities of $6.5 million are included in the accrued liabilities line item in our Consolidated Balance Sheets. These liabilities will be paid at various dates through December 31, 2016.

11. CONVERTIBLE SENIOR NOTES

The following table reflects the carrying value of the Company's convertible senior notes:

	As of January 31,	
	2016	2015
	(in thousands)	
4.0% Notes due 2016	$132,500	$172,500
2.0% Notes due 2021	230,000	230,000
Less: Unamortized debt discount	(43,638)	(49,938)
Net carrying amount of 2.0% Notes due 2021	186,362	180,062
Total convertible debt	318,862	352,562
Less: Convertible short-term debt	132,500	—
Convertible long-term debt	$186,362	$352,562

4.0% Convertible Notes Due 2016: In March 2011, the Company issued $172.5 million aggregate principal amount of 4.0% Convertible Senior Notes due March 15, 2016 at par. The 4.0% Notes due 2016 may be converted under certain circumstances described below, based on an initial conversion rate of 89.6359 shares of common stock per $1,000 principal amount of notes (which represents an initial conversion price of approximately $11.16 per share). The net proceeds to the Company from the sale of the 4.0% Notes due 2016 were approximately $166.1 million. The notes do not have cash settlement provisions.

The following table presents the amount of interest cost recognized relating to the contractual interest coupon and amortization of issuance costs of the 4.0% Notes due 2016:

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	Fiscal Year Ended January 31,	
	2016	2015
	(In Thousands)	
Contractual interest coupon	$6,376	$6,900
Amortization of debt issuance costs	884	961
Total interest cost recognized	$7,260	$7,861

Holders of the 4.0% Notes due 2016 may convert the notes at their option on any day through maturity. The notes may not be redeemed by the Company prior to their maturity date. The conversion rate will be adjusted for certain dilutive events and will be increased in the case of corporate events that constitute a “Make-Whole Fundamental Change” (as defined in the indenture governing the notes). The holders of the notes will have the ability to require the Company to repurchase the notes in whole or in part upon the occurrence of an event that constitutes a “Fundamental Change” (as defined in the indenture governing the notes including such events as a "change in control" or "termination of trading"). In such case, the repurchase price would be 100% of the principal amount of the notes plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date.

In September 2015, the Company repurchased 4.0% Notes due 2016 with a face value of $40.0 million on the open market at the market value of the notes on the date of the repurchase. The Company paid a total of $41.0 million in cash comprised of $40.0 million in principal and $1.0 million in premium and commissions. The Company recognized a loss on the repurchase of $1.1 million in Interest expense and other expense, net. The loss consisted of $1.0 million in premiums and commissions and $101,000 in unamortized issuance costs relating to the $40.0 million repurchased.

The Company pays cash interest at an annual rate of 4.00%, payable semi-annually on March 15 and September 15 of each year through maturity. Debt issuance costs were approximately $6.4 million and are amortized to interest expense over the term of the 4.0% Notes due 2016. As of January 31, 2016, unamortized deferred issuance cost was $91,000.

The 4.0% Notes due 2016 are unsecured senior obligations of the Company.

2.0% Convertible Notes Due 2021. In September 2014, the Company issued $230.0 million in aggregate principal amount of 2.0% Convertible Senior Notes due October 1, 2021 at par. The 2.0% Notes due 2021 may be converted under certain circumstances described below, based on an initial conversion rate of 56.1073 shares of common stock per $1,000 principal amount of notes (which represents an initial conversion price of approximately $17.82 per share). The net proceeds to the Company from the sale of the 2.0% Notes due 2021 were approximately $223.6 million. The Company can settle the notes in cash, shares of common stock, or any combination thereof.

The Company separately accounts for the liability and equity components of the 2.0% Notes due 2021. The principal amount of the liability component of $177.9 million as of the date of issuance was recognized at fair value based on the present value of its cash flows using a discount rate of 6.0%; the Company’s borrowing rate at the date of the issuance for a similar debt instrument without the conversion feature. The residual $52.1 million was allocated to the equity component and accounted for as a discount on the notes. As of January 31, 2016, the carrying value of the equity component was unchanged from the date of issuance. The Company initially reduced stockholders' equity by $19.3 million due to the deferred tax liability related to the equity component of the notes.

The following table presents the amount of interest cost recognized relating to the contractual interest coupon, amortization of issuance costs and amortization of the discount on the liability component of the 2.0% Notes due 2021:

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	Fiscal Year Ended January 31,	
	2016	2015
	(In Thousands)	
Contractual interest coupon	$4,600	$1,648
Amortization of debt issuance cost	702	250
Amortization of debt discount	6,301	2,171
Total interest cost recognized	$11,603	$4,069

The effective interest rate on the liability component of the 2.0% Notes due 2021 was 6.0%. The remaining unamortized debt discount of $43.6 million as of January 31, 2016 will be amortized over the remaining life of the 2.0% Notes due 2021, which is approximately 5.7 years.

Holders of the 2.0% Notes due 2021 may convert the notes at their option on any day prior to the close of business on the business day immediately preceding July 1, 2021 only under the following circumstances: (1) during the five business day period after any 10 consecutive trading day period (the "Measurement Period") in which the trading price per Note for each day of that Measurement Period was less than 98% of the product of the closing sale price of our common stock and the conversion rate on each such day; (2) during any calendar quarter after the calendar quarter ending December 31, 2014, if the last reported sale price of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the applicable conversion price in effect on each such trading day; or (3) upon the occurrence of specified corporate events. The Notes will be convertible, regardless of the foregoing circumstances, at any time from, and including, July 1, 2021 until the close of business on the second scheduled trading day immediately preceding the applicable maturity date. The notes may not be redeemed by the Company prior to their maturity date.

Upon conversion the Company will pay cash and, if applicable, deliver shares of its common stock, based on a "Daily Conversion Value" calculated on a proportionate basis for each "VWAP Trading Day" (each as defined in the Indenture) of the relevant 20 VWAP Trading Day observation period. The Company intends to settle the principal amount owed with respect to any 2% Notes due 2021 in cash and to settle the remaining amount in shares of the Company's common stock. The initial conversion rate for the Notes is 56.1073 shares of common stock per $1,000 in principal amount of Notes, equivalent to a conversion price of approximately $17.82 per share of common stock. The conversion rate is subject to customary anti-dilution adjustments. Upon the occurrence of a "make-whole fundamental change" (as defined in the Indenture), the Company will in certain circumstances increase the conversion rate for a holder who elects to convert its 2.0% Notes due 2021 in connection with such a make-whole fundamental change.

The Company will pay cash interest on the 2.0% Notes due 2021 at an annual rate of 2.00%, payable semi-annually in arrears on April 1 and October 1 of each year beginning April 2015. Debt issuance costs were approximately $6.4 million, of which $1.4 million was allocated to additional paid-in capital and $5.0 million was allocated to deferred issuance costs and is amortized to interest expense over the term of the 2% Notes due 2021. As of January 31, 2016, unamortized deferred issuance cost was $4.0 million.

The 4.0% Notes due 2016 and the 2.0% Notes due 2021 are equal in rank.

Concurrently with the issuance of the 2.0% Notes due 2021, the Company purchased convertible note hedges and sold warrants. The convertible note hedge and warrant transactions are structured to reduce the potential future economic dilution associated with the conversion of the 2.0% Notes due 2021. The strike price on the warrant transactions related to the 2% Notes is initially $24.00 per share, which is 75% above the closing price of TiVo's common stock on September 16, 2014.

Convertible Note Hedge Transactions. Counterparties entered into convertible note hedge transactions with the Company covering approximately 12.9 million shares of the Company's common stock, which is the number of shares initially underlying the 2.0% Notes due 2021. The convertible note hedge transactions, which have an initial strike price of $17.82 (corresponding to the initial conversion price of the 2.0% Notes due 2021) may be settled through net share settlement (in which case the Company will receive shares of common stock based on the amount by which the market price of the Company's common stock, as measured under the convertible note hedge transactions, exceeds the strike price of the convertible note hedge transactions), cash settlement (in which case the Company will receive cash in lieu of the shares deliverable upon net share settlement), or a combination

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thereof, which settlement method will generally correspond to the settlement method elected with respect to the 2.0% Notes due 2021. The convertible note hedge transactions are only exercisable upon conversions of the 2.0% Notes due 2021 and will expire upon the earlier of the maturity date of the 2.0% Notes due 2021 or the date on which the 2.0% Notes due 2021 cease to be outstanding. Settlement of the convertible note hedge transactions through net share settlement is expected to result in the Company receiving a number of shares equal to the number of shares issuable by the Company upon net share settlement of the 2.0% Notes due 2021. The convertible note hedge transactions cost of $54.0 million has been accounted for as an equity transaction. The Company initially recorded approximately $20.0 million in stockholders' equity from the deferred tax asset related to the convertible note hedges at inception of the transactions. As of January 31, 2016 the Company had not received any shares under the convertible note hedge transactions.

