TIVO INC
Form 10-Q
December 09, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2005.

OR

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

2160 Gold Street, P.O. Box 2160, Alviso, CA 95002

(Address of principal executive offices including zip code)

(408) 519-9100

(Registrant s telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x .

The number of shares outstanding of the registrant s common stock, $0.001 par value, was 85,125,642 as of November 28, 2005.

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TiVo Inc.

Form 10-Q

For the Fiscal Quarter Ended October 31, 2005

Except as the context otherwise requires, the terms TiVo , Registrant , company , we , us , or our as used herein are references to TiVo Inc. a
consolidated subsidiaries.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q 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 future investments in subscription acquisition activities including rebate offers to consumers, advertising expenditures, and other marketing activities;
- our future earnings including expected future service and technology revenues;
- our financial results, and expectations for profitability in the future;
- possible future increases in our general and administrative expenses including expenditures related to lawsuits involving the Company such as the EchoStar patent infringement cases;
- possible future increases in our operating expenses including increases in customer support and retention expenditures;
- future subscription growth of both TiVo-Owned and DIRECTV subscriptions;
- our estimates of the useful life of TiVo-enabled DVRs in connection with the recognition of revenue received from product lifetime subscriptions;
- consumer rebate redemption rates and sales incentive programs;
- our intentions to continue to grow the number of TiVo-Owned subscriptions through our relationships with major retailers;
- our expectations related to future increases in advertising and audience measurement research revenues;
- our expectations related to changes in the cost of our hardware revenues and the reasons for changes in the volume of DVRs sold to retailers;
- our ability to fund operations, capital expenditures, and working capital needs during the next year; and
- our ability to raise additional capital through the financial markets in the future.

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 expressions or the 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 II, Item 1A. Risk Factors in this quarterly report. 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 quarterly report and we undertake no obligation to publicly update or revise any forward-looking statements in this quarterly report. The reader is strongly urged to read the information set forth under the caption Part I, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 1A, Risk Factors for a more detailed description of these significant risks and uncertainties.

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

TIVO INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(unaudited)

	October 31, 2005	January 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 76,606	$ 87,245
Short-term investments	13,850	19,100
Accounts receivable, net of allowance for doubtful accounts of $483 and $104	29,592	25,879
Finished goods inventories	21,182	12,103
Prepaid expenses and other, current	8,019	4,476
Total current assets	149,249	148,803
LONG-TERM ASSETS		
Property and equipment, net	7,742	7,780
Capitalized software and intangible assets, net	5,490	2,231
Prepaid expenses and other, long-term	752	1,238
Total long-term assets	13,984	11,249
Total assets	$ 163,233	$ 160,052
LIABILITIES AND STOCKHOLDERS DEFICIT		
LIABILITIES		
CURRENT LIABILITIES		
Bank line of credit	$	$ 4,500
Accounts payable	34,847	18,736
Accrued liabilities	30,546	33,173
Deferred revenue, current	47,366	42,017
Total current liabilities	112,759	98,426
LONG-TERM LIABILITIES		
Deferred revenue, long-term	58,395	63,131
Deferred rent and other	894	1,187
Total long-term liabilities	59,289	64,318
Total liabilities	172,048	162,744

COMMITMENTS AND CONTINGENCIES (see Note 8)		
STOCKHOLDERS DEFICIT		
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 150,000,000		
Issued and outstanding shares are 85,041,261 and 82,280,876, respectively	85	82
Additional paid-in capital	665,807	654,746
Deferred compensation	(2,759)	(428)
Accumulated deficit	(671,948)	(657,092)
Total stockholders deficit	(8,815)	(2,692)
Total liabilities and stockholders deficit	$ 163,233	$ 160,052

The accompanying notes are an integral part of these consolidated statements

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TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share and share amounts)

(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	**2004**	**2005**	**2004**
Revenues				
Service and technology revenues (includes $0 and $6,805 from related parties for the three and nine months ended October 31, 2004, respectively)	$ 43,197	$ 28,377	$ 123,891	$ 81,311
Hardware revenues	24,652	27,894	39,827	60,823
Rebates, revenue share, and other payments to channel	(18,234)	(17,944)	(27,860)	(29,508)
Net revenues	49,615	38,327	135,858	112,626
Cost of revenues				
Cost of service and technology revenues	8,508	7,970	24,832	25,069
Cost of hardware revenues	24,742	28,486	46,949	68,056
Total cost of revenues	33,250	36,456	71,781	93,125
Gross margin	16,365	1,871	64,077	19,501
Research and development	9,712	9,291	30,394	26,428
Sales and marketing (includes $0 and $1,100 to related parties for the three and nine months ended October 31, 2004, respectively)	10,006	14,212	24,410	25,838
General and administrative	11,702	4,366	26,249	12,399
Total operating expenses	31,420	27,869	81,053	64,665
Loss from operations	(15,055)	(25,998)	(16,976)	(45,164)
Interest income	826	397	2,184	1,090
Interest expense and other	(10)	(671)	(13)	(1,995)
Loss before income taxes	(14,239)	(26,272)	(14,805)	(46,069)
Provision for income taxes		(78)	(51)	(108)
Net loss	$ (14,239)	$ (26,350)	$ (14,856)	$ (46,177)
Net loss per common share - basic and diluted	$ (0.17)	$ (0.33)	$ (0.18)	$ (0.58)
Weighted average common shares used to calculate basic and diluted net loss per share	84,200,655	80,266,784	83,362,402	80,087,792

The accompanying notes are an integral part of these consolidated statements

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TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(In thousands, except share amounts)

(unaudited)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Total
BALANCE JANUARY 31, 2005	82,280,876	$ 82	$ 654,746	$ (428)	$ (657,092)	$ (2,692)
Issuance of common stock related to exercise of common stock options	342,424	1	1,318			1,319
Issuance of common stock related to employee stock purchase plan	245,655		1,175			1,175
Retirement due to forfeiture of unvested restricted common stock	(30,510)		(260)	260		
Recognition of stock based compensation benefit, net				(58)		(58)
Net loss					(857)	(857)
BALANCE APRIL 30, 2005	82,838,445	83	656,979	(226)	(657,949)	(1,113)
Issuance of common stock related to exercise of common stock options	968,900	1	4,543			4,544
Cashless exercise of 1,029,095 warrants resulting in the net issuance of 286,643 shares of common stock	286,643					
Retirement due to forfeiture of unvested restricted common stock			(300)	300		
Issuance of restricted shares of common stock	350,000		2,282	(2,282)		
Recognition of stock based compensation benefit, net				(59)		(59)
Net income					240	240
BALANCE JULY 31, 2005	84,443,988	84	663,504	(2,267)	(657,709)	3,612
Issuance of common stock related to exercise of common stock options	164,114		580			580
Issuance of common stock related to employee stock purchase plan	259,240	1	1,066			1,067
Cashless exercise of 294,025 warrants resulting in the net issuance of 51,547 shares of common stock	51,547					
Retirement due to forfeiture of unvested restricted common stock	(7,628)		(65)	65		
Issuance of restricted shares of common stock	130,000		652	(652)		
Deferred compensation for option vesting acceleration			70	(70)		
Recognition of stock based compensation expense, net				165		165
Net loss					(14,239)	(14,239)
BALANCE OCTOBER 31, 2005	85,041,261	$ 85	$ 665,807	$ (2,759)	$ (671,948)	$ (8,815)

