TIVO INC
Form 10-Q
June 09, 2006

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 April 30, 2006

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer ¨ Accelerated Filer x Non-Accelerated Filer ¨

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 86,253,682 as of May 26, 2006.

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.

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, offers of bundled hardware and service subscriptions, advertising expenditures, and other marketing activities;
- our future earnings including expected future service, technology, and hardware revenues;
- possible future impact of our change in accounting policy regarding our bundled sales program;
- 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 us 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 third party service provider subscriptions (such as DIRECTV and Comcast);
- 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 and contained under the caption Part I, Item 1A Risk Factors in our most recent 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 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 Operation and Risk Factors in this quarterly and our most recent annual report for a more detailed description of these significant risks and uncertainties.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

TIVO INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(unaudited)

	April 30, 2006	January 31, 2006 (As Adjusted -Note 2)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 73,408	$ 85,298
Short-term investments	18,943	18,915
Accounts receivable, net of allowance for doubtful accounts of $82 and $56	19,072	20,111
Finished goods inventories	13,176	10,939
Prepaid expenses and other, current	3,823	8,744
Total current assets	128,422	144,007
LONG-TERM ASSETS		
Property and equipment, net	9,412	9,448
Capitalized software and intangible assets, net	4,948	5,206
Prepaid expenses and other, long-term	316	347
Total long-term assets	14,676	15,001
Total assets	$ 143,098	$ 159,008
LIABILITIES AND STOCKHOLDERS DEFICIT		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 28,098	$ 24,050
Accrued liabilities	23,289	37,449
Deferred revenue, current	58,315	57,902
Total current liabilities	109,702	119,401
LONG-TERM LIABILITIES		
Deferred revenue, long-term	64,646	67,575
Deferred rent and other	1,756	1,404
Total long-term liabilities	66,402	68,979
Total liabilities	176,104	188,380
COMMITMENTS AND CONTINGENCIES (see Note 9)		
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 86,182,453 and 85,376,191, respectively	86	85
Additional paid-in capital	671,703	667,055

Deferred compensation		(2,421)
Accumulated deficit	(704,795)	(694,091)
Total stockholders deficit	(33,006)	(29,372)
Total liabilities and stockholders deficit	$ 143,098	$ 159,008

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

TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share and share amounts)

(unaudited)

	Three Months Ended April 30, 2006	2005
Revenues		
Service and technology revenues	$ 55,109	$ 40,020
Hardware revenues	9,453	10,526
Rebates, revenue share, and other payments to channel	(8,050)	(3,638)
Net revenues	56,512	46,908
Cost of revenues		
Cost of service and technology revenues (1)	17,801	8,866
Cost of hardware revenues	15,146	15,642
Total cost of revenues	32,947	24,508
Gross margin	23,565	22,400
Research and development (1)	12,861	10,904
Sales and marketing (1)	7,389	6,830
General and administrative (1)	15,059	6,138
Total operating expenses	35,309	23,872
Loss from operations	(11,744)	(1,472)
Interest income	1,062	624
Interest expense and other	(3)	(1)
Loss before income taxes	(10,685)	(849)
Provision for income taxes	(19)	(8)
Net loss attributable to common stockholders	$ (10,704)	$ (857)
Net loss per common share - basic and diluted	$ (0.13)	$ (0.01)
Weighted average common shares used to calculate basic and diluted net loss per share	85,133,631	82,380,871

(1) Includes stock-based compensation expense (benefit) as follows:

Cost of service and technology revenues	$ 297	$
Research and development	1,118	(164)
Sales and marketing	340	106
General and administrative	1,332	

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

TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIT

(In thousands, except share amounts)

(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit As Adjusted - Note 2	Total As Adjusted - Note 2
BALANCE JANUARY 31, 2006	85,376,191	$ 85	$ 667,055	$ (2,421)	$ (694,091)	$ (29,372)
Issuance of common stock upon exercise of common stock options	737,222	1	3,723			3,724
Issuance of restricted shares of common stock	69,040		259			259
Deferred compensation - reversal due to FAS 123R			(2,421)	2,421		
Recognition of stock based compensation expense, net			3,087			3,087
Net loss					(10,704)	(10,704)
BALANCE APRIL 30, 2006	86,182,453	$ 86	$ 671,703	$	$ (704,795)	$ (33,006)