Warrants. Concurrently with the purchase of the convertible note hedge transactions, the Company received $30.2 million from the sale to the counterparties to the convertible note hedge transactions of warrants to purchase up to approximately 12.9 million shares of the Company's common stock at an initial strike price of $24.00 per share. The warrants expire on various dates between January 1, 2022 and March 29, 2022 and are exercisable on their expiration dates. The warrants may be settled through net share settlement (in which case the Company will be required to deliver to the counterparties a number of shares based on the amount by which the market price of the Company's common stock, as measured under the warrants, exceeds the strike price of the warrants) or, at the Company's option, subject to certain conditions, through cash settlement (in which case the Company will owe the counterparties cash in lieu of the shares deliverable upon net share settlement). As of January 31, 2016, the warrants had not been exercised and remained outstanding. The value of the warrants was initially recorded in equity and continues to be classified as equity.

12. EQUITY INCENTIVE PLANS

1999 Equity Incentive Plan

In April 1999, the Company's stockholders approved the 1999 Equity Incentive Plan (the 1999 Plan). No stock-based awards were granted after the 1999 Plan from August 6, 2008. Any awards granted under the 1999 plan that are canceled after August 6, 2008 become available for grant under the 2008 Plan.

1999 Employee Stock Purchase Plan

In July 1999, the Company adopted the 1999 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"). The Employee Stock Purchase Plan provides a means for employees to purchase TiVo common stock through payroll deductions of up to 15% of their base compensation. The Company offers the common stock purchase rights to eligible employees, generally all full-time employees who have been employed for at least 10 days. This plan allows for common stock purchase rights to be granted to employees of TiVo at a price equal to the lower of 85% of the fair market value on the first day of the offering period or on the common stock purchase date. This plan incorporates up to a one-year look back feature in its provisions which resets the offering price during the one-year look back period if the Company's common stock purchase price on the purchase date is lower than its price on the commencement of the offering. Each offering consists of up to two purchase periods. The purchase periods are generally six months in length and begin January 1 and July 1 of each year. Under the Employee Stock Purchase Plan, the Board may, in the future, specify offerings up to 27 months. As of January 31, 2016, the total number of shares reserved for issuance under this plan is 10,000,000. As of January 31, 2016, 565,268 shares remain available for future purchases.

2008 Equity Incentive Award Plan

In August 2008, the Company's stockholders approved the 2008 Equity Incentive Award Plan (the "2008 Plan"). The 2008 Plan permits the granting of stock options, non-vested stock awards (also known as restricted stock), stock appreciation rights, performance share awards, performance stock-unit awards, dividend equivalents awards, stock payment awards, deferred stock awards, performance bonus wards, and performance-based awards. The 2008 Plan allows the grant of options to purchase shares of the Company's common stock to employees and other individuals at a price equal to the fair market value of the common stock at the date of grant. The options granted to new employees typically vest 25% after the first year of service, and the remaining 75% vest monthly over the next 36 months. The vesting period for options granted to continuing employees may vary, but typically vest monthly over a 48 month period. Annual grants of restricted stock made to continuing employees typically vest 17% every 6 months over a 36 months period. Options expire 7 years after the grant date, based on continued service. If the optionee's service terminates, options expire 90 days from the date of termination except under certain circumstances such as death or disability. The number of shares authorized for option grants under the 2008 Plan is 36,076,116. Any awards granted under the 1999 plan that are canceled after August 6, 2008 become available for

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grant under the 2008 Equity Incentive Award Plan. Any grants of restricted stock awards will reduce shares available for grant at a 1.5:1 ratio. Under the 2008 Equity Incentive Award Plan, in general, grants of full value awards (as defined in the plan but generally relate to restricted stock and similar awards) must vest over a period of not less than three years (or, in the case of vesting based upon the attainment of performance goals or other performance-based objectives, over a period of not less than one year measured from the commencement of the period over which performance is evaluated) following the date the award is granted. As of January 31, 2016, 6,332,232 shares remain available for future stock based award grants.

In the event of a change in control of the Company and subsequent termination of certain employees, 25% to 100% of unvested awards would be subject to acceleration as of the date of such termination.

Stock Options Activity

A summary of the stock options activity and related information for the fiscal years ended January 31, 2016, 2015, and 2014 is as follows:

	Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 31, 2013	8,657	$7.42	3.84	$51,431
Grants	235	12.12		
Exercises	(1,014)	7.76		
Forfeitures or expirations	(214)	9.89		
Outstanding at January 31, 2014	7,664	$7.45	2.94	$38,064
Grants	8	12.39		
Exercises	(835)	7.41		
Forfeitures or expirations	(108)	11.93		
Outstanding at January 31, 2015	6,729	$7.40	1.96	$21,179
Grants	—	—		
Exercises	(2,136)	6.63		
Forfeitures or expirations	(46)	11.38		
Outstanding at January 31, 2016	4,547	$7.71	1.48	$3,890

The aggregate intrinsic value in the preceding table is based on options with an exercise price less than the Company's closing stock price of $7.98 as of January 31, 2016, which would have been received by the option holders had those option holders exercised their options as of that date. Total intrinsic value of options exercised was $8.8 million, $4.5 million, and $4.8 million for the twelve months ended January 31, 2016, 2015, and 2014, respectively.

The following table summarizes information about options outstanding at January 31, 2016:

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Range of Exercise Prices			Options Outstanding Number of Shares (in thousands)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable Options Number of Shares (in thousands)	Weighted Average Exercise Prices
$	5.25 - $	5.25	7	0.89	$5.25	7	$5.25
$	5.53 - $	6.18	1,401	1.13	$6.18	1,401	$6.18
$	6.39 - $	6.71	625	0.38	$6.57	625	$6.57
$	6.78 - $	7.38	256	1.15	$7.32	256	$7.32
$	7.49 - $	7.49	545	1.39	$7.49	545	$7.49
$	7.54 - $	8.87	251	1.55	$8.11	248	$8.11
$	8.94 - $	8.94	762	2.15	$8.94	762	$8.94
$	8.95 - $	10.73	459	2.16	$9.73	442	$9.73
$	10.80 - $	17.16	236	3.47	$12.38	176	$12.46
$	18.17 - $	18.17	5	1.22	$18.17	5	$18.17
Total			4,547	1.48	$7.71	4,467	$7.65

Net cash proceeds from the exercise of stock options were $8.0 million, $5.9 million, and $7.9 million for the twelve months ended January 31, 2016, 2015, and 2014, respectively. Information regarding stock options outstanding at January 31, 2016 is summarized as follows:

	Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding	4,547	$7.71	1.48	$3,890
Options vested and expected to vest	4,541	$7.71	1.48	$3,890
Options exercisable	4,467	$7.65	1.43	$3,890

Restricted Stock Awards ("RSAs") / Restricted Stock Units ("RSUs")

The Company had 5.2 million RSAs and RSUs outstanding as of January 31, 2016. The grant of these RSAs and RSUs has been deducted from the shares available for grant under the Company’s stock option plans. Aggregate intrinsic value of RSAs and RSUs at January 31, 2016 was $41.2 million based on the Company’s closing stock price on January 31, 2016. The total fair value of RSAs and RSUs vested was $24.6 million, $33.7 million, and $38.6 million for the twelve months ended January 31, 2016, 2015, and 2014, respectively.

The following table summarizes the activities for the Company’s unvested RSAs and RSUs for the three years ended January 31, 2016, 2015, and 2014:

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	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Unvested stock at January 31, 2013	5,477	$10.85
Granted	2,979	$12.27
Vested	(3,197)	$12.08
Forfeited	(472)	$11.47
Unvested stock at January 31, 2014	4,787	$11.88
Granted	2,834	$11.05
Vested	(2,789)	$12.08
Forfeited	(272)	$11.61
Unvested stock at January 31, 2015	4,560	$11.26
Granted	2,812	$9.86
Vested	(2,049)	$12.03
Forfeited	(156)	$11.64
Unvested stock at January 31, 2016	5,167	$10.09

Performance and Market-Based Awards

In fiscal year 2010, the Company awarded 300,000 shares of restricted stock to the Company’s former Chief Executive Officer that would vest over a five-year period. The vesting conditions of these awards are tied to the market value of the Company's common stock. The fair value of these 300,000 shares of market-based restricted stock units was estimated using a Monte-Carlo analysis. On March 28, 2013 the board approved the modification of 240,000 unvested shares of the market-based awards and extends the performance period to January 31, 2018. Total compensation cost recognized related to these market-based awards was approximately $359,000, $600,000, and $519,000 for the fiscal years ended January 31, 2016, 2015, and 2014, respectively. Additionally, vesting of these shares awarded to the Company's former Chief Executive Officer were accelerated as part of his transition agreement resulting in an additional one-time charge of $300,000. Refer to Note 10 for further information on his transition agreement.