The accompanying notes are an integral part of these consolidated statements

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TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Nine Months Ended October 31,	
	2005	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (14,856)	$ (46,177)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment and intangibles	4,589	3,289
Loss on disposal of fixed assets	2	375
Non-cash interest expense		1,416
Recognition of stock-based compensation expense	48	803
Changes in assets and liabilities:		
Accounts receivable, net (change includes $1,500 from related parties for the nine months ended October 31, 2004)	(3,713)	(13,027)
Finished goods inventories	(9,079)	(27,868)
Prepaid expenses and other, current (change includes $2,832 to related parties for the nine months ended October 31, 2004)	(3,543)	(110)
Prepaid expenses and other, long-term (change includes $3,268 to related parties for the nine months ended October 31, 2004)	486	2,165
Accounts payable	16,111	10,115
Accrued liabilities (change includes $(880) to related parties for the nine months ended October 31, 2004)	(2,627)	8,935
Deferred revenue, current (change includes $(1,814) from related parties for the nine months ended October 31, 2004)	5,349	1,033
Deferred revenue, long-term	(4,736)	4,138
Deferred rent and other long-term liabilities	(293)	(88)
Net cash used in operating activities	$ (12,262)	$ (55,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(5,375)	(19,750)
Sales of short-term investments	10,625	7,050
Acquisition of property and equipment	(3,897)	(3,501)
Acquisition of capitalized software and intangibles	(3,915)	
Net cash used in investing activities	$ (2,562)	$ (16,201)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under bank line of credit	3,500	
Payments to bank line of credit	(8,000)	
Proceeds from issuance of common stock related to employee stock purchase plan	2,242	2,408
Proceeds from issuance of common stock related to exercise of common stock options	6,443	1,391
Net cash provided by financing activities	$ 4,185	$ 3,799
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (10,639)	$ (67,403)

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TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

(unaudited)

	Nine Months Ended October 31,	
	2005	**2004**
CASH AND CASH EQUIVALENTS:		
Balance at beginning of period	87,245	138,210
Balance at end of period	$ 76,606	$ 70,807
SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH FLOW INFORMATION		
Cash paid for interest	$ (13)	$ (584)
Cash paid for income taxes	$ (51)	$ (108)
SUPPLEMENTAL DISCLOSURE OF OTHER NON-CASH INVESTING AND FINANCING INFORMATION		
Adjustment to deferred compensation as a result of retirement due to forfeiture of unvested restricted common stock	(625)	(144)
Issuance of restricted common stock	2,934	
Issuance of common stock for purchase of patent rights		(306)
Deferred compensation recorded from issuance of stock options at option price at less than fair market value		(300)
Deferred compensation recorded from acceleration of stock option vesting	70	

The accompanying notes are an integral part of these consolidated statements

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TIVO INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. NATURE OF OPERATIONS

TiVo Inc. (the Company or TiVo) was incorporated in August 1997 as a Delaware corporation and is located in Alviso, California. On August 21, 2000, TiVo (UK) Limited, a wholly owned subsidiary of TiVo Inc., was incorporated in the United Kingdom. On October 9, 2001, the Company formed a subsidiary, TiVo International, Inc., also a Delaware corporation. 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 as a holding entity for all of the Company s trademarks. The Company conducts its operations through one reportable segment.

TiVo is a leading provider of technology and services for digital video recorders, or DVRs, a rapidly growing consumer electronics category. Our subscription-based TiVo service improves home entertainment by providing consumers with an easy way to record, watch, and control television, with such features as Season Pass recordings, WishList® searches, TiVoToGo recordings, and online scheduling, and is designed to make the TiVo DVR the focal point of the digital living room, a center for sharing and experiencing television, music, photos, and other content. Today, through agreements with leading cable and satellite operators such as, Comcast, Cablevision, Cebridge Connections, the National Cable Television Cooperative, DIRECTV and our network of leading consumer electronics retailers, we are capitalizing on the strength of our brand and the popularity of our technology among consumers to expand the distribution of the TiVo-enabled DVRs. The TiVo service is also at the forefront of providing innovative marketing solutions for the television industry, including a unique platform for advertisers and audience measurement research. As awareness of our brand increases and consumer adoption grows, we remain focused on extending and protecting our intellectual property, promoting and leveraging our brand for future partnerships, and improving our market share and financial position. Our financial strength and ability to adapt to current market and economic conditions are dependent in part on our ability to generate positive cash flow in the future, effective management of working capital and funding commitments, as well as the growth of our business.

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited interim condensed consolidated financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete audited annual financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company s financial position as of October 31, 2005 and January 31, 2005 and the results of operations for the three and nine-month periods ended October 31, 2005 and 2004 and condensed consolidated statements of cash flows for the nine-month periods ended October 31, 2005 and 2004. Additionally, included is the unaudited statement of stockholders equity (deficit) for the three month periods ended April 30, 2005, July 31, 2005 and October 31, 2005. These condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements as of January 31, 2005 and 2004, including the notes thereto, included in the Company s 2005 Annual Report on Form 10-K. Operating results for the three and nine-month period ended October 31, 2005 are not necessarily indicative of results that may be expected for the year ending January 31, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Actual results could differ from those estimates.

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Reclassifications

Certain reclassifications have been made to prior periods financial statements to conform to the current period presentations. The Company reclassified its auction rate securities from cash and cash equivalents to short-term investments for the fiscal year ended January 31, 2004 and nine months ended October 31, 2004.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less. The carrying value of the cash and cash equivalents approximates fair value.

Short-term Investments

Short-term investments include corporate debt securities and U.S. Government Agency debt securities. Short-term investments are classified as available-for-sale and are carried at fair value. The Company s short-term investments are reviewed each reporting period for declines in value that are considered to be other-than temporary and, if appropriate, 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 losses are included in 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.

Fair Value of Financial Instruments

Carrying amounts of certain of the Company s financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair value because of their short maturities. Available-for-sale marketable securities are reported at their fair value based on quoted market prices.

Finished Goods Inventories

TiVo maintains a finished goods inventory of DVRs throughout the year. Inventories are stated at the lower of cost or net realizable value on an aggregate basis, with cost determined using the first-in, first-out method. The Company performs a detailed assessment of inventory 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 at lower of cost or market. During the three months ended April 30, 2005, as a result of such assessment, the Company recorded a charge to cost of hardware revenues of $3.2 million related to losses from inventory write-downs and inventory that it was committed to purchase. As that inventory has been sold, the corresponding reserves have been depleted. As of October 31, 2005, $546,000 is still remaining in inventory reserves relating to the write off.

Property and Equipment

Property and equipment are stated at cost. 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 life of the lease
Capitalized software for internal use	1-5 years

Capitalized Software

Costs of computer software to be sold, leased or otherwise marketed have been accounted for in accordance with SFAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed. The Company achieves technological feasibility upon development of a working model. 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.

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Intangible Assets

Purchased intangible assets include intellectual property such as patent rights carried at cost less accumulated amortization. Useful lives generally range from five years to seven years.

Deferred Rent and Other Long-Term Liabilities

Deferred rent and other long-term liabilities consist primarily of accrued rent resulting from the recognition of the escalating lease payments related to rent and related property taxes and insurance for the Company s corporate headquarters office buildings. Additionally, included are liabilities as a result of the Company s TiVo rewards program, a customer loyalty program.

Revenue Recognition and Deferred Revenue

The Company generates service revenues from fees for providing the TiVo service to consumers. The Company also generates technology revenues from providing licensing and engineering professional services. In addition, the Company generates hardware revenues from the sale of hardware products that enable the TiVo service.

Service Revenues. Included in service revenues are revenues from monthly, annual, and product lifetime subscription fees for the TiVo service. Monthly and annual subscription revenues are recognized over the period benefited. Subscription revenues from product lifetime subscriptions are recognized ratably over a four-year period, which is the Company s estimate of the useful life of a TiVo-enabled DVR. Also included in service revenues are provisioning fees received from third parties, such as DIRECTV.

Technology Revenues. The Company recognizes technology revenues under technology license and engineering professional services agreements in accordance with the American Institute of Certified Public Accountant s Statement of Position (SOP), 97-2, Software Revenue Recognition, as amended. These agreements contain multiple-elements in which vendor specific objective evidence (VSOE) of fair value is required for all undelivered elements in order to recognize revenue related to the delivered element. Elements included in the Company s arrangements may include technology licenses and associated maintenance and support, engineering professional services and other services. The timing of revenue recognition related to these transactions will depend, in part, on whether the Company can establish VSOE for undelivered elements and on how these transactions are structured. As such, revenue recognition may not correspond to the timing of related cash flows or the Company s work effort.