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

6

TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Three Months Ended April 30, 2006	Three Months Ended April 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (10,704)	$ (857)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment and intangibles	1,730	1,424
Loss on disposal of fixed assets		3
Recognition of stock-based compensation expense (benefit)	3,087	(58)
Changes in assets and liabilities:		
Accounts receivable, net	1,039	17,751
Finished goods inventories	(2,237)	(6,880)
Prepaid expenses and other	4,952	1,064
Accounts payable	4,048	(6,490)
Accrued liabilities	(13,901)	(10,558)
Deferred revenue	(2,516)	4,788
Deferred rent and other long-term liabilities	352	(357)
Net cash used in operating activities	$ (14,150)	$ (170)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(28)	(1,025)
Sales of short-term investments		5,425
Acquisition of property and equipment	(1,436)	(763)
Acquisition of capitalized software and intangibles		(3,915)
Net cash used in investing activities	$ (1,464)	$ (278)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under bank line of credit		6,000
Payments to bank line of credit		(4,500)
Proceeds from issuance of common stock related to exercise of common stock options	3,724	1,319
Proceeds from issuance of common stock related to employee stock purchase plan		1,175
Net cash provided by financing activities	$ 3,724	$ 3,994
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (11,890)	$ 3,546

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

TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

(unaudited)

	Three Months Ended April 30, 2006	2005
CASH AND CASH EQUIVALENTS:		
Balance at beginning of period	85,298	87,245
Balance at end of period	$ 73,408	$ 90,791
SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH FLOW INFORMATION		
Cash paid for interest	$ 3	$ 1
Cash paid for income taxes	19	8
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 issuance of restricted common stock		260
Issuance of restricted common stock	259	

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

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 provider of technology and services for digital video recorders. The subscription-based TiVo service (the TiVo service) improves home entertainment by providing consumers with an easy way to record, watch, and control television. TiVo also provides a unique platform for the television industry, including for advertisers and audience research.

The Company continues to be subject to a number of risks, including delays in product and service developments; competitive service offerings; lack of market acceptance and uncertainty of future profitability; the dependence on third parties for manufacturing, marketing, and sales support; the intellectual property claims against the Company; and dependence on its relationship with DIRECTV for subscription growth. The Company anticipates that its business will continue to be seasonal and expects to generate a significant number of its annual new subscriptions during and immediately after the holiday shopping season.

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 April 30, 2006 and January 31, 2006 and the results of operations for the three-month period ended April 30, 2006 and 2005 and condensed consolidated statements of cash flows for the three-month periods ended April 30, 2006 and 2005. Additionally, included is the unaudited statement of stockholders deficit for the three month period ended April 30, 2006. These condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements as of January 31, 2006 and 2005, including the notes thereto, included in the Company s 2006 Annual Report on Form 10-K. Operating results for the three-month period ended April 30, 2006 are not necessarily indicative of results that may be expected for the year ending January 31, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Revenue Recognition and Deferred Revenue

The Company generates service revenues from fees for providing the TiVo service to consumers and through the sale of advertising and audience measurement research services. The Company also generates technology revenues from providing licensing and engineering 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 recurring and prepaid subscription plans to the TiVo service and fees received from the sale of advertising and audience measurement research services. Monthly and prepaid fixed-length 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 fees received from third parties, such as DIRECTV, which are recognized as earned.

Technology Revenues. The Company recognizes technology revenues under technology license and engineering services agreements in accordance with the 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 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 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, principally labor, 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 accepted engineering 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. In some cases, it may not be possible to separate the various elements within the arrangement due to a lack of fair value for undelivered elements in the contract. In these situations, 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 services are complete.

Hardware Revenues. For product sales to distributors, revenues are recognized upon product shipment to the distributors or receipt of the products by the distributor, depending on the shipping terms, provided that all fees are fixed or determinable, evidence of an arrangement exists and collectibility is probable. End users have the right to return their product within 30 days of the purchase. TiVo establishes allowances for expected product returns in accordance with SFAS No. 48, Revenue Recognition When Right of Return Exists . These allowances are recorded as a direct reduction of revenues and accounts receivable. For direct product sales to end-users prior to March 15, 2006, hardware revenues were recognized upon shipment by TiVo to the end-users provided all appropriate revenue recognition criteria were met. After March 15, 2006, the Company stopped selling DVRs directly to end-users on a standalone basis see Bundled Sales Programs.