In fiscal year 2012, the Company awarded 225,000 shares of restricted stock to the Company's former Chief Executive Officer that would vest over a three-year period. The vesting conditions of 150,750 shares are tied to the subscriptions and annual gross margin performance. The performance goals were met during the fiscal year ended January 31, 2013. The remaining 74,250 shares are tied to the market value of the Company's common stock. The fair value of 74,250 shares of market-based restricted stock awards was estimated using a Monte-Carlo analysis. The probability of satisfying a market condition is also considered in the estimate of grant-date fair value when the Monte Carlo simulation is used. On March 28, 2013 the board approved the modification of 74,250 unvested shares of the market-based awards and extends the performance period to January 31, 2018. Total compensation cost recognized was $77,000, $129,000 and $628,000 for the fiscal years ended January 31, 2016, 2015 and 2014 respectively. Additionally, vesting of these shares awarded to the Company's former Chief Executive Officer were accelerated as part of his transition agreement resulting in an additional one-time charge of $64,000. Refer to Note 10 for further information on his transition agreement.

In fiscal year 2014, the Company awarded 275,000 shares of restricted stock in the aggregate to the Company's former Chief Executive Officer that would vest over the shorter of a three-year period or upon achievement of specified performance conditions. The vesting conditions of 275,000 shares are tied to the annual Adjusted EBITDA performance or the market value of the Company's common stock. In addition, the Company also awarded 150,248 shares of restricted stock to certain executive officers and will vest immediately upon achievement of the goal. The performance goals were met and total compensation cost recognized was $3.6 million for the fiscal year ended January 31, 2014.

In fiscal year 2015, the Company awarded 450,000 shares of restricted stock to the Company's former Chief Executive Officer that would vest over the four-year period. The vesting conditions of these 450,000 shares are tied to TiVo's total shareholder return as compared to the total shareholder return of the companies comprising the Russell 2000

Index during the vesting period. In addition, the Company also awarded 289,748 shares of restricted stock in the aggregate to certain executive officers that have similar vesting periods and conditions as those described for our Chief Executive Officer. The fair value of these shares of market-based restricted stock units was

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estimated using a Monte-Carlo analysis and was calculated to be $6.4 million. As the measurement period of these goals is over multiple years, no goals have yet been achieved. Total compensation cost recognized was $2.2 million and $1.6 million for the fiscal years ended January 31, 2016 and 2015. Additionally, vesting of the 450,000 shares awarded to the Company's former Chief Executive Officer was accelerated as part of his transition agreement resulting in an additional one-time charge of $1.4 million. Refer to Note 10 for further information on his transition agreement. As of January 31, 2016, $743,000 of total unrecognized compensation cost related to the 289,748 awards granted to other executives is expected to be recognized over the remaining vesting period of 2 years.

In fiscal year 2016, the Company awarded 450,000 shares of restricted stock to the Company's former Chief Executive Officer that would vest over the four-year period. The vesting conditions of these 450,000 shares are tied to TiVo's total shareholder return as compared to the total shareholder return of the companies comprising the Russell 2000 Index during the vesting period. In addition, the Company also awarded 375,000 shares of restricted stock in the aggregate to certain executive officers that have similar vesting periods and conditions as those described for our Chief Executive Officer. The fair value of these shares of market-based restricted stock units was estimated using a Monte-Carlo analysis and was calculated to be $6.1 million. As the measurement period of these goals is over multiple years, no goals have yet been achieved. Total compensation cost recognized was $1.6 million for the fiscal year ended January 31, 2016. Additionally, vesting of the 450,000 shares awarded to the Company's former Chief Executive Officer was accelerated as part of his transition agreement resulting in an additional one-time charge of $2.4 million. Refer to Note 10 for further information on his transition agreement. As of January 31, 2016, $1.6 million of total unrecognized compensation cost related to the 375,000 awards granted to other executives is expected to be recognized over the remaining vesting period of 3 years.

13. STOCK-BASED COMPENSATION

Total stock-based compensation for the twelve months ended January 31, 2016, 2015, and 2014, respectively is as follows:

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(In thousands)		
Cost of service and software revenues	$1,778	$1,870	$2,032
Cost of technology revenues	1,423	1,247	1,626
Cost of hardware revenues	132	251	304
Research and development	7,458	11,460	13,717
Sales and marketing	4,754	4,765	5,631
General and administrative	13,381	14,088	14,455
Transition and restructuring	6,399	—	—
Stock-based compensation before income taxes	$35,325	$33,681	$37,765
Income tax benefit	$(9,941)	$(7,509)	$(9,789)
Total stock-based compensation	$25,384	$26,172	$27,976

As of January 31, 2016, $463,000 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.33 years. As of January 31, 2016, $22.2 million of total unrecognized compensation costs related to unvested restricted stock, restricted stock units, market-based awards and performance stock awards is expected to be recognized over a weighted-average period of 1.69 years.

The Company used the alternative transition method which included a simplified method to establish the beginning balance of the additional paid in capital pool (APIC pool) related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies.

The Company is required to use a valuation model to calculate the fair value of stock-based options and has elected to use the Black-Scholes option-pricing model, which incorporates various assumptions including volatility, expected life, and interest rate. The expected volatility is based on a combination of historical volatility of the Company’s common stock and implied volatility of market traded options on the Company’s common stock. The expected life of stock options is based on historical employee exercise patterns associated with prior similar option grants. The interest rate is based on the average of the U.S. Treasury yield curve on investments with terms approximating the expected life during the fiscal quarter an option is granted. The Company has not declared and has no current plan to declare a dividend.

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Market-based awards consist of grants certain members of executive management that vest contingent upon the achievement of pre-determined market and service conditions. The fair value of the market-based awards is determined using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model are the risk-free interest rate, expected volatility, expected dividends and correlation coefficient.

The weighted average assumptions used for the twelve months ended January 31, 2016, 2015, and 2014, respectively, and the resulting estimates of weighted-average fair value per share of options and ESPP shares granted during those periods are as follows:

	ESPP			Stock Options			Market-based Awards		
	Fiscal Year Ended January 31,								
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Expected life (in years)	0.80	0.82	0.80	*	4.40	4.39	**	**	**
Volatility	29 %	48 %	57 %	*	46 %	51 %	34 %	37 %	57 %
Average risk free interest rate	0.10 %	0.13 %	0.64 %	*	1.54 %	1.07 %	1.04 %	1.29 %	0.56 %
Dividend Yield	— %	— %	— %	*	— %	— %	— %	— %	— %
Correlation Coefficient	**	**	**	**	**	**	58 %	53 %	**
Weighted-average fair value during the period	$3.43	$3.72	$3.21	*	$4.84	$5.12	$7.37	$8.70	$10.58

(*) The Company granted no options during the twelve months ended January 31, 2016.

(**) The assumption was not utilized for the instrument in the corresponding period.

14. STOCK REPURCHASES

During the three past fiscal years ending January 31, 2016, we have made open-market purchases totaling 37,923,940 shares of our common stock for an aggregate purchase price of $466.6 million. On September 5, 2014, our board of directors authorized the current discretionary share repurchase program that allows for total new repurchases of $550.0 million. This plan will expire on January 31, 2017. Under the current discretionary share repurchase program and as of January 31, 2016, we had purchased 21,538,339 shares of common stock at a weighted average price of $12.36 per share for an aggregate purchase price of $266.1 million. Shares repurchased are included in issued common shares, but are excluded from outstanding common shares. Additionally, in September 2015, the Company repurchased 4.0% Notes due 2016 with a face value of $40.0 million on the open market. This transaction was made using funds approved under the current discretionary share repurchase program. Any future repurchase or repayment of 4.0% Notes due 2016 will be made using the funds approved under the current discretionary share repurchase program. The remaining authorized amount for stock repurchases under this program was $243.9 million.

The shares repurchased under our repurchase programs and the total cost of repurchased shares, including commissions, during the fiscal years ended January 31, 2016, 2015, and 2014 were as follows:

	Fiscal Year Ended January 31,		
	2016	2015	2014
Shares repurchased	1,889,226	27,247,761	8,786,953
Total cost of repurchased shares (In thousands)	$20,330	$345,815	$100,468

15. RETIREMENT PLANS

In December 1997, the Company established a 401(k) Retirement Plan (the "Retirement Plan") available to employees who meet the plan's eligibility requirements. Participants may elect to contribute a percentage of their compensation to the Retirement Plan up to a statutory limit. Participants are fully vested in their contributions. As of January 1, 2014, the Company has elected to match 50% of the contributions made by employees who have elected to participate in its 401(k) Plan, including executives, up to $3,000 annually. This match is accrued for on a monthly basis and contributed to the 401(k) accounts of all participating employees annually on January 31st each year for the preceding calendar year. During the fiscal years ended January 31, 2016 and 2015, TiVo has expensed $1.4 million and $1.3 million in 401(k) match expense. TiVo is under no obligation to continue matching future employee contributions and at the Company's discretion may change its practices at any time.