In arrangements which include engineering professional services that are essential to the functionality of the software or involve significant customization or modification of the software, the Company recognizes revenue using the percentage-of-completion method, as described in SOP 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts, if the Company believes it is able to make reasonably dependable estimates of the extent of progress toward completion. The Company measures progress toward completion based on the ratio of costs incurred to date to total estimated costs of the project, an input method. These estimates are assessed continually during the term of the contract, and revisions are reflected when the changed conditions become known. In some cases, the Company has accepted engineering professional services contracts that were expected to be losses at the time of acceptance in order to gain experience in developing new technology that could be used in future products and services. Provisions for all losses on contracts are recorded when estimates indicate that a loss will be incurred on a contract. If the Company is not able to estimate total project revenues, total costs, or progress toward completion, but is able to estimate that no loss will be incurred on an arrangement, the Company recognizes revenue to the extent of incremental direct costs until the engineering professional services are complete. Thereafter, any remaining revenue is recognized over the period the maintenance and support or other services are provided.

During the three months ended July 31, 2005, the Company determined that it needed to incur $1.0 million of development costs related to a loss contract deemed substantially complete in fiscal year 2005. As a result, the Company recorded a total charge of $1.0 million to the statement of operations in the three months ended July 31, 2005 of which $435,000 was a reduction in technology revenues and $598,000 was an increase in costs of technology revenues.

Hardware Revenues. The Company recognizes hardware revenues, net of an allowance for sales returns, from the sales of its TiVo-enabled DVRs. Hardware revenues are recognized upon delivery to retailers or upon shipment to consumers. The fees for shipping and handling paid by customers are recognized as hardware revenues. The costs associated with shipping and handling these DVRs are expensed as cost of hardware revenues.

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Under certain marketing and pricing programs offered to consumers through its website or otherwise, the Company may offer DVRs for no cost or DVRs at a discounted price when bundled with a pre-paid subscription or a commitment to pay for a subscription for a minimum period of time such as one or more years. These are multiple element arrangements under Emerging Issues Task Force (EITF) 00-21, Revenue Arrangements with Multiple Deliverables, and therefore revenue is allocated to the DVR and subscription based on their relative fair values. To the extent that the cost of the DVR exceeds the revenue allocated to the DVR, the excess costs are deferred and amortized over the period of the subscription. If a loss is incurred on the total arrangement, then the loss accrual is expensed at the time of shipment of the DVR. As of October 31, 2005, the Company deferred $1.1 million in hardware costs for these programs. The Company did not defer any hardware costs as of January 31, 2005.

Rebates, Revenue Share, and Other Payments to Channel. In accordance with EITF 01-09, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendors Products) , certain payments to retailers and distributors such as market development funds and revenue share are shown as a reduction to revenue rather than as a sales and marketing expense. TiVo s policy is to expense these payments when they are incurred as well as when they are fixed or determinable. The Company also records rebates offered to consumers as a reduction to revenue. The Company records a liability for estimated future rebate redemption at the later of the delivery of the hardware or announcement of the rebate program.

Deferred Revenues. Deferred revenues consists of unrecognized service and technology fees that have been collected, but the related service has not yet been provided or VSOE of fair value does not exist for the undelivered elements of an arrangement.

Research and Development

Research and development expenses, which consist primarily of employee salaries, related expenses, and consulting fees, are expensed as incurred.

Sales and Marketing

Sales and marketing expenses consist primarily of employee salaries and related expenses, media advertising, public relations activities, special promotions, trade shows, and the production of product related items, including collateral and videos.

Advertising

The Company expenses advertising costs as the services are provided. Advertising expenses were $3.5 million and $6.3 million for the three and nine months ended October 31, 2005, respectively, and $8.9 million and $10.7 million for the three and nine months ended October 31, 2004, respectively.

Warranty Expense and Liability

The Company accrues warranty costs for the expected material and labor required to provide warranty services on its hardware products. The methodology used in determining the liability for product warranty services is based upon historical information and experience. 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 multiplied by the estimated cost to replace or repair the customers product returns under warranty.

Interest Expense and Other

Included in interest expense for the three and nine months ended October 31, 2004 are cash charges for coupon interest expense related to the convertible notes payable. Included in non-cash interest expense for the three and nine months ended October 31, 2004 is amortization of discount on the convertible notes payable and debt issuance costs. Other expenses include fees for the bank line of credit and the letter of credit.

Comprehensive Loss

The Company has no material components of other comprehensive income or loss and, accordingly, the comprehensive loss is the same as the net loss for all periods presented.

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Business Concentrations and Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash, cash equivalents, short-term investments, and trade receivables. The Company currently invests the majority of its cash in money market funds and maintains them with several financial institutions with high credit ratings. The Company also invests in debt instruments of the U.S. government and its agencies and corporate issuers 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. The Company has not experienced any credit losses on its cash, cash equivalents, or short-term investments.

The majority of the Company s customers are concentrated in the United States. The Company is subject to a minimal amount of credit risk related to these customers as service revenue is primarily obtained through credit card sales. DIRECTV represented approximately 15% and 13% of net revenues for the nine months ended October 31, 2005 and 2004, respectively. The Company evaluates its outstanding accounts receivable each period for collectibility. This evaluation involves assessing the aging of the amounts due to the Company and reviewing the credit-worthiness of each customer. Based on this evaluation, the Company records an allowance for accounts receivable that are estimated to not be collectible.

The Company is dependent on single suppliers for several key components and services. The Company does not have contracts or arrangements with such suppliers. Instead, the Company purchases these components and services by submitting purchase orders with these companies. The Company does have an agreement with Tribune Media Services, its sole supplier of programming guide data for the TiVo service. If these 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 or at all.

Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 151, Inventory Costs-an Amendment of ARB No. 43, Chapter 4 (FAS 151). FAS 151 amends ARB 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this Statement are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of the provisions of FAS 151 is not expected to have a material impact on the Company s financial position or results of operations.

On December 16, 2004, the FASB issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock Based Compensation. (FAS 123(R)) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based upon their fair values. Pro forma disclosure is no longer an alternative. In April 2005, the Securities and Exchange Commission announced the adoption of a new rule that amends the effective date of FAS 123(R). The effective date of FAS 123(R) for the Company s consolidated financial statements is February 1, 2006, with early adoption permitted. The Company has no plans for early adoption.

Statement 123(R) permits public companies to adopt its requirements using one of two methods:

1. A modified prospective method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date; and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date.

2. A modified retrospective method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented; or (b) prior interim periods of the year of adoption.

The Company is currently evaluating which of the two methods it will adopt.

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As permitted by Statement 123, the Company currently accounts for share-based payments to employees using the intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R) s fair value method will have a significant impact on the Company s results of operations, although it will have no impact on its overall financial position based on its current share based awards to employees. The exact impact of adoption of Statement 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future, the valuation model used to value the options and other variables. However, had the Company adopted Statement 123(R) in prior periods, the impact of that adoption likely would have approximated the stock compensation disclosure included in Note 3 to the Company s condensed consolidated financial statements.

3. STOCK-BASED COMPENSATION PLANS

The Company has stock option plans and an Employee Stock Purchase Plan (ESPP), under which officers, employees, consultants and non-employee directors may be granted options to purchase shares of the Company s authorized but un-issued or reacquired common stock, and may also be granted restricted stock and other stock awards. The Company s stock option plans are accounted for under the intrinsic value recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. During the nine months ended October 31, 2005, options to purchase 5,518,750 shares were granted under the Company s stock option plans at exercise prices equal to the market price of the underlying common stock on the date of grant. The weighted average fair value of the stock options granted with an exercise price equal to fair market value on date of grant, during the nine months ended October 31, 2005 was $4.66 per share. During the nine months ended October 31, 2005, 38,138 shares of unvested restricted stock that previously had been granted to employees were retired due to forfeiture resulting in a reversal of $625,000 of deferred compensation on the condensed consolidated balance sheet. This offset an increase of $3.0 million in deferred compensation that was recognized upon the following:

1) Issuance of 350,000 shares of restricted stock to the Chief Executive Officer, pursuant to his employment contract. The corresponding non-cash stock compensation expense will be recognized ratably over the 48 month vesting period. These shares of restricted stock had a market value on the date of issuance of $6.52 per share and vest 25% on each anniversary date of his employment with the first vesting to occur on July 1, 2006.