Bundled Sales Programs. Prior to March 15, 2006, the Company sold DVRs for no cost or at a substantial discount when bundled with a prepaid subscription contract under certain marketing or promotion programs. These were considered multiple element arrangements, which met the requirements for separation under Emerging Issues Task Force (EITF) 00-21, Revenue Arrangements with Multiple Deliverables. The prepaid fee was allocated to the hardware and service based on their relative fair values and recognized in accordance with the respective accounting policies stated above.

Beginning on March 15, 2006, the Company began selling the DVR and service solely as a bundled sales program through the TiVo website and no longer intends to sell DVR s on a standalone basis. Under these bundled programs, the customer receives a DVR and commits to a minimum subscription of one to three years. Unlike the bundled sales programs offered prior to March 15, 2006, the customer receives the DVR with no upfront payment 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 customer has various pricing options at which they can renew the subscription. These bundled sale programs do not meet the requirements for separation under EITF 00-21. For both the monthly and prepaid programs, the entire arrangement fee is recognized ratably over the subscription period and is classified as Service Revenue in the condensed consolidated statements of operations.

For the monthly programs introduced on March 15, 2006, the Company concluded it was appropriate to charge the related hardware costs to cost of hardware revenues upon shipment of the DVR. Effective February 1, 2006, the Company changed its accounting policy for the recognition of DVR costs for prepaid bundled sales arrangements to charge the entire cost of the hardware to cost of revenues upon shipment. Previously, the Company deferred the portion of the hardware costs exceeding the recognized revenue allocated to the hardware element and amortized such costs over the period of the subscription. See Change in Accounting Policy section below. If the direct costs associated with the total arrangement (including the cost of the DVR and incremental service cost) exceed the prepaid fee, the loss is expensed at the time of the shipment of the DVR.

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 and 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.

Change in Accounting Policy

Recognition of Hardware Costs and Bundled Sales Programs

Effective February 1, 2006, the Company changed its method of accounting for the recognition of hardware costs in bundled sales programs where the customer prepays the arrangement fee. Previously, to the extent that the cost of the DVR exceeded the revenue allocated to the DVR, the excess costs were deferred and amortized over the period of the subscription. In this prepayment plan, the Company received the cash upfront from consumers, which allowed the Company to elect deferral of hardware costs over the service period. The Company now expenses all hardware costs upon shipment of the DVR (direct expense method).

The Company determined that the direct expense method was preferable to the prior accounting method because the Company believes: it is consistent with the accounting practices of competitors and companies within similar industries; it adds to the clarity and ease of understanding of the Company s reported results to investors; and it is consistent with the recognition of hardware costs for bundled monthly sales programs. The Company recorded the change in method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 154, Accounting Changes and Error Corrections. SFAS 154 requires that all elective accounting changes be made on a retrospective basis. As such, the accompanying condensed consolidated balance sheet as of January 31, 2006 has been adjusted to apply the direct expense method retrospectively to all prior periods. The net unamortized balance of previously deferred costs of $2.6 million at January 31, 2006 is now reflected in the accompanying unaudited adjusted condensed consolidated balance sheet as an increase in accumulated deficit and a reduction in prepaid expenses and other, current and prepaid expenses and other, long-term. This change in accounting method has no impact on the condensed consolidated statements of operations for the three months ended April 30, 2005 as the Company did not offer bundled revenue transactions until the three months ended July 31, 2005. The impact of adopting the direct expense method resulted in a $407,000 increase to net loss for the three months ended April 30, 2006. The following table details the impact of this accounting policy change on the Company s fiscal year ended January 31, 2006 unaudited condensed consolidated financial statement by effected line items.

Condensed Consolidated Balance Sheets (unaudited)

	July 31, 2005			October 31, 2005			January 31, 2006		
	As previously reported	Adjustment	Adjusted	As previously reported	Adjustment	Adjusted	As previously reported	Adjustment	Adjusted
Prepaid expenses and other, current	$ 4,860	$ (810)	$ 4,050	$ 8,019	$ (761)	$ 7,258	$ 11,069	$ (2,325)	$ 8,744
Total current assets	137,843	(810)	137,033	149,249	(761)	148,488	146,332	(2,325)	144,007
Prepaid expenses and other, long-term	$ 1,009	$ (322)	$ 687	$ 752	$ (296)	$ 456	$ 623	$ (276)	$ 347
Total long-term assets	14,521	$ (322)	14,199	13,984	$ (296)	13,688	15,277	$ (276)	15,001
Total assets	152,364	$ (1,132)	151,232	163,233	$ (1,057)	162,176	161,609	$ (2,601)	159,008