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16. INCOME TAXES

The following table presents the profit/loss before income taxes for domestic and foreign operations:

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Domestic	$35,795	$53,213	$103,905
Foreign	2,223	—	—
Total	$38,018	$53,213	$103,905

The income tax expense in fiscal year 2016 and 2015 is primarily related to federal and state current and deferred taxes adjusted for permanent and temporary differences. The income tax benefit in fiscal year 2014 is primarily due to release of valuation allowance.

	Fiscal Year Ended January 31,		
	2016	2015	2014
Current:	(in thousands)		
Federal	$(658)	$20,493	$(38)
State	761	5,982	3,240
Foreign	2,157	538	—
Total	$2,260	$27,013	$3,202
Deferred:			
Federal	$13,188	$(1,289)	$(167,382)
State	1,108	(3,343)	(3,731)
Foreign	(235)	—	—
Total	$14,061	$(4,632)	$(171,113)
Provision (benefit) for income taxes	$16,321	$22,381	$(167,911)

The income tax expense (benefit) differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income (loss) as a result of the following:

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Federal tax at statutory rate	$13,308	$18,625	$36,367
State taxes	1,742	757	1,628
Stock based compensation	534	235	559
Federal research tax credit	(1,561)	(1,682)	333
Non-deductible compensation expense	1,251	4,448	3,209
Non-deductible acquisition expenses	1,338	—	—
Non-deductible expenses and other	65	639	1,163
Domestic manufacturing deduction	—	(641)	—
Foreign Rate differential	(356)	—	—
Change in valuation allowance	—	—	(211,170)
Total tax expense (benefit)	$16,321	$22,381	$(167,911)

The tax effects of temporary differences that give rise to significant portions of the Company’s deferred tax assets are presented below:

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	As of January 31,	
	2016	2015
Deferred tax assets:	(in thousands)	
Net operating loss carryforwards	$34,869	$21,726
Research and alternative minimum tax credits	24,809	19,144
Deferred revenue and rent	111,330	144,116
Capitalized research and development	3,153	4,680
Stock-based compensation	12,863	11,605
Other	12,556	14,579
Total deferred tax assets	199,580	215,850
Deferred tax liabilities:		
TiVo Research, Cubiware, and Digitalsmiths intangibles	(17,721)	(18,536)
Total deferred tax liabilities	(17,721)	(18,536)
Valuation allowance	(28,728)	(27,041)
Net deferred tax assets (liabilities)	$153,131	$170,273

The table of deferred tax assets and liabilities shown above excludes deferred tax assets that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. The Company recognizes excess tax benefits from stock-based awards in additional paid-in capital if an incremental tax benefit is realized from a reduction in taxes payable, after all other available tax attributes have been utilized. The Company accounts for the indirect effects of stock-based awards on other tax attributes, such as research tax credits, through the Consolidated Statements of Operations. The tax benefit realized from excess stock options exercised and restricted stock units vested for the years ended January 31, 2016 and 2015 was $0 and $1.8 million.

Our benefit for income taxes for the year ended January 31, 2014 is due to the release of the valuation allowance of $211.2 million. During the second quarter of fiscal 2014, due to the resolution of a material litigation in regards to the Company's intellectual property the Company concluded that it was more likely than not that it would be able to realize the benefit of a portion of its deferred tax assets in the future. The Company based this conclusion on recent historical book and taxable income and projections of future operating income. As a result, the Company released $211.2 million during fiscal 2014, of the valuation allowance attributable to federal and all states, except for the state of California.

The Company uses a single sales factor to apportion income for California purposes. The Company continues to maintain a valuation allowance on its California deferred tax assets as it is not more likely than not that such deferred assets will be recognized under current California law. The valuation allowance on its California deferred tax assets as of January 31, 2016 and 2015 was $27.3 million and $26.1 million.

As of January 31, 2016, the Company had net operating loss carryforwards for federal and state income tax purpose of approximately $73.5 million and $173.1 million, respectively, available to reduce future income subject to income taxes.

Federal and state laws impose substantial restrictions on the utilization of net operating loss and tax credit carryforwards in the event of an "ownership change," as defined in Section 382 of the Internal Revenue Code. The Company has determined that there have been multiple ownership changes since inception of the Company. However, the ownership changes do not place any limitation on the utilization of net operating losses and tax credit carryforwards. The Company had an acquisition during the fiscal year ended January 31, 2015 for which Section 382 applies. The additional federal net operating loss from this acquisition after the Section 382 limitation was approximately $39.3 million immediately after the acquisition. Approximately zero and $12.5 million of the acquired federal net operating loss was used during the year ended January 31, 2016 and January 31, 2015, respectively.

The federal net operating loss carryforwards expire beginning in fiscal years ending 2030 through 2036. The state net operating loss carryforwards expire beginning in fiscal year ending 2017 through 2026. As of January 31, 2016, unused research and development tax credits of approximately $25.4 million and $39.4 million, respectively, are available to reduce future federal and California income taxes. The federal research credit carryforwards will begin to expire, if not utilized, in fiscal year 2024. California research and experimental tax credits carry forward indefinitely until utilized.

On December 19, 2014, the Tax Increase Prevention Act of 2014 was signed into law, which retroactively extends the federal research and development credit from January 1, 2014 through December 31, 2014. As a

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result, the Company recognized the retroactive benefit of the federal research and development credit of approximately $2.2 million as a discrete item in the fourth quarter of 2015, the period in which the legislation was passed.

On December 18, 2015, the Protecting Americans from Tax hikes Act of 2015 was signed into law, which retroactively extends the federal research and development credit from January 1, 2015 through December 31, 2015. As a result, the Company recognized the retroactive benefit of the federal research and development credit of approximately $2.0 million as a discrete item in the fourth quarter of 2016, the period in which the legislation was passed.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	Fiscal Year Ended January 31,		
	2016	2015	2014
	(in thousands)		
Beginning Balance	$17,005	$15,163	14,812
Additions based on tax positions related to current year	1,270	1,396	1,583
Additions for tax positions in prior years	—	—	23
Additions for tax positions related to acquisition	—	446	—
Lapse of statute of limitations	—	—	(154)
Reduction for tax positions of prior years	$—	$—	(1,101)
Ending Balance	$18,275	$17,005	$15,163

The total amount of unrecognized tax benefit, if recognized, that would affect the effective tax rate would be approximately $7.7 million at January 31, 2016. The remaining unrecognized tax benefits at January 31, 2016 would not affect the Company’s effective tax rate if recognized due to the Company’s California deferred tax assets being fully offset by a valuation allowance.

The Company classifies interest and penalties related to uncertain tax positions in income tax expense, if applicable. The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The open tax years for the major jurisdictions are as follows:

Federal	2013 – 2016
California	2012 – 2016

However, due to the fact the Company has net operating losses and credits carried forward in most jurisdictions, certain items attributable to technically closed years are still subject to adjustment by the relevant taxing authority through an adjustment to tax attributes carried forward to open years. Since the timing of resolution and closure of the Company's open tax years is highly uncertain, the Company does not believe that the unrecognized tax benefits would materially change in the next twelve months.

17. NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding, excluding unvested restricted stock.

Diluted net income per common share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding stock options, stock awards, and performance stock awards and are calculated using the treasury stock method. Also included in the weighted average effect of dilutive securities for the fiscal years ended January 31, 2016, 2015, and 2014 is the diluted effect of the 4.0% Notes due 2016 which is calculated using the if-converted method. The 4.0% Notes due 2016 have an anti-dilutive effect on the fiscal year ended January 31, 2016 and have been excluded from our calculation of net income per common share for the fiscal year ended January 31, 2016.

The following table sets forth the computation of basic and diluted earnings per common share:

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	Fiscal Year Ended January 31,		
	2016	2015	2014
	(income/(loss) in thousands)		
Numerator:			
Net income	$21,697	$30,832	$271,816
Interest on dilutive notes, net of tax	—	5,005	5,009
Net Income for purpose of computing net income per diluted share	21,697	35,837	276,825
Denominator:			
Weighted average shares outstanding, excluding unvested restricted stock	92,763,835	106,799,817	118,445,466
Weighted average effect of dilutive securities:			
Stock options, restricted stock, and employee stock purchase plan	3,109,979	4,517,457	4,893,804
4% Notes due 2016	—	15,462,193	15,462,193
Denominator for diluted net income per common share	95,873,814	126,779,467	138,801,463
Basic net income per common share	$0.23	$0.29	$2.29
Diluted net income per common share	$0.23	$0.28	$1.99

The weighted average number of shares outstanding used in the computation of diluted net income per share in the fiscal years ended January 31, 2016, 2015, and 2014 do not include the effect of the following potentially outstanding common stock because the effect would have been anti-dilutive:

	As of January 31,		
	2016	2015	2014
Unvested restricted stock	4,954	219	3,068
Options to purchase common stock	530,202	377,432	592,761
4.0% Notes due 2016	14,267,047	—	—
2.0% Notes due 2021	12,904,679	4,839,255	—
Common stock warrants	12,904,679	4,839,255	—
Total	40,611,561	10,056,161	595,829

Effect of conversion on net income per share. The 2.0% Notes due 2021 have no impact on diluted net income per share until the average quarterly price of our common stock exceeds the conversion price of $17.82 per share. Prior to conversion, we will include the effect of the additional shares that may be issued if our common stock price exceeds $17.82 per share using the treasury stock method. If the average price of our common stock exceeds $24.00 per share for a quarterly period, we will also include the effect of the additional potential shares that may be issued related to the Warrants using the treasury stock method. Prior to conversion, the convertible note hedges are not considered for purposes of the calculation of net income per share, as their effect would be anti-dilutive. Upon conversion, the convertible note hedges are expected to offset the dilutive effect of the 2.0% Notes due 2021 when the stock price is above $17.82 per share.