2) Issuance of a total of 130,000 shares of restricted stock to several of TiVo s executive management team for retention and incentive purposes. The corresponding non-cash stock compensation expense will be recognized ratably over the 12 month vesting period. These shares of restricted stock had a market value on October 6, 2005, the date of issuance, of $5.02 per share and vest 100% on the one-year anniversary date of these agreements.

3) Acceleration of existing stock options for the Chief Financial Officer pursuant to his Employment Transition and Separation Agreement. The corresponding non-cash stock compensation expense of $70,000 will be recognized ratably over the next 6 $^1/_2$ months, and will be fully amortized upon the earlier of his termination date or April 15, 2006.

Pursuant to his employment contract, the Chief Executive Officer also was granted 1,000,000 shares of stock appreciation rights with an exercise price $6.52, which was the fair market value on the date of issuance. These stock appreciation rights vest ratably over 48 months. The Company did not record any deferred compensation or non-cash stock compensation expense as of October 31, 2005, as the market value of the stock on that date was below the exercise price. Deferred compensation will be re-measured quarterly based on the market value as of the last trading day of the quarter. Non-cash stock compensation expense will be amortized on an accelerated basis over the vesting period of the individual award consistent with the method described in FASB Interpretation 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.

There were 504,895 shares issued to employees under the Company s ESPP during the nine months ended October 31, 2005. The weighted average fair value of the offerings to purchase ESPP shares for the nine months ended October 31, 2005 was $2.23 per share.

During the nine months ended October 31, 2005, a reversal of $466,000 in stock based compensation expense was recorded as a result of the forfeiture of unvested restricted common stock during the quarter. Stock based compensation expense for the nine months ended October 31, 2005 was $48,000.

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During the nine months ended October 31, 2004, options to purchase 3,422,950 shares were granted under the stock option plans at exercise prices equal to the market price of the underlying common stock on the date of grant. During this period, options to purchase 150,000 shares were granted with exercise prices less than market price at the date of grant, and there were no stock options granted with exercise prices greater than market price at the date of grant during this period. The weighted average fair value of the stock options granted during the nine months ended October 31, 2004 was $3.00 per share. The weighted average fair value of the stock options granted with exercise prices below fair market value on the date of grant during the nine months ended October 31, 2004 was $2.98. During the nine months ended October 31, 2004, 16,852 shares of unvested restricted stock that had been granted to an employee were retired due to forfeiture resulting in a reversal of $144,000 of deferred compensation. Stock-based compensation expense recognized for the nine months ended October 31, 2004 was $803,000.

There were 434,083 shares issued to employees under the Company s ESPP during the nine months ended October 31, 2004. The weighted average fair value of the offerings to purchase these ESPP shares for the nine months ended October 31, 2004 was $2.22 per share.

The following table illustrates the effect on the Company s net loss and basic and diluted loss per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, as amended, to options granted under the Company s stock option plans and under the Company s ESPP for the three and nine months ended October 31, 2005 and 2004:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	**2004**	**2005**	**2004**
	(In thousands, except per share data)			
Net loss, as reported	$ (14,239)	$ (26,350)	$ (14,856)	$ (46,177)
Add back: stock based compensation expense (benefit) recognized, net of related tax effects	165	253	48	803
Pro forma effect of stock based compensation expense determined under the fair value method for all awards, net of related tax effects	(2,869)	(2,621)	(7,702)	(8,759)
Net loss, proforma	$ (16,943)	$ (28,718)	$ (22,510)	$ (54,133)
Net loss, per common share basic and diluted, as reported	$ (0.17)	$ (0.33)	$ (0.18)	$ (0.58)
Net loss, per common share basic and diluted, proforma	$ (0.20)	$ (0.36)	$ (0.27)	$ (0.68)

The fair values of stock options issued to employees and non-employee directors and ESPP offerings were estimated using the Black Scholes Option-pricing model assuming no expected dividends and the following weighted average assumptions:

	ESPP		Stock Options	
	Three Months Ended October 31,			
Weighted Average Assumptions	**2005**	**2004**	**2005**	**2004**
Expected term (in years)	0.5	0.5	3.3	4.0

Volatility	50%	60%	50%	60%
Average risk free interest rate	3.79%	1.74%	4.21%	3.18%

	ESPP		Stock Options	
	Nine Months Ended October 31,			
Weighted Average Assumptions	**2005**	**2004**	**2005**	**2004**
Expected term (in years)	0.5	0.5	3.9	3.6
Volatility	57%	55%	60%	53%
Average risk free interest rate	3.38%	1.48%	3.64%	3.31%

The Black Scholes Option-pricing model requires the input of highly subjective assumptions, including the option s expected life and the expected price volatility of the underlying stock.

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4. NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share is calculated in accordance with SFAS No. 128, Earnings Per Share. Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period, excluding repurchasable common stock and unvested restricted stock. The weighted average number of shares outstanding used in the computation of basic and diluted net loss per common share does not include the effect of the following potentially outstanding common shares. The effects of these potentially outstanding shares were not included in the calculation of diluted net loss per common share because the effect would have been antidilutive:

	As of October 31,	
	2005	2004
	(In thousands)	
Repurchasable common stock	12	533
Unvested restricted stock outstanding	480	57
Common shares issuable for convertible notes payable		2,619
Options to purchase common stock	18,092	15,652
Potential shares to be issued from ESPP	277	779
Warrants to purchase common stock	3,516	4,844
Total	22,377	24,484

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	October 31, 2005	January 31, 2005
	(In thousands)	
Furniture and fixtures	$ 3,149	$ 3,149
Computer and office equipment	20,171	17,360
Lab equipment	2,282	1,930
Leasehold improvements	5,846	4,852
Capitalized software	9,132	8,551
Total property and equipment	40,580	35,842
Less: accumulated depreciation and amortization	(32,838)	(28,062)
Property and equipment, net	**$ 7,742**	**$ 7,780**

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6. CAPITALIZED SOFTWARE AND INTANGIBLE ASSETS, NET

Capitalized software and intangible assets, net consists of the following:

	October 31, 2005	January 31, 2005
	(In thousands)	
Capitalized software	$ 1,951	$ 1,951
Intellectual property rights	4,265	350
Capitalized software and intangible assets, gross	6,216	2,301
Less: accumulated amortization	(726)	(70)
Capitalized software and intangible assets, net	**$ 5,490**	**$ 2,231**

The total expected future annual amortization expense related to capitalize software and intangible assets is calculated on a straight-line basis, using the useful lives of the assets, which range from three to five years for capitalized software and five to seven years for intellectual property rights. Estimated annual amortization expense is set forth in the table below:

Fiscal Year Ending	Estimated Annual Amortization Expense
	(In thousands)
January 31, 2006 (3 months)	$ 283
January 31, 2007	1,033
January 31, 2008	1,033
January 31, 2009	1,000
January 31, 2010	929
January 31, 2011	559
There after	653
Total	$ 5,490

7. INDEMNIFICATION ARRANGEMENTS AND GUARANTEES

Product Warranties

The Company s minimum warranty period to consumers for TiVo-enabled DVRs is 90 days from the date of consumer purchase. Within the minimum warranty period, consumers are offered a no-charge exchange for TiVo-enabled DVRs returned due to product defect. After the minimum warranty period, consumers may exchange a TiVo-enabled DVR with a product defect for a charge. At October 31, 2005 and 2004, the accrued warranty reserve was $830,000 and $560,000, respectively. The Company s accrued warranty reserve is included in accrued liabilities in the accompanying condensed consolidated balance sheets.