Condensed Consolidated Statements of Operations (unaudited)

	Three Months Ended July 31, 2005			Three Months Ended October 31, 2005			Three Months Ended January 31, 2006			Fiscal Year Ended January 31, 2006		
	As previously reported	Adjustment	Adjusted	As previously reported	Adjustment	Adjusted	As previously reported	Adjustment	Adjusted	As previously reported	Adjustment	Adjusted
Cost of revenues												
Cost of hardware revenues	$ 6,565	$ 1,132	$ 7,697	$ 24,742	$ (75)	$ 24,667	$ 37,267	$ 1,544	$ 38,811	$ 84,216	$ 2,601	$ 86,817
Total cost of revenues	14,023	1,132	15,155	33,250	(75)	33,175	47,396	1,544	48,940	119,177	2,601	121,778
Gross margin	25,312	(1,132)	24,180	16,365	75	16,440	12,671	(1,544)	11,127	76,748	(2,601)	74,147
Loss from operations	(449)	(1,132)	(1,581)	(15,055)	75	(14,980)	(20,428)	(1,544)	(21,972)	(37,404)	(2,601)	(40,005)
Income (loss) before income taxes	283	(1,132)	(849)	(14,239)	75	(14,164)	(19,529)	(1,544)	(21,073)	(34,334)	(2,601)	(36,935)
Net income (loss)	$ 240	$ (1,132)	$ (892)	$ (14,239)	$ 75	$ (14,164)	$ (19,542)	$ (1,544)	$ (21,086)	$ (34,398)	$ (2,601)	$ (36,999)
Net Income (loss) per common share basic and diluted	$ 0.00	$ 0.01	$ (0.01)	$ (0.17)	$ 0.00	$ (0.17)	$ (0.23)	$ (0.02)	$ (0.25)	$ (0.41)	$ (0.03)	$ (0.44)

Condensed Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended July 31, 2005			Nine Months Ended October 31, 2005			Fiscal Year Ended January 31, 2006		
	As previously reported	Adjustment	Adjusted	As previously reported	Adjustment	Adjusted	As previously reported	Adjustment	Adjusted
CASH FLOWS FROM OPERATING ACTIVITIES									
Net loss	$ (617)	$ (1,132)	$ (1,749)	$ (14,856)	$ (1,057)	$ (15,913)	$ (34,398)	$ (2,601)	$ (36,999)
Adjustments to reconcile net loss to net cash used in operating activities:									
Prepaid expenses and other, current	(384)	810	426	(3,543)	761	(2,782)	(6,593)	2,325	(4,268)
Prepaid expenses and other, long-term	229	322	551	486	296	782	615	276	891
Net cash used in operating activities	(6,577)		(6,577)	(12,262)		(12,262)	3,425		3,425

Stock-Based Compensation.

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 unissued or reacquired common stock, and may also be granted restricted stock and other stock awards. Currently, the Company grants options from the 1) 1999 Equity Incentive Plan, under which options could be granted to all employees, including executive officers and 2) the 1999 Non-Employee Directors Stock Option Plan, under which options are granted automatically to non-employee directors. In addition, TiVo s stock option program includes the 1997 Equity Incentive Plan, from which the Company currently does not grant options, but may do so. Upon the exercise of options, the Company issues new common stock from its authorized shares.

On February 1, 2006, the Company adopted the provisions of SFAS 123R, *Shared-Based Payment*, requiring TiVo to recognize expense related to the fair value of the Company s stock-based compensation awards. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principle Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and instead requires that such transactions be accounted for using a fair-value based method. The fair value of TiVo s restricted stock awards was 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 was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions and elections in adopting and implementing SFAS No. 123R, including expected stock price volatility and the estimated life of each award.

TiVo has elected to use the modified prospective transition method as permitted by SFAS 123R and therefore have not restated the Company s financial results for prior periods. Under this transition method, stock-based compensation expense for the three months ended April 30, 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of February 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123. Stock-based compensation expense for all stock-based compensation awards granted subsequent to February 1, 2006 was based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. TiVo recognizes compensation expense for stock option awards on a straight-line basis over the requisite service period of the award.

Basis of Presentation

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.

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.

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 4 years or the life of the lease
Capitalized software for internal use	1-5 years

Advertising Costs

The Company expenses advertising costs as the services are provided. Advertising expenses were $2.0 million and $994,000 for the three months ended April 30, 2006 and 2005, respectively.

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.