18. SETTLEMENTS

DISH Network

On April 29, 2011, TiVo entered into a Settlement and Patent License Agreement with EchoStar Corporation (EchoStar) and DISH Network Corporation (DISH). Under the terms of the agreement, DISH and EchoStar agreed to pay TiVo $500.0 million, including an initial payment of $300.0 million received by TiVo on May 2, 2011 with the remaining $200.0 million to be distributed in six equal annual installments of $33.3 million between 2012 and 2017. The total consideration of $500.0 million was allocated on a relative fair value basis as $175.7 million to the past infringement and litigation settlement element, $2.9 million to interest income related to past infringement and $321.4 million to the future license royalties element. The amount related to past infringement and settlement was recorded under “Litigation proceeds” in the fiscal year ended January 31, 2012. The amount related to interest income was recorded under “Interest income” in the fiscal year ended January 31, 2012. $321.4 million of future

license royalties will be recorded as technology revenue on a straight-line amortization basis over the remaining life of the patent through July 30, 2018.

AT&T Inc.

On January 3, 2012, TiVo Inc. entered into a Settlement and Patent License Agreement with AT&T Inc. (AT&T). Under the terms of the Agreement, AT&T has agreed to pay TiVo a minimum amount of $215.0 million plus incremental monthly fees per DVR subscriber if AT&T's subscriber base exceeds certain pre-determined levels. The initial payment of $51.0 million was paid to TiVo on January 4, 2012 with the remaining $164.0 million due to TiVo 30 days after the end of each calendar quarter in the amount of $5.0 million for the first four calendar quarters and approximately $6.5 million in subsequent calendar quarters through the calendar quarter ending June 30, 2018. Any incremental additional per subscriber fees are due to TiVo on the same schedule. The Agreement expires on July 30, 2018.

The total consideration of $215.0 million was allocated on a relative fair value basis as $54.4 million to the past infringement and litigation settlement element, $254,000 to interest income related to past infringement and $160.3 million to the future base license royalties element. The future base license royalties element does not include any incremental monthly fees per DVR subscriber payable if the AT&T subscriber base exceeds certain pre-determined levels. The amount related to past infringement and settlement was recorded under “Litigation proceeds” in the fiscal year ended January 31, 2012. The amount related to interest income was recorded under “Interest income” in the fiscal year ended January 31, 2012. $160.3 million of future license royalties will be recorded as Technology revenues on a straight-line amortization basis over the term of the agreement through July 30, 2018. Any incremental monthly fees per DVR subscriber payable if the AT&T's subscriber base exceeds certain pre-determined levels will be recognized as Technology revenues when reported to TiVo by AT&T.

As a result of the settlement and patent cross-licensing agreement, TiVo expensed an estimate of $14.5 million in contingent legal fees recorded under general and administration expenses in its Statement of Operations in the fiscal year ended January 31, 2012. TiVo paid $4.3 million in contingent legal fees during the fiscal year ended January 31, 2012. The remaining estimate of $10.2 million was paid during the fiscal year ended January 31, 2013 upon the favorable resolution of the Microsoft and ITC legal matters.

Verizon Communications, Inc.

On September 21, 2012, TiVo Inc. entered into a Settlement and Patent License Agreement with Verizon Communications, Inc. (Verizon). Under the terms of the Agreement, Verizon has agreed to pay TiVo a minimum amount of $250.4 million plus incremental monthly fees per DVR subscriber if Verizon's subscriber base exceeds certain pre-determined levels which increase annually. The initial payment of $100.0 million was paid to TiVo on September 28, 2012 with the remaining $150.4 million due to TiVo 30 days after the end of each calendar quarter in the amount of $6.0 million through the calendar quarter ending September 30, 2018. Any incremental additional per subscriber fees are due to TiVo on the same schedule. The Agreement expires on July 31, 2018.

TiVo and Verizon agreed to dismiss all pending litigation between the companies with prejudice. TiVo granted Verizon a limited license under its advanced television patents, including the patents that TiVo had asserted against Verizon (U.S. Patent Nos. 6,233,389, 7,493,015, and 7,529,465), to make, have made, use, sell, offer to sell, and import advanced television technology in connection with Verizon multichannel video programming services subject to certain limitations and exclusions. Verizon granted TiVo a limited license under its advanced television patents, including the patents that Verizon had asserted against TiVo (U.S. Patent Nos. 5,410,344, 5,635,979, 5,973,684, 6,367,078, 7,561,214 and 6,381,748), to make, have made, use, sell, offer to sell and import advanced television technology in connection with TiVo products and services, including products and services provided to other multichannel video programming service providers, subject to certain limitations and exclusions. TiVo may terminate the rights and licenses granted to Verizon pursuant to the Agreement under certain circumstances, including but not limited to if Verizon has failed to make timely payment.

The agreement includes multiple elements consisting of: (i) an exchange of licenses to intellectual property, including covenants not to assert claims of patent infringement for the period from September 21, 2012 until July 31, 2018, (ii) an interest income component related to the past infringement, and (iii) the settlement of all outstanding litigation and claims between TiVo and Verizon. The proceeds of the agreement were allocated among the principal elements of the transaction based on relative fair values of each element.

TiVo estimated the fair value of each element using an income approach. The significant inputs and assumptions used in this valuation included actual past and projected future subscription base, estimated DVR penetration rates, estimated market-based royalty rates, estimated risk-adjusted discount rates, and useful lives of the technology, among others. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors. Changes in these assumptions may have a substantial impact on the fair value assigned to each element. These inputs and assumptions represent management's best estimates at the time of the transaction. The total consideration of $250.4 million was allocated on a relative fair value basis as $78.4 million to the past infringement and litigation settlement element, $568,000 to interest income related to past infringement and $171.4 million to the future base license royalties element. The future base license royalties element does not include any incremental monthly fees per DVR subscriber payable if the Verizon subscriber base exceeds certain pre-determined levels. The amount related to past infringement and settlement was recorded under “Litigation proceeds” in the quarter ended October 31, 2012. The amount related to interest income was recorded under “Interest income” in the quarter ended October 31, 2012. $171.4 million of future license royalties will be recorded as technology revenues over the term of the agreement through July 31, 2018 using a pattern reflective of an increasing number of subscribers covered by the minimum fixed license payments. Any incremental monthly fees per DVR subscriber payable if the Verizon's subscriber base exceeds certain pre-determined levels will be recognized as Technology revenues when reported to TiVo by Verizon. In addition to the $250.4 million in compensation, TiVo will also receive incremental monthly fees at a higher rate than the rate implied by the guaranteed fees per Verizon DVR subscriber if the growth of Verizon's DVR subscriber base exceeds certain pre-determined levels. Any incremental additional per subscriber fees are due to TiVo 30 days after the end of each calendar quarter in which they are earned.

Motorola/Cisco

Effective July 2, 2013, TiVo entered into a settlement and patent license agreement with ARRIS Group, Inc. (Arris) (owner of General Instrument Corporation, formerly a subsidiary of Motorola Mobility, Inc.), Cisco Systems, Inc. (Cisco), and Google Inc. (Google) (owner of Motorola Mobility, LLC formerly Motorola Mobility, Inc.) (with the settlement with Arris, Google, and Cisco referred to as the Motorola/Cisco settlement). Pursuant to the terms of the Motorola/Cisco settlement the parties agreed to settle and dismiss all outstanding litigation between them, including related litigation involving Time Warner Cable (as described in TiVo's periodic reports filed with the Securities and Exchange Commission), provide licenses to certain patents between the parties, and release patent infringement claims between the parties with respect to all outstanding litigation in exchange for a payment of $490.0 million to TiVo by Google and Cisco in connection with the Motorla/Cisco settlement.

The licenses granted by TiVo to Cisco and Google/Motorola Mobility under U.S. Patent Nos. 6,233,389, 7,529,465, 6,792,195, and 7,493,015 and certain related patents are perpetual. The other licenses granted by TiVo to Google/Motorola Mobility and from Google/Motorola Mobility to TiVo will expire on July 31, 2018. The other licenses granted by TiVo to Cisco and from Cisco to TiVo will expire on July 2, 2023, when the agreement expires. The agreement includes multiple elements consisting of: (i) an exchange of licenses to certain intellectual property, (ii) an interest income component related to the past infringement, and (iii) the settlement of all outstanding litigation and claims between TiVo and Arris, Google/Motorola Mobility and Cisco. The proceeds of the agreement were allocated amongst the principal elements of the transaction based on relative fair values of each element.