	2005	2004
	(In thousands)	
Balance at January 31	$ 675	$ 616
Additional warranties issued	383	467
Adjustments to warranty reserve estimates	698	(15)
Settlement during the period	(926)	(508)
Balance at October 31	$ 830	$ 560

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Indemnification Arrangements

The Company undertakes indemnification obligations in its ordinary course of business in connection with, among other things, the licensing of its products, the provision of consulting services, and the issuance of securities. Pursuant to these agreements, the Company may indemnify the other party for certain losses suffered or incurred by the indemnified party, generally its business partners or customers, underwriters or certain investors, in connection with various types of claims, which may include, without limitation, claims of intellectual property infringement, certain tax liabilities, negligence and intentional acts in the performance of services and violations of laws, including certain violations of securities laws. The term of these indemnification obligations is generally perpetual. The Company s obligation to provide indemnification 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. In particular, as the Company has disclosed in Note 8, it is currently indemnifying Sony against a claim of intellectual property infringement brought by Command Audio and is indemnifying Humax against a claim of intellectual property infringement brought by EchoStar Technologies Corporation in connection with each companies manufacture and sale of TiVo devices.

The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to its indemnification obligations. A few of the 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 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.

8. COMMITMENTS AND CONTINGENCIES

Legal Matters

Intellectual Property Litigation**.** In September 1999, TiVo received letters from Time Warner, Inc. and Fox Television stating that TiVo s personal television service exploits these companies copyrights without the necessary licenses. The Company believes that the TiVo service does not infringe on these copyrights and believes that there will not be an adverse impact as a result of these letters.

On September 25, 2001, Pause Technology LLC filed a complaint against TiVo in the U.S. District Court for the District of Massachusetts alleging willful and deliberate infringement of U.S. Reissue Patent No. 36,801, entitled Time Delayed Digital Video System Using Concurrent Recording and Playback. Pause Technology alleges that it is the owner of this patent, and further alleges that TiVo has willfully and deliberately infringed this patent by making, selling, offering to sell, and using within the United States the TiVo digital video recorder. Pause Technology seeks unspecified monetary damages as well as an injunction against TiVo s operations. It also seeks attorneys fees and costs. On February 6, 2004, TiVo obtained a favorable summary judgment ruling in the case in the District Court. The court ruled that the Company s software versions 2.0 and above do not infringe Pause Technology s patent, and accordingly has ordered that judgment be entered in the Company s favor. On June 16, 2004, Pause Technology filed an appeal to the United States Court of Appeals for the Federal Circuit appealing the February 6, 2004 summary judgment ruling in favor of TiVo. On April 7, 2005, the U.S. District Court for the District of Massachusetts issued an Amended Final Judgment dismissing without prejudice the Company s remaining cross-claim for patent invalidity as being moot in light of the February 9, 2004 judgment in favor of TiVo against Pause Technology as to all claims of infringement in Pause Technology s complaint. On April 8, 2005, Pause Technology filed a notice of appeal with the United States Court of Appeals for the Federal Circuit appealing the April 7, 2005 Amended Final Judgment. On August 16, 2005, the United States Court of Appeals for the Federal Circuit affirmed in full the February 6, 2004 summary judgment ruling in favor of TiVo. The Company is incurring expenses in connection with this litigation.

On February 5, 2002, Sony Corporation notified TiVo that Command Audio Corporation had filed a complaint against Sony Electronics, Inc. on February 2, 2002 in the U.S. District Court for the Northern District of California. The complaint alleges that, in connection with its sale of digital video recorders and other products, Sony infringes upon two patents owned by Command Audio, U.S. Patent Nos. 5,590,195 (Information Dissemination Using Various Transmission Modes) and 6,330,334 (Method and System for Information Dissemination Using Television Signals). The complaint seeks injunctive relief, compensatory and treble damages and Command Audio s costs and expenses, including reasonable attorneys fees. Under the terms of the Company s agreement with Sony governing the distribution of certain digital video recorders that enable the TiVo service, TiVo is required to indemnify Sony against any and all claims, damages, liabilities, costs and expenses relating to claims that its technology infringes upon intellectual property rights owned by third parties. On June 15, 2004, the Court denied Sony s motion for summary judgment of invalidity and granted in part and denied in part Command Audio s motion for summary judgment of infringement. The court found that certain Sony products, including Sony s accused products that enable the TiVo service, literally infringed certain claims of the 334 patent but did not rule on the validity or enforceability of the patents. A trial limited to certain of Sony s allegations that the patents-in-suit are unenforceable was conducted in October 2004. On January 7, 2005, the Court issued a Findings of Fact and Conclusions of Law ruling that the patents-in-suit are not unenforceable based on the allegations presented in the October 2004 trial. On May 12, 2005, the Court granted Sony s motion for partial summary judgment regarding damages. The Court found that Command Audio may not recover any royalties or other damages for sales of allegedly infringing products by Sony that occurred prior to December 4, 2001, the date on which the United States Patent and Trademark Office issued a certificate of correction for the 195 patent. Trial of the remaining issues, including infringement of certain asserted patent claims, validity of all the asserted patent claims and Sony s remaining allegations regarding the enforceability of the patents, has been suspended by the Court, in light of discussions between Sony and Command Audio concerning a possible negotiated resolution of the matter. Under the terms of our agreement with Sony governing the distribution of certain DVRs that enable the TiVo service, we are required to indemnify Sony against any and all claims, damages, liabilities, costs, and expense relating to claims that our technology infringes upon intellectual property rights owned by third parties. The Company believes Sony has meritorious defenses against this lawsuit; however, due to its indemnification obligations, the Company is incurring expenses in connection with this litigation. Since February 2002, the Company has incurred $5.8 million in legal expenses. The outcome of this matter and the extent of TiVo s potential exposure associated with it are not presently determinable. If Sony were to lose this lawsuit, the Company s business could be harmed.

On January 5, 2004, TiVo filed a complaint against EchoStar Communications Corporation in the U.S. District Court for the Eastern District of Texas alleging willful and deliberate infringement of U.S. Patent No. 6,233,389, entitled Multimedia Time Warping System. On January 15, 2004, the Company amended its complaint to add EchoStar DBS Corporation, EchoStar Technologies Corporation, and Echosphere Limited Liability Corporation as additional defendants. The Company alleges that it is the owner of this patent, and further alleges that the defendants have willfully and deliberately infringed this patent by making, selling, offering to sell and/or selling digital video recording devices, digital video recording device software, and/or personal television services in the United States. On March 9, 2005, the Court denied motions to dismiss and transfer the Company s patent infringement case against EchoStar Communications Corporation and its affiliates. On August 18, 2005, the Court issued a claim construction order. Trial is currently scheduled to commence in March 2006, in Marshall, Texas. The Company seeks unspecified monetary damages as well as an injunction against the defendants further infringement of the patent. The Company is incurring material expenses in this litigation.

On April 29, 2005, EchoStar Technologies Corporation filed a complaint against TiVo and Humax USA, Inc. in the U.S. District Court for the Eastern District of Texas alleging infringement of U.S. Patent Nos. 5,774,186 (Interruption Tolerant Video Program Viewing), 6,529,685 B2 (Multimedia Direct Access Storage Device and Formatting Method), 6,208,804 B1 (Multimedia Direct Access Storage Device and Formatting Method) and 6,173,112 B1 (Method and System for Recording In-Progress Broadcast Programs). The complaint alleges that EchoStar Technologies Corporation is the owner by assignment of the patents allegedly infringed. The complaint further alleges that the TiVo and Humax have infringed, contributorily infringed and/or actively induced infringement of the patents by making, using, selling or importing digital video recording devices, digital video recording device software and/or personal television services in the United States that allegedly infringe the patents, and that such infringement is willful and ongoing. Under the terms of the Company s agreement with Humax governing the distribution of certain DVRs that enable the TiVo service, the Company is required to indemnify Humax against any claims, damages, liabilities, costs, and expenses relating to claims that the Company s technology infringes upon intellectual property rights owned by third parties. On May 10, 2005, Humax formally notified TiVo of the claims against it in this lawsuit as required by Humax s agreement with TiVo. On July 1, 2005, the defendants filed their answer and counterclaims. The Company intends to defend this action vigorously; however, it could be forced to incur material expenses in connection with this lawsuit and/or as a result of its indemnification obligations and, in the event there is an adverse outcome, the Company s business could be harmed.