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 for service revenues 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 12% and 14% of net revenues and 26% and 23% of net accounts receivable for the three months ended April 30, 2006 and 2005, respectively. The Company sells its TiVo-enabled DVR to retailers under customary credit terms. One retailer generated 4% and 8% of net revenues and 25%, and 8% of the net accounts receivable for the three months ended April 30, 2006 and 2005, respectively. Comcast represented approximately 13% of net revenues for the three months ended April 30, 2006.

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 has an agreement with Tribune Media Services, its sole supplier of programming guide data for the TiVo service. Except for Tribune Media Services, the Company does not have contracts or arrangements with its single suppliers. Instead, the Company purchases these components and services by submitting purchase orders with these companies. 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, if at all.

3. EQUITY INCENTIVE PLANS

1997 Equity Incentive Plan

Under the terms of the Company s 1997 Equity Incentive Plan, adopted in 1997 and amended and restated in 1999 (the 1997 Plan), options to purchase shares of the Company s common stock may be granted 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 hires typically vest 25% after the first year of service, and the remaining 75% vest ratably over the next 36 months. The vesting periods for options granted to continuing employees vary, but typically vest monthly over a 48 month period. Options expire 10 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 terms of the 1997 Plan allowed individuals to exercise options prior to full vesting. In the event that the individual terminates his or her service to the Company before becoming fully vested, the Company has the right to repurchase the unvested shares at the original option price. The number of shares authorized for option grants under the 1997 Plan is 4,000,000. As of April 30, 2006, 475,430 shares of the total authorized remain available for future grants.

1999 Equity Incentive Plan

In April 1999, the Company s stockholders approved the 1999 Equity Incentive Plan (the 1999 Plan). Amendments to the 1999 Plan were adopted in July 1999. The 1999 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. Options expire 10 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 terms of the 1999 Plan allow individuals to early exercise options granted prior to August 8, 2001 from the date of grant, prior to full vesting. For options granted subsequent to August 8, 2001, options are exercisable only as the options vest. In the event that the individual terminates his or her service to the Company before becoming fully vested, the Company has the right to repurchase any exercised, unvested shares at the original option price. As of April 30, 2006, the number of shares authorized for option grants under the 1999 Plan is 38,363,130. The number of shares authorized for option grants is subject to an annual increase of the greater of 7% of outstanding shares or 4,000,000 shares, up to a maximum of 40,000,000 shares. As of April 30, 2006, 14,681,924 shares of the total authorized remain available for future stock option grants.

1999 Non-Employee Directors Stock Option Plan

In July 1999, the Company adopted the 1999 Non-Employee Directors Stock Option Plan (the Directors Plan). The Directors Plan provides for the automatic grant of options to purchase shares of the Company s common stock to non-employee directors at a price equal to the fair market value of the stock at the date of the grant. Initial options granted to new directors vest monthly over two years from the date of grant. Annual options granted to existing directors vest upon grant. The option term is ten years after the grant date, based on continued director service. If the director s service terminates, options expire 90 days from the date the director s service terminated. The number of shares authorized for option grants under the Directors Plan is 1,000,000, subject to an annual increase of 100,000 shares. As of April 30, 2006, 618,333 shares of the total authorized remain available for future grants.

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 or on the common stock purchase date. This plan has also incorporated a one-year look back feature in its provisions except for the offering period from February 1, 2006 through June 30, 2006 which had a look back of five months. Each offering consists of up to two purchase periods. The purchase periods previously began on May 1 and on November 1 of each year, and now begin on January 1 and on July 1 of each year, and are six months in length. Under the Employee Stock Purchase Plan, the board may, in the future, specify offerings up to 27 months. On August 15, 2002, the board amended the 1999 Employee Stock Purchase Plan to change the effective date for automatic annual increases to the reserve of shares issuable under the plan from December 31 to October 31. Effective October 31, 2002, the board approved the maximum annual increase of 500,000 shares to the total number of shares reserved for issuance under the Employee Stock Purchase Plan pursuant to the plan s automatic annual increase provision. As of April 30, 2006, the total number of shares reserved for issuance under this plan is 3,000,000. The number of shares available for stock option issuance under this plan is subject to an annual increase on each October 31 through October 31, 2008, equal to the lowest of (i) 5 percent of the outstanding shares of common stock on a diluted basis, (ii) 500,000 shares, or (iii) a smaller number as determined by the board of directors. As of April 30, 2006, of the total 3,000,000 shares reserved for issuance under the Employee Stock Purchase Plan, there were 607,591 shares available for future purchases.