TiVo estimated the fair value of future licensing revenue from July 2, 2013 until July 31, 2018 using an income approach and future licensing revenue from August 1, 2018 to July 2, 2023 using a market approach. The significant inputs and assumptions used in the valuations included actual past and projected future estimated infringing DVR shipments, estimated life of the DVR, estimated market-based royalty rates, and estimated risk-adjusted discount rates, among others. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors. Changes in these assumptions may have a substantial impact on the fair value assigned to each element. These inputs and assumptions represent management's best estimates at the time of the transaction.

The total consideration of $490.0 million was allocated on a relative fair value basis as $381.1 million to the future licensing revenue element, $752,000 to interest income related to past infringement and $108.1 million of the past infringement and litigation settlement element. The amount related to past infringement and settlement was recorded under “Litigation proceeds” in the fiscal year ended January 31, 2014. The amount related to interest income was recorded under “Interest income” in the fiscal year ended January 31, 2014. The $381.1 million of license royalties has been or will be recorded as technology revenues on a straight-line amortization basis over the term of the agreement

through July 2023.
Technology revenues related to the above agreements were $181.6 million, $179.3 million, and $141.6 million for the fiscal years ended January 31, 2016, 2015, and 2014, respectively.
Revenue and cash under our licensing agreements with EchoStar, AT&T, Verizon, and Cisco and Google/Motorola Mobility through January 31, 2016 have been:

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Fiscal Year Ending January 31,	Licensing Related Technology Revenues (in thousands)	Cash Received
2012	$35,275	$117,679
2013	77,340	86,855
2014	141,583	469,776
2015	179,271	93,209
2016	181,591	87,591
Total	$615,060	$855,110

Based on current GAAP, revenue and cash from the contractual minimums (i.e. the following amounts do not include any additional revenues from our AT&T or Verizon agreements) under all our licensing agreements with EchoStar, AT&T, Verizon, and Cisco and Google/Motorola Mobility are expected to be recognized (revenues) and received (cash) on an annual basis for the fiscal years as follows:

Fiscal Year Ending January 31,	Licensing Related Technology Revenues (in thousands)	Minimum Cash Due
2017	$173,129	$89,595
2018	174,411	83,579
2019	88,629	31,139
2020	1,855	—
2021	1,855	—
2022 - 2024	4,483	—
Total	$444,362	$204,313

19. ACQUISITIONS

On May 22, 2015, the Company acquired all outstanding shares of Cubiware Sp. Z.o.o., a privately-held company based in Warsaw, Poland that is a provider of middleware, UI software, and back-office software solutions for set-top boxes to enable interactive television applications, pursuant to a Share Purchase Agreement dated May 22, 2015. This acquisition expands TiVo's international presence, provides TiVo with a more cost effective product offering for these new developing and emerging markets, and helps TiVo expand into new product categories. The purchase consideration issued includes an initial cash payment of $16.0 million subject to customary working capital adjustments, guaranteed payments of $11.5 million to be paid over three years contingent on continued employment of certain key individuals, and additional cash earn-outs (not to exceed $20.5 million in aggregate) payable over three years contingent upon achieving certain revenue and EBITDA targets for each of the twelve month periods following the date of the Company's acquisition. Cubiware's results of operations and the estimated fair value of assets acquired and liabilities assumed were included in the Company's consolidated financial statements beginning May 22, 2015. Acquisition costs, which were expensed as incurred, were approximately $1.1 million. These acquisition costs were primarily comprised of fees for legal and accounting services, travel expenses, and local transfer taxes incurred in connection with the acquisition of Cubiware.

For the purpose of purchase accounting, purchase consideration is comprised of the $19.8 million of cash paid upon acquisition, which includes the initial cash payment of $16.0 million and $3.8 million of working capital adjustments, and the $9.4 million fair value of estimated cash earn-outs contingent upon achieving certain revenue and EBITDA targets for each of the three twelve-month periods following the date of the Company's acquisition. The fair value of estimated cash earn-outs was determined as the present value of the future cash earn-outs based on probabilities of reaching future revenue and EBITDA targets and by using a present value factor of 15%. Any changes in the fair value of estimated cash earn-outs from events after the acquisition date will be recognized in earnings of each reporting period (See Note 4 for additional information on the changes in the fair value of purchase consideration). The $11.5 million of payments which are contingent upon continued employment of certain key individuals will be expensed as a compensation expense and included in operating expenses as incurred.

The purchase consideration was preliminarily allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective estimated fair values on the acquisition date. The final purchase

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price allocation is pending the valuations for income tax liabilities in Poland which may ultimately impact the overall level of goodwill associated with the acquisition. While management believes that its preliminary estimates and assumptions underlying the valuations are reasonable, different estimates and assumptions could result in different valuations assigned to the individual assets acquired and liabilities assumed, and the resulting amount of goodwill.
The Company's preliminary allocation of the total purchase consideration is as follows:

Cubiware
Purchase Accounting - Opening Balance Sheet
(in thousands)

Assets:	
Cash	$3,200
Accounts receivable	1,733
Other current assets	73
Fixed assets	355
Prepaid expenses and other, long-term	90
Deferred tax asset, current	47
Total Assets	$5,498
Liabilities:	
Accounts payable	(155)
Accrued liabilities	(143)
Deferred tax liability, long term	(3,173)
Other long-term liabilities	(106)
Total Liabilities	$(3,577)
Intangibles	$16,700
Goodwill	10,436
Total Purchase Consideration	$29,057

The following table presents details of the intangible assets acquired through this business combination (in thousands, except years):

Description	Asset Life in years	Fair Value
Software technology	5 - 6	$8,900
Customer relationships	7 - 9	$7,300
Trade name	8	$500
Total identifiable intangible assets		$16,700

The Company does not believe there is any significant residual value associated with these intangible assets. The Company amortizes the intangible assets on a straight-line basis over their estimated useful lives. The value of Software technology is amortized to Costs of service and software revenues. The value of Customer relationships and Trade name is amortized to Sales and marketing within Total operating expenses. The Company's management determined the fair values of the intangible assets with the assistance of a valuation firm. The estimation of the fair value of the intangible assets required the use of valuation techniques and entailed consideration of all the relevant factors that might affect the fair value, such as present value factors, estimates of future revenues and costs. The estimated fair values of the intangibles acquired were determined based on the royalty approach for software technology, a multi-period excess earnings approach for customer relationships, and a relief-from-royalty method for trade name with key assumptions including: 1) forecasted revenue and operating results; 2) royalty rates; 3) discount rates ranging from 21.5% to 26.5%; 4) customer attrition rates; and 5) software lives.

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Goodwill

The goodwill amount of $10.4 million represents the excess of the purchase price over the fair value of the identified net tangible and intangible assets. The goodwill recognized in this acquisition was derived from expected benefits from future technology, cost synergies, and knowledgeable and experienced workforce who joined the Company after the acquisition. Goodwill will not be amortized, but will be tested instead for impairment annually or more frequently if certain indicators of impairment are present. Goodwill is not expected to be tax deductible for income tax purposes.

The results of operations related to the acquisition has been included in our Consolidated Statements of Operations from the acquisition date. Pro forma results of operations have not been presented because the acquisition was not material to our results of operations.

The Company has determined that the functional currency of Cubiware is the Polish Zloty. Gains and losses from the translation of Cubiware assets, liabilities, revenues, and expenses into U.S. dollars are credited or charged to foreign currency translation adjustments, included in accumulated other comprehensive loss on our Consolidated Statement of Stockholders’ Equity.

20. SUBSEQUENT EVENTS

Payment of convertible senior notes

On March 15, 2016, the Company paid $132.5 million, the remaining principal on its 4.0% Notes due 2016 in cash. No conversion rights were exercised on the notes.

Restructuring Charges

On February 29, 2016, the Company announced that termination of approximately 50 full time employees and some additional contractors as a part of a plan to better align Company's resources and strategic goals. In connection with this restructuring, the Company expects to record cash charges of $3 million to $4 million before tax for severance pay expenses and related cash expenditures. The Company expects to record a non-cash benefit of $531,000 before tax related to stock-based compensation expense for the modification of restricted stock awards.

21. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly Results of Operations

The following table presents certain unaudited statements of operations data for the Company's eight most recent quarters ended January 31, 2016. In management’s opinion, this unaudited information has been prepared on the same basis as the audited annual financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair representation of the unaudited information for the quarters presented. This information should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, included elsewhere in this annual report. The results of operations for any quarter are not necessarily indicative of results that may be expected for any future period.