On August 5, 2004, Compression Labs, Inc. filed a complaint against TiVo Inc., Acer American Corporation, AudioVox Corporation, BancTec, Inc., BenQ America Corporation, Color Dreams, Inc. (d/b/a StarDot Technologies), Google Inc., ScanSoft, Inc., Sun Microsystems Inc., Veo Inc., and Yahoo! Inc. in the U.S. District Court for the Eastern District of Texas alleging infringement, inducement of others to infringe, and contributory infringement of U.S. Patent No. 4,698,672, entitled Coding System For Reducing Redundancy. The complaint alleges that Compression Labs, Inc. is the owner of this patent and has the exclusive rights to sue and recover for infringement thereof. The complaint further alleges that the defendants have infringed, induced infringement, and contributorily infringed this patent by selling devices and/or systems in the United States, at least portions of which are designed to be at least partly compliant with the JPEG standard. On February 16, 2005, the Court ordered the case transferred to the U.S. District Court for the Northern District of California. The Company intends to defend this action vigorously; however, it could be forced to incur material expenses in the litigation and, in the event there is an adverse outcome, the Company s business could be harmed.

In August and September 2004, Phillip Igbinadolor, on behalf of himself, filed complaints against TiVo, Sony Corporation, Sony Electronics, Inc., Sony Corporation of America, JVC, Clarrion Corporation of America, and Philips Consumer Electronics Company in the U.S. District Court for the Eastern District of New York alleging infringement of U.S. Patent Nos. 395,884 and 6,779,196 and U.S. Trademark No. 2,260,689, each relating to an integrated car dubbing system. The complaints were consolidated into one action captioned *Igbinadolor v. Sony Corporation et al.* On November 10, 2004, the Company filed its answer, affirmative defenses and counterclaims and on January 31, 2005, the Company filed a motion for summary judgment. On July 18, 2005, the Court granted summary judgment in favor of the Company and the other defendants on the ground that, as a matter of law, there is no infringement of either the patents or the trademark. On August 30, 2005, Mr. Igbinadolor filed a notice of appeal with the United States Court of Appeals for the Federal Circuit appealing the July 18, 2005 summary judgment order. The Federal Circuit docketed the appeal on September 2, 2005, and Mr. Igbinadolor must file his brief by December 19, 2005. The Company is incurring expenses in connection with this litigation that may become material in the future, and in the event there is an adverse outcome, the Company s business could be harmed.

Securities Litigation**.** On June 12, 2001, a securities class action lawsuit in which the Company and certain of its officers and directors are named as defendants was filed in the United States District Court for the Southern District of New York. This action, which is captioned *Wercberger v. TiVo et al.*, also names several of the underwriters involved in the Company s initial public offering as defendants. This class action was brought on behalf of a purported class of purchasers of the Company s common stock from September 30, 1999, the time of its initial public offering, through December 6, 2000. The central allegation in this action is that the underwriters in the initial public offering solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased TiVo common stock in the initial public offering and the after-market. The complaint also alleges that the TiVo defendants violated the federal securities laws by failing to disclose in the initial public offering prospectus that the underwriters had engaged in these alleged arrangements. More than 150 issuers have been named in similar lawsuits. In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers (including the TiVo defendants) was filed by the entire group of issuer defendants in these similar actions. On October 8, 2002, TiVo s officers were dismissed as defendants in the lawsuit. On February 19, 2003, the court in this action issued its decision on defendants omnibus motion to dismiss. This decision dismissed the Section 10(b) claim as to TiVo but denied the motion to dismiss the Section 11 claim as to TiVo and virtually all of the other issuer-defendants.

On June 26, 2003, the plaintiffs announced a proposed settlement with the Company and the other issuer defendants. The proposed settlement provides that the plaintiffs will be guaranteed $1.0 billion dollars in recoveries by the insurers of the Company and other issuer defendants. Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company s insurers in accordance with the proposed settlement. In addition, the Company and the other settling issuer defendants will assign to the plaintiffs certain claims that they may have against the underwriters. If recoveries in excess of $1.0 billion dollars are obtained by the plaintiffs from the underwriters, the Company s and the other issuer defendants monetary obligations to the class plaintiffs will be satisfied. Furthermore, the settlement is subject to a hearing on fairness and approval by the Federal District Court overseeing the IPO Litigation. On February 15, 2005, the Court issued an order preliminarily approving the terms of the proposed settlement. The Court also certified the settlement classes and class representatives for purposes of the proposed settlement only. On August 31, 2005, the Court issued an order scheduling a fairness hearing for April 2006 to determine whether the proposed settlement should be approved. Due to the inherent uncertainties of litigation and assignment of claims against the underwriters, and because the settlement has not yet been finally approved by the Federal District Court, the ultimate outcome of the matter cannot be predicted. In accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies the Company believes any contingent liability related to this claim is not probable or estimable and therefore no amounts have been accrued in regards to this matter as of October 31, 2005.

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The Company is involved in numerous lawsuits in the ordinary course of its business. The Company assesses potential liabilities in connection with these lawsuits under Statement of Financial Accounting Standards No. 5, Accounting for Contingencies. The Company 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. As of October 31, 2005, the Company had not accrued a liability for any of the lawsuits filed against it as the conditions for accrual have not been met. The Company expenses legal costs as they are incurred.

Facilities Leases

The Company s corporate headquarters consists of two buildings located in Alviso, California. In October 1999, the Company entered into an office lease with WIX/NSJ Real Estate Limited Partnership for its headquarters. The lease began on March 10, 2000 and has a seven-year term. Monthly rent is approximately $265,000 with built-in base rent escalations periodically throughout the lease term. The lease is classified as an operating lease. Rent expense is recognized using the straight-line method over the lease term and for the nine months ended October 31, 2005 and 2004 was $2.2 million and $2.2 million, respectively. Additionally, the Company delivered a letter of credit totaling $476,683, to WIX/NSJ Real Estate Limited Partnership as collateral for performance by the Company of all of its obligations under the lease. The letter of credit is to remain in effect the entire term of the lease. The Company also has operating leases for administrative office space in San Francisco and in New York.

Operating lease cash payments for the nine months ended October 31, 2005 and 2004 were $2.6 million and $2.3 million, respectively.

Additionally, the Company leases office space in Berkshire, United Kingdom under an operating lease that expires in March 2006. The Company abandoned this facility in May 2002 and recorded a restructuring accrual of $367,000, of which $57,000 remains as of October 31, 2005.

Future minimum operating lease payments as of October 31, 2005, were as follows:

Fiscal Year Ending	**Lease Payments**
	(In thousands)
January 31, 2006 (3 months)	$ 864
January 31, 2007	3,395
January 31, 2008	273
Total	$ 4,532

9. COMCAST AGREEMENT

On March 15, 2005, the Company entered into a non-exclusive licensing and marketing agreement with Comcast STB Software DVR, LLC, a wholly-owned subsidiary of Comcast Corporation, and Comcast Corporation, as guarantor of Comcast STB s obligations under the agreement. Pursuant to this agreement, the Company has agreed to develop a TiVo-branded software solution for deployment on Comcast s DVR platforms, which would enable any TiVo-specific DVR and networking features requested by Comcast, such as WishList® searches, Season Pass recordings, home media features, and TiVoToGo transfers. In addition, the Company has agreed to develop an advertising management system for deployment on Comcast platforms to enable the provision of local and national advertising to Comcast subscribers.

Under the agreement, Comcast paid TiVo an upfront fee that the Company has recorded as deferred revenue. To date, the development work is in the preliminary stages, as the companies work towards an agreement of the engineering professional services to be delivered. Development costs to date are $1.8 million and are classified on the balances sheet under prepaid and other current assets.

Comcast will pay a recurring monthly fee per Comcast subscriber who receives the TiVo service through Comcast. Comcast will also pay the Company fees for engineering services for the development and integration of the TiVo service software solution (subject to adjustment under certain circumstances) and the advertising management system.