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	Three Months Ended							
	Jan 31, 2016	Oct 31, 2015	Jul 31, 2015	Apr 30, 2015	Jan 31, 2015	Oct 31, 2014	Jul 31, 2014	Apr 30, 2014
	(unaudited, in thousands except per share and share amounts)							
Revenues								
Service and software revenues	$47,557	$44,674	$43,098	$39,849	$40,498	$36,705	$36,909	$35,895
Technology revenues	54,190	58,135	55,998	52,571	51,171	51,359	49,717	50,106
Hardware revenues	21,362	29,506	20,358	22,314	22,463	30,366	25,232	21,058
Net revenues	123,109	132,315	119,454	114,734	114,132	118,430	111,858	107,059
Cost of revenues								
Cost of service and software revenues	17,160	17,766	15,171	15,439	17,037	14,970	13,750	13,850
Cost of technology revenues	8,176	10,404	8,710	6,136	5,910	6,567	5,669	4,544
Cost of hardware revenues	23,994	30,837	20,185	22,571	25,041	28,176	22,524	19,764
Total cost of revenues	49,330	59,007	44,066	44,146	47,988	49,713	41,943	38,158
Gross margin	73,779	73,308	75,388	70,588	66,144	68,717	69,915	68,901
Operating expenses								
Research and development	28,410	28,027	26,309	25,014	25,265	25,546	25,051	26,347
Sales and marketing	11,662	12,172	11,930	10,941	10,910	10,544	10,284	10,315
Sales and marketing, subscription acquisition costs	5,209	3,612	1,117	1,691	3,455	2,734	1,212	1,505
General and administrative	15,624	13,461	15,880	14,822	14,076	14,292	15,760	15,354
Transition and restructuring	12,820	—	—	—	—	—	—	—
Income from operations	54	16,036	20,152	18,120	12,438	15,601	17,608	15,380
Interest income	1,263	1,067	953	885	969	1,070	964	1,144
Interest expense and other income (expense)	(4,594)	(6,040)	(5,044)	(4,834)	(4,822)	(3,197)	(1,966)	(1,976)
Income (loss) before income taxes	(3,277)	11,063	16,061	14,171	8,585	13,474	16,606	14,548
Benefit from (provision for) income taxes	3,476	(5,783)	(7,722)	(6,292)	(1,529)	(7,129)	(7,299)	(6,424)
Net income	$199	$5,280	$8,339	$7,879	$7,056	$6,345	$9,307	$8,124
Net income per common share								
Basic	$—	$0.06	$0.09	$0.09	$0.07	$0.06	$0.08	$0.07
Diluted	$—	$0.06	$0.09	$0.08	$0.07	$0.06	$0.08	$0.07

Income for purposes of computing net income per share:								
Basic	199	5,280	8,339	7,879	7,056	6,345	9,307	8,124
Diluted	199	5,280	9,595	9,130	8,308	6,345	10,545	9,375
Weighted average common and common equivalent shares:								
Basic	93,050,986	92,759,485	92,382,999	91,454,492	96,287,902	107,497,734	110,036,235	113,381,677
Diluted	95,357,996	95,188,262	110,381,018	110,544,699	115,667,159	111,870,407	129,249,175	133,204,128

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Interim Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 as amended (the “Exchange Act”) as of the end of the period covered by this report (“the Evaluation Date”). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that we are required to apply our judgment in evaluating the benefits of possible controls and procedures relative to our costs.

Based on that evaluation, our Interim Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is accumulated and communicated to our management, including our Interim Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and (ii) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

(b) Management’s report on internal control over financial reporting.

Inherent limitations over internal controls. Internal control over financial reporting refers to the process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (GAAP). Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the receipts and expenditures of our company are being made only in accordance with authorizations of management and our board of directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the assets of our company that could have a material effect on the financial statements.

Management, including our Interim Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Report on internal control over financial reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and Rule 15d-15(f). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of January 31, 2016. Management reviewed the results of its assessment with our Audit Committee.

KPMG LLP, an independent registered public accounting firm, which has audited the consolidated financial statements included in Part II, Item 8 of this report, has issued an audit report on our internal control over financial reporting, as of January 31, 2016, which is included herein.

(c) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting during our fourth quarter ended January 31, 2016, which were identified in connection with management’s evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

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PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item with respect to our executive officers is incorporated by reference from the information under Item 1 of Part I of this Annual Report on Form 10-K under the section entitled "Executive Officers and Key Employees (as of March 11, 2016)." The information required by this Item with respect to our directors is set forth under the headings “Election of Directors”, "Corporate Governance", "Meetings and Committees of the Board" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2016 Proxy Statement to be filed with the U.S. Securities and Exchange Commission (SEC) in connection with the solicitation of proxies for our 2016 Annual Meeting of Stockholders (2016 Proxy Statement) and is incorporated herein by reference. Such 2016 Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year to which this report relates.

Code of Ethics.

We have adopted a code of ethics that applies to our Interim Chief Executive Officer and Chief Financial Officer, Chief Accounting Officer, and Controller. This code of ethics is posted on our website located at www.tivo.com. We will disclose any amendment to our code of ethics or waiver to our code of ethics that applies to the Company’s Interim Chief Executive Officer and Chief Financial Officer, Chief Accounting Officer, and any other principal financial officer, Controller and any other principal accounting officer, and any other person performing similar functions, including the nature of the waiver and the name of the officer to whom the waiver was granted, in the “Investor Relations” section of our website at www.tivo.com.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our 2016 Proxy Statement under the heading “Executive Compensation and Other Information.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Table” in our 2016 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from our 2016 Proxy Statement under the headings "Director Independence" and “Certain Relationships and Related Transactions.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from our 2016 Proxy Statement under the heading “Independent Auditor Fees and Services.”

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PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) List the following documents filed as part of the report:

(1) All financial statements:

Index to Consolidated Financial Statements

(2) Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

(b) Exhibits required by Item 601 of Regulation S-K

The information required by this Item is set forth on the exhibit index that follows the signature page of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

		TIVO INC.
Date:	March 17, 2016	/S/ NAVEEN CHOPRA Naveen Chopra Interim Chief Executive Officer and Chief Financial Officer

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POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Naveen Chopra and Matthew Zinn and each or any one of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

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Signature	Title	Date
/S/ NAVEEN CHOPRA Naveen Chopra	Interim Chief Executive Office and Chief Financial Officer (Principal Executive and Financial Officer)	March 17, 2016
/S/ PAVEL KOVAR Pavel Kovar	Chief Accounting Officer (Principal Accounting Officer)	March 17, 2016
/S/ PETER AQUINO Peter Aquino	Director	March 17, 2016
/S/ WILLIAM CELLA William Cella	Director	March 17, 2016
/S/ JEFFREY HINSON Jeffrey Hinson	Director	March 17, 2016
/S/ DANIEL MOLONEY Daniel Moloney	Director	March 17, 2016
/S/ THOMAS S. ROGERS Thomas S. Rogers	Chairman of the Board of Directors	March 17, 2016
/S/ WINIFRED WEBB Winifred Webb	Director	March 17, 2016
/S/ DAVID YOFFIE David Yoffie	Director	March 17, 2016

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EXHIBIT INDEX

Exhibit Number	Description	Incorporated By Reference Form	Exhibit	Filing Date / Period End Date
2.1	Agreement and Plan of Merger, dated January 29, 2014, by and among TiVo Inc., Digitalsmiths Corporation, Dragonfly Merger Corp., Shareholder Representative Services LLC, solely in its capacity as the exclusive representative of the indemnifying parties and U.S. Bank National Association, as the escrow agent.	8-K	2.1	1/29/2014
3.1	Amended and Restated Certificate of Incorporation.	10-Q	3.1	9/10/2007
3.2	Third Amended and Restated Bylaws, dated as of November 13, 2015.	8-K	3.1	11/17/2015
4.1	Certificate of Designations of the Series B Junior Participating Preferred Stock of TiVo.	8-K/A	4.1	1/19/2011
4.2	Certificate of Correction to the Certificate of Designations of the Series B Junior Participating Preferred Stock of TiVo.	8-K/A	4.2	1/19/2011
4.3	Global Note, dated as of March 10, 2011 between TiVo Inc. and Wells Fargo Bank, National Association, as Trustee.	10-K	10.83	3/14/2011
4.4	Global Note, dated as of March 30, 2011 between TiVo Inc. and Wells Fargo Bank, National Association, as Trustee.	8-K	4.1	3/31/2011
4.5	Indenture, dated September 22, 2014 between TiVo Inc. and Wells Fargo Bank, National Association, as trustee.	8-K	4.1	9/23/2014
4.6	Global Note, dated September 22, 2014 between TiVo Inc. and Wells Fargo Bank, National Association, as trustee.	8-K	4.2	9/23/2014
10.1*	Form of Indemnification Agreement between TiVo Inc. and its officers and directors.	S-1	10.1	7/22/1999
10.2*	TiVo Inc. Amended & Restated 1999 Non-Employee Directors' Stock Option Plan and related documents.	10-Q	10.3	12/10/2004
10.3*	TiVo Inc. Amended & Restated 1999 Equity Incentive Plan and related documents.	10-Q	10.7	9/9/2005
10.4*	TiVo Inc. Amended & Restated 1999 Employee Stock Purchase Plan.	10-Q	10.2	8/31/2012
10.5*	TiVo Inc. Amended & Restated 1999 Employee Stock Purchase Plan Offering Document.	10-K	10.5	Filed herewith.
10.6*	TiVo Inc. Amended & Restated 2008 Equity Incentive Award Plan.	10-Q	10.3	9/2/2014
10.7*	Form of Stock Option Agreement for Amended & Restated 1999 Equity Incentive Plan.	10-Q	10.4	9/9/2005
10.8*	Form of Stock Appreciation Rights Agreement for Amended & Restated 1999 Equity Incentive Plan.	10-Q	10.5	9/9/2005
10.9*	Form of Employee Restricted Stock Bonus Agreement for Amended & Restated 1999 Equity Incentive Plan.	10-K	10.10	4/15/2008
10.10*	Form of Director Restricted Stock Bonus Agreement for Amended & Restated 1999 Equity Incentive Plan.	10-K	10.11	4/15/2008
10.11*	Form of Stock Option Agreement for Amended & Restated 1999 Non-Employee Directors' Stock Option Plan.	10-K	10.1	4/16/2007
10.12*	Form of Stock Option Notice and Agreement for 2008 Equity Incentive Plan.	10-Q	10.2	9/9/2008
10.13*	Form of Restricted Stock Bonus Notice and Agreement for 2008 Equity Incentive Plan.	10-Q	10.2	11/27/2013