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The initial term of this agreement is for seven years from completion of the TiVo service software solution, with Comcast permitted to renew for additional 1-year terms for up to a total of 8 additional years as long as certain deployment thresholds have been achieved. During the term of the agreement, TiVo will provide Comcast with certain customer and maintenance support and will provide certain additional development work. TiVo will have the continuing right to sell certain types of advertising in connection with the TiVo service offered through Comcast. TiVo will also have a limited right to sell certain types of advertising on other Comcast DVR set-top boxes enabled with the advertising management system, subject to Comcast s option to terminate such right in exchange for certain advertising-related payments. Development and deployment of the TiVo service software solution and advertising management system is targeted to occur within two years from the date of the agreement, with certain consequences, including, but not limited to, termination of the agreement, in the event development of the TiVo service software solution has not been completed by such date. As part of this agreement, Comcast is receiving a non-exclusive, non-transferable license to the Company s intellectual property in order to deploy the TiVo service software solution and advertising management system, including certain trademark branding rights and a covenant not to assert under TiVo s patents, which rights extend only to Comcast Corporation, its affiliates, and certain of its vendors and suppliers with respect to Comcast products and services. Such non-exclusive, non-transferable license to the Company s intellectual property will, under certain circumstances, continue after the termination of this agreement. In addition, Comcast is entitled to certain most favored customer terms as compared with other multi-channel video distributors who license certain TiVo technology. Pursuant to the terms of this agreement, Comcast has the right to terminate the agreement in the event the Company is the subject of certain change of control transactions involving any of certain specified companies.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

TiVo is a leading provider of technology and services for digital video recorders, or DVRs, a rapidly growing consumer electronics category. Our subscription-based TiVo service improves home entertainment by providing consumers with an easy way to record, watch, and control television, with such features as Season Pass recordings, WishList® searches, TiVoToGo recordings, and online scheduling, and is designed to make the TiVo DVR the focal point of the digital living room, a center for sharing and experiencing television, music, photos, and other content. Today, through agreements with leading cable and satellite operators such as, Comcast, Cablevision, Cebridge Connections, the National Cable Television Cooperative, DIRECTV and our network of leading consumer electronics retailers, we are capitalizing on the strength of our brand and the popularity of our technology among consumers to expand the distribution of the TiVo-enabled DVRs. The TiVo service is also at the forefront of providing innovative marketing solutions for the television industry, including a unique platform for advertisers and audience measurement research. As awareness of our brand increases and consumer adoption grows, we remain focused on extending and protecting our intellectual property, promoting and leveraging our brand for future partnerships, and improving our market share and financial position. Our financial strength and ability to adapt to current market and economic conditions are dependent in part on our generation of positive cash flow, effective management of working capital and funding commitments, as well as the growth of our business.

Executive Overview and Outlook

During the three and nine months ended October 31, 2005, we experienced growth in our overall subscription base and subscription revenues. Through our continued investment in marketing and research and development, we increased our subscription base, with the majority of our new subscriptions coming from DIRECTV. We have elected to invest in a substantial marketing campaign during the second half of fiscal year 2006 to promote and leverage the TiVo brand to expand our subscription base and for future partnerships. For the remainder of fiscal year 2006, we plan to continue our spending on subscription acquisition activities, including promotional rebate offers, radio, online, and limited television advertising, in order to more aggressively grow our market share, by acquiring more new subscriptions than we believe we otherwise would without such increased investment

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The following table sets forth selected information for the three and nine months ended October 31, 2005 and 2004:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2004	2005	2004
	(In thousands)		(In thousands)	
Service and technology revenues	$ 43,197	$ 28,377	$ 123,891	$ 81,311
Net revenues	$ 49,615	$ 38,327	$ 135,858	$ 112,626
Cost of revenues	(33,250)	(36,456)	(71,781)	(93,125)
Operating expenses	(31,420)	(27,869)	(81,053)	(64,665)
Loss from operations	$ (15,055)	$ (25,998)	$ (16,976)	$ (45,164)
Cash flows from operating activities			$ (12,262)	$ (55,001)

Service and Technology Revenues. Our service and technology revenues increased $14.8 million or 52% during the three months ended October 31, 2005 compared to the same prior-year period. This increase was primarily due to the growth in our subscription base of approximately 1.7 million net new subscriptions during the twelve months ended October 31, 2005.

Net Revenues. Our net revenues increased by $11.3 million or 29% during the three months ended October 31, 2005 compared to the same prior-year period. While service revenues increased significantly, those benefits were offset by lower hardware revenues.

Cost of Revenues. Our total costs of revenues, which include cost of service revenues, cost of technology revenues, and cost of hardware revenues, decreased by $3.2 million or 9% during the three months ended October 31, 2005. The cost of service and technology revenues for the three months ended October 31, 2005 increased by $538,000, or 7%, compared to the same prior-year period. The cost of hardware revenues for three months ended October 31, 2005 decreased by $3.7 million, or 13%, compared to the same prior-year period, primarily due to decreased hardware sales volume arising from increased competition.

Operating Expenses. Our operating expenses, including research and development, sales and marketing, and general and administrative expenses, increased $3.6 million or 13% during the three months ended October 31, 2005 compared to the same prior-year period. The largest contributor to the increase in operating expenses was the increase in legal expenses related to on-going litigation of $3.7 million and $6.1 million for the three and nine month ended October 31, 2005, respectively, as compared to the same prior year period.

Cash Flows from Operating Activities. Our net cash used in operating activities for the nine months ended October 31, 2005 decreased by $42.7 million, or by 78%, primarily due to the reduction in our net loss.

We continue to be subject to a number of risks, including delays in product and service developments; competitive service offerings; lack of market acceptance; uncertainty of future profitability; the dependence on third parties for manufacturing, marketing, and sales support; current and future intellectual property claims against us; and our high degree of dependence upon our relationship with DIRECTV for subscription growth. We conduct our operations through one reportable segment. We anticipate that our business will continue to be seasonal, and we expect to generate a significant number of our annual new subscriptions during and immediately after the holiday shopping season. During the nine months ended October 31, 2005, we had a net loss of $(14.9) million. As of October 31, 2005, we had an accumulated deficit of $(671.9) million.

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 believes it is useful to monitor 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 this metric, and believes it may be useful to investors, in order to evaluate TiVo s relative position in the marketplace and to forecast future potential service revenues. Below is a table that details the growth in our subscription base during the past eight quarters. The TiVo-Owned lines refer to subscriptions sold directly by TiVo to consumers who have TiVo-enabled DVRs. The DIRECTV lines refer to subscriptions sold by DIRECTV to consumers who have integrated DIRECTV satellite receivers with TiVo service. Additionally, we provide a breakdown of the percent of TiVo-Owned subscriptions for which consumers pay a recurring fee, as opposed to a one-time product lifetime fee.

	Three Months Ended							
(Subscriptions in thousands)	**Oct 31, 2005**	**Jul 31, 2005**	**April 30, 2005**	**Jan 31, 2005**	**Oct 31, 2004**	**Jul 31, 2004**	**April 30, 2004**	**Jan 31, 2004**
TiVo-Owned Subscription Gross Additions:	92	77	104	276	119	78	82	137
Subscription Net Additions:								
TiVo-Owned	55	40	72	251	103	63	68	130
DIRECTV	379	214	247	447	316	225	196	200
Total Subscription Net Additions	**434**	**254**	**319**	**698**	**419**	**288**	**264**	**330**
Cumulative Subscriptions:								
TiVo-Owned	1,308	1,253	1,213	1,141	890	787	724	656
DIRECTV	2,700	2,321	2,107	1,860	1,413	1,097	872	676
Total Cumulative Subscriptions	**4,008**	**3,574**	**3,320**	**3,001**	**2,303**	**1,884**	**1,596**	**1,332**
% of TiVo-Owned Cumulative Subscriptions paying recurring fees	**51%**	**51%**	**51%**	**50%**	**46%**	**43%**	**42%**	**40%**

We define a subscription as a contract referencing a TiVo-enabled DVR for which (i) a consumer has paid for the TiVo service and (ii) service is not canceled. We are not aware of any uniform standards for defining subscriptions and caution that our presentation may not be consistent with that of other companies.

TiVo-Owned subscription gross additions for the three months ended October 31, 2005 decreased by 27,000 compared to the same prior-year period due to increased competition from DIRECTV s TiVo products, as well as from other DVR distributors. The percent of cumulative TiVo-Owned subscriptions paying recurring fees was 51% during the quarter, an increase of 5% from the same period last year, due to the fact that 74% of TiVo-Owned subscription gross additions chose a monthly fee option. DIRECTV subscription net additions were 63,000 higher than the same prior-year period.

We offer a product lifetime subscription, under which consumers can purchase a subscription that is valid for the lifetime of a particular DVR. We count these as subscriptions until both of the following conditions are met: (i) the four-year period we use to recognize lifetime subscription revenues ends, and (ii) the related DVR has not made contact to the TiVo service within the prior six-month period. As of October 31, 2005, 89,000 product lifetime subscriptions, or approximately 2.2% of our total cumulative subscriptions, of TiVo-Owned and DIRECTV with TiVo service subscriptions, had exceeded the four-year period we use to recognize product lifetime subscription revenues, but had made contact to the TiVo service within the prior six months. We continue to incur costs of services for these subscriptions without corresponding subscription revenue.

In the past, we offered to some of our consumer electronics partners a version of the TiVo service with reduced functionality called TiVo Basic that does not involve a fee to consumers. DVRs with the TiVo Basic service that have not upgraded to the TiVo service are not included in our subscription totals.

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, higher customer satisfaction, and improved customer support, may improve this metric. Conversely, management believes factors such as increased competition, lack of competitive service features, and increased price sensitivity may cause our TiVo-Owned Churn Rate per month to increase.

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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, 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 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:

	Three Months Ended							
	Oct 31, 2005	Jul 31, 2005	April 30, 2005	Jan 31, 2005	Oct 31, 2004	Jul 31, 2004	April 30, 2004	Jan 31, 2004
Average TiVo-Owned subscriptions	1,275	1,233	1,180	995	835	755	691	581
Tivo-Owned subscription cancellations	(37)	(37)	(32)	(25)	(16)	(15)	(14)	(7)
Tivo-Owned Churn Rate per month	-1.0%	-1.0%	-0.9%	-0.8%	-0.6%	-0.7%	-0.7%	-0.4%

The TiVo-Owned Churn Rate per month was 1.0% for the three months ended October 31, 2005, compared to 0.6% per month in the same prior-year period. We also count as churn those product lifetime subscriptions that have both reached the end of the four-year revenue recognition period and whose DVRs have not contacted the TiVo service within the prior six-months. The TiVo-Owned Churn rate per month of 1.0% for the three months ended October 31, 2005, is comprised of .2% attributable to these product lifetime subscriptions and .8% from cancellation of recurring subscriptions. Conversely, we do not count as churn product lifetime subscriptions that have not reached the end of the four-year revenue recognition period, regardless of whether such subscriptions continue to contact the TiVo service. We anticipate our TiVo-Owned Churn Rate will increase in future periods as a result of increased competition in the marketplace and increased churn from these product lifetime subscriptions.

Subscription Acquisition Cost (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 acquisition costs divided by TiVo-Owned subscription gross additions. We define total acquisition costs as the sum of sales and marketing expenses, rebates, revenue share, and other payments to channel, minus hardware gross margin (defined as hardware revenues less cost of hardware revenues). We do not include DIRECTV subscription gross additions in our calculation of SAC because we incur limited or no acquisition costs for new DIRECTV subscriptions. 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.

	Three Months Ended							
Subscription Acquisition Costs	Oct 31, 2005	Jul 31, 2005	April 30, 2005	Jan 31, 2005	Oct 31, 2004	Jul 31, 2004	April 30, 2004	Jan 31, 2004
	(In thousands, except SAC)							
Sales and marketing expenses	$ 10,006	$ 7,574	$ 6,830	$ 11,529	$ 14,212	$ 6,026	$ 5,600	$ 4,742
	18,234	5,988	3,638	25,188	17,944	6,576	4,988	4,114

Rebates, revenue share, and other payments to channel								
Hardware revenues	(24,652)	(4,649)	(10,526)	(50,452)	(27,894)	(18,592)	(14,337)	(25,537)
Cost of hardware revenues	24,742	6,565	15,642	52,267	28,486	22,720	16,850	26,687
Total Acquisition Costs	28,330	15,478	15,584	38,532	32,748	16,730	13,101	10,006
TiVo-Owned Subscription Gross Additions	92	77	104	276	119	78	82	137
Subscription Acquisition Costs (SAC)	$ 308	$ 201	$ 150	$ 140	$ 275	$ 214	$ 160	$ 73

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Subscription Acquisition Costs	Twelve Months Ended Oct 31, 2005	Jul 31, 2005	April 30, 2005	Jan 31, 2005	Oct 31, 2004	Jul 31, 2004	April 30, 2004	Jan 31, 2004
	(In thousands, except SAC)							
Sales and marketing expenses	$ 35,939	$ 40,145	$ 38,597	$ 37,367	$ 30,580	$ 22,072	$ 20,548	$ 18,947
Rebates, revenue share, and other payments to channel	53,048	52,758	53,346	54,696	33,622	19,575	11,790	9,159
Hardware revenues	(90,279)	(93,521)	(107,464)	(111,275)	(86,360)	(82,945)	(72,410)	(72,882)
Cost of hardware revenues	99,216	102,960	119,115	120,323	94,743	91,670	77,508	74,836
Total Acquisition Costs	97,924	102,342	103,594	101,111	72,585	50,372	37,436	30,060
TiVo-Owned Subscription Gross Additions	549	576	576	555	416	362	323	282
Subscription Acquisition Costs (SAC)	$ 178	$ 178	$ 180	$ 182	$ 174	$ 139	$ 116	$ 106

During the three months ended October 31, 2005, our total acquisition costs were $28.3 million, and SAC was $308. Comparatively, total acquisition costs for the three months ended October 31, 2004 were $32.7 million and SAC was $275. SAC increased by $33 or 12% for the three months ended October 31, 2005 compared to the prior-year period. During the twelve months ended October 31, 2005, our total acquisition costs increased by $25.3 million from the prior twelve months ended October 31, 2004, and SAC increased by $4 from $174 to $178 for the twelve months ended October 31, 2004 and 2005 respectively, due primarily to increased rebate expenses and payments to retailers.

As a result of the seasonal nature of our subscription growth, SAC varies significantly during the year. Management primarily reviews this metric on an annual basis due to the timing difference between our recognition of promotional program expense and the subsequent addition of the related subscription acquisition. For example, we have historically incurred increased sales and marketing expense during our third quarter in anticipation of new subscriptions that may be added during the fourth quarter and in subsequent periods in addition to those added during the third quarter.

Average Revenue Per Subscription (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 revenues from a variety of sources, including subscription fees, advertising, and audience measurement research. ARPU does not include rebates, revenue share and other payments to channel that reduce our GAAP revenues, and as a result, you 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 nature of these expenses and because management believes these expenses 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 ARPU per month for TiVo-Owned subscriptions by subtracting DIRECTV-related service revenues (which includes DIRECTV subscription service revenues and DIRECTV-related advertising revenues) from our total reported service revenues and dividing the result by the number of months in the period. We then divide by Average TiVo-Owned subscriptions for the period, calculated as described above for churn rate. The following table shows this calculation and reconciles ARPU for TiVo-Owned subscriptions to our reported service and technology revenues:

	Three Months Ended							
TiVo-Owned Average Revenue per Subscription	**Oct 31, 2005**	**Jul 31, 2005**	**April 30, 2005**	**Jan 31, 2005**	**Oct 31, 2004**	**Jul 31, 2004**	**April 30, 2004**	**Jan 31, 2004**
	(In thousands, except ARPU)							
Service and Technology revenues	$ 43,197	$ 40,674	$ 40,020	$ 34,165	$ 28,377	$ 27,760	$ 25,174	$ 21,209
Less: Technology revenues	(901)	(425)	(1,676)	(1,169)	(699)	(3,427)	(3,015)	(2,126)
Total Service revenues	42,296							