10.14*	Form of Restricted Stock Unit Notice and Agreement for 2008 Equity Incentive Plan (stock-settled).	10-Q	10.4	9/9/2008
10.15*	Form of Restricted Stock Unit Notice and Agreement for 2008 Equity Incentive Plan (cash-settled).	10-K	10.15	3/23/2012
10.16*	Form of Senior Vice President Change of Control Terms and Conditions Agreement.	10-K	10.17	3/31/2010
10.17*	Form of Vice President Change of Control Terms and Conditions Agreement.	10-K	10.18	3/31/2010

10.18+	Amended & Restated Development Agreement, dated as of September 2, 2008, between TiVo Inc. and DIRECTV Inc.	10-Q	10.7	12/10/2008
10.19+	Letter Addendum between TiVo Inc. and DIRECTV Inc., dated as of April 20, 2009, to the Amended & Restated Development Agreement, dated as of September 2, 2008.	10-Q	10.1	6/9/2009
10.20	Notice by DIRECTV to Extend the Amended and Restated Development Agreement between TiVo Inc. and DIRECTV, LLC (formerly DIRECTV, Inc.) dated July 28, 2014	8-K	10.1	7/31/2014
10.21+	Second Amended & Restated Services Agreement, dated as of September 2, 2008, between TiVo Inc. and DIRECTV Inc.	10-Q	10.8	12/10/2008
10.22+	First Amendment to the Second Amended & Restated Services Agreement, dated as of March 30, 2010, between DIRECTV, Inc. and TiVo Inc.	10-Q	10.6	6/6/2011
10.23	Lease Agreement, dated as of October 6, 1999, between WIX/NSJ Real Estate Limited Partnership and TiVo Inc.	10-Q	10.24	11/15/1999
10.24	First Amendment to Lease Agreement, dated as of February 1, 2006, between WIX/NSJ Real Estate Limited Partnership and TiVo Inc.	8-K	10.1	5/1/2006
10.25	Subordination, Non-Disturbance, and Attornment Agreement, effective as of October 6, 2006, between Greenwich Capital Financial Products, Inc. and TiVo Inc.	10-K	10.32	4/16/2007
10.26	Second Amendment to Lease Agreement, dated as of May 1, 2009, between TiVo Inc. and Bixby Technology Center, LLC as successor-in-interest to WIX/NSJ Real Estate Limited Partnership.	10-Q	10.3	9/9/2009
10.27	Third Amendment to Lease Agreement, dated as of February 17, 2010, between TiVo Inc. and Bixby Technology Center, LLC.	10-K	10.45	3/31/2010
10.28	Fourth Amendment to Lease Agreement, dated as of January 25, 2011, between Bixby Technology Center, LLC and TiVo Inc.	8-K	10.1	2/22/2011
10.29	Fifth Amendment to Lease Agreement, dated as of March 26, 2012, between Bixby Technology Center, LLC and TiVo Inc.	10-Q	10.1	6/1/2012
10.30	Sixth Amendment to Lease Agreement, dated as of March 26, 2013, between Bixby Technology Center, LLC and TiVo Inc.	10-Q	10.1	5/31/2013
10.31	Seventh Amendment to Lease Agreement, dated as of October 24, 2013 between Bixby Technology, LLC and TiVo Inc.	10-Q	10.1	11/27/2013
10.32	Eight Amendment to Lease Agreement, dated June 17, 2014, between TiVo Inc. and ECI Four Gold Street, LLC.	10-Q	10.1	9/2/2014
10.33	Subordination Agreement; Acknowledgment of Lease Assignment, Attornment and Non-Disturbance Agreement, dated as of November 14, 2013, between ECI Four Gold Street LLC, TiVo Inc. and Wells Fargo Bank, National Association.	10-K	10.31	3/14/2014
10.34*	Summary of TiVo Inc. Fiscal Year 2015 Bonus Plan for Executive Officers.	8-K	10.1	5/1/2014
10.35*	Summary of TiVo Inc. Fiscal Year 2016 Bonus Plan for Executive Officers.	8-K	10.1	4/20/2015
10.36+	Consolidated Licensed Data and Services Agreement between TiVo Inc. and Tribune Media Services, Inc., dated as of November 1, 2010.	10-K	10.7	3/14/2011
10.37*	Fourth Amended & Restated Employment Agreement between TiVo Inc. and Thomas Rogers, effective September 13, 2012.	10-Q	10.1	6/2/2015
10.38*	Third Amended & Restated Change of Control Terms and Conditions Agreement between TiVo Inc. and Thomas S. Rogers, effective	10-Q	10.3	11/30/2012

	September 13, 2012.			
10.39*	Transition Agreement between TiVo Inc. and Thomas S. Rogers, dated November 13, 2015.	8-K	10.1	11/17/2015
10.40*	Interim Employment Agreement between TiVo Inc. and Naveen Chopra, dated as of January 30, 2016.	10-K	10.40	Filed herewith.
10.41	Indenture, dated as of March 10, 2011 between TiVo Inc. and Wells Fargo Bank, National Association, as Trustee.	10-K	10.82	3/14/2011
10.42+	Settlement and Patent License between TiVo Inc. and DISH Network Corporation and EchoStar Corporation, dated as of April 29, 2011.	10-Q	10.1	6/6/2011
10.43+	Mutual Termination Agreement between TiVo Inc., on the one hand, and Comcast Corporation and Comcast STB DVR Software LLC, on the other hand, dated May 5, 2011.	10-Q	10.2	9/9/2011

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10.44+	Settlement and Patent License between TiVo Inc. and AT&T, Inc. dated as of January 3, 2012.	10-K	10.52	3/23/2012
10.45*	Sublease Agreement, between TiVo Inc. and Thomas S. Rogers, dated as of February 1, 2016.	10-K	10.45	Filed herewith.
10.46+	Settlement and Patent License between TiVo Inc. and Verizon Communications Inc., effective September 21, 2012.	10-Q/A	10.1	1/25/2013
10.47+	Settlement and Patent License Agreement between TiVo Inc., Cisco Systems, Inc. and Google, Inc., effective July 2, 2013.	10-Q	10.1	8/30/2013
10.48+	Settlement and Patent License Agreement between TiVo Inc. and ARRIS Group, Inc., effective July 2, 2013.	10-Q	10.2	8/30/2013
10.49*	Form of Acknowledgment of Executive Stock Ownership and Incentive Compensation Clawback Policies.	8-K	10.1	12/17/2013
14.1	TiVo Code of Conduct, as amended March 25, 2009.	8-K	14.1	3/31/2009
23.1	Consent of Independent Registered Public Accounting Firm.	Filed herewith.		
24.1	Power of Attorney of this Annual Report on Form 10-K.	See signature page.		
31.1	Certification of Naveen Chopra, Interim Chief Executive Officer of TiVo Inc. dated March 17, 2016 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.		
31.2	Certification of Naveen Chopra, Chief Financial Officer of TiVo Inc. dated March 17, 2016 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.		
32.1**	Certification of Naveen Chopra, Interim Chief Executive Officer of TiVo Inc. dated March 17, 2016 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.		
32.2**	Certification of Naveen Chopra, Chief Financial Officer of TiVo Inc. dated March 17, 2016 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.		
101.INS***	XBRL Instance Document	Filed herewith.		
101.SCH***	XBRL Taxonomy Extension Schema Document	Filed herewith.		
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.		
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.		
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.		
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.		

+	Confidential treatment granted as to portions of this exhibit.
++	Confidential treatment has been requested as to portions of this exhibit.
*	Management contract or compensatory plan or arrangement.
**	The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of TiVo Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K irrespective of any general incorporation language contained in such

filing.

*** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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