Stock Award Activity

A summary of the stock options activity and related information for the three month ended April 30, 2006 is as follows :

	Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 31, 2006	16,791	$ 7.16		
Grants	3,178	6.79		
Exercises	(737)	7.89		
Forfeitures or expirations	(423)	5.49		
Outstanding at April 30, 2006	18,809	$ 7.22	7.62	$ 40,815
Exercisable at April 30, 2006	8,046	$ 8.20	5.95	$ 16,960

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on options with an exercise price less than the Company s closing stock price of $8.30 as of April 30, 2006, 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 $2.09 million and $767,000 for the three-month periods ended April 30, 2006 and 2005, respectively.

As of April 30, 2006, $32.5 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 3.27 years.

Unvested Stock

The Company had 539,303 restricted stock awards outstanding as of April 30, 2006, which were excluded from the options outstanding balances in the preceding tables. The total weighted-average grant date fair value was $3.34 million. Aggregate intrinsic value of restricted stock awards at April 30, 2006 was $4.5 million. Approximately 10,000 and 4,000 of the previously granted restricted stock awards vested during the quarter ended April 30, 2006 and April 30, 2005, respectively. The grant of these restricted stock awards has been deducted from the shares available for grant under the Company s stock option plans. The total fair value of restricted stock awards vested was $71,000 and $46,000 for the three-month periods ended April 30, 2006 and 2005, respectively.

The following table summarizes the Company s unvested stock activity for the three months ended April 30, 2006 (shares in thousands):

	Number of Shares (in thousands)	**Weighted-Average Grant Date Fair Value**
Unvested stock at January 31, 2006	480	$ 6.11
Granted	69	6.96
Vested	(10)	7.24
Forfeited		
Unvested stock at April 30, 2006	539	$ 6.20

As of April 30, 2006, $2.27 million of total unrecognized compensation costs related to unvested restricted stock is expected to be recognized over a weighted-average period of 2.58 years.

4. STOCK-BASED COMPENSATION PLANS

Total stock-based compensation recognized on our unaudited condensed consolidated statements of operations for the three months ended April 30, 2006 is as follows:

	SARs/Option Grants and Stock Purchase Rights (Fair Value Method)	Restricted Stock (Intrinsic Value Method)
	(In thousands, except per share amounts)	
Cost of revenues	$ 297	$
Research and development	1,047	71
Sales and marketing	257	83
General and administrative	1,138	194
Stock-based compensation effect before income taxes	$ 2,739	$ 348
Income tax benefit		
Total stock-based compensation effects in net income	$ 2,739	$ 348
Stock-based compensation effect on basic and diluted earnings per common share	$ .03	$ .01

Stock-based compensation costs were not capitalized as part of the cost of an asset as of April 30, 2006.

Net cash proceeds from the exercise of stock options were $3.7 million and $1.3 million for the three months ended April 30, 2006 and April 30, 2005, respectively. No income tax benefit was realized from stock option exercises during the three-month periods ended April 30, 2006 and 2005, respectively. In accordance with SFAS 123R, the Company presents excess tax benefits from the exercise of stock options, if any, as financing cash flows rather than operating cash flows.

Pro forma information required under SFAS No. 123R for periods prior to fiscal 2007 as if the Company had applied the fair value recognition provisions of SFAS No. 123 to options granted under the Company s equity incentive plans, was as follows:

		Three Months Ended April 30, 2005 (In thousands, except per share amounts)
Net loss, as reported	$	(857)
Add back: stock-based compensation expense recognized, net of related tax effects		(58)
Pro forma effect of stock-based compensation expense determined under the fair value method for all awards, net of related tax effects		(2,336)
Net loss, pro forma	$	(3,251)
Basic and diluted loss per common share, as reported	$	(0.01)
Basic and diluted loss per common share, pro forma	$	(0.04)

SFAS No. 123R requires the use of a valuation model to calculate the fair value of stock-based awards. The Company 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 in market traded options on the Company s common stock. The expected life of an award is based on the simplified calculation of expected life pursuant to Staff Accounting Bulletin No. 107 Share Based Payments . The interest rate for periods within the contractual life of the award is based on the average of U.S. Treasury yield curve during the three months ended April 30, 2006.

The assumptions used for the three-month periods ended April 30, 2006 and 2005 and the resulting estimates of weighted-average fair value per share of options granted and for stock purchases during those periods are as follows:

	ESPP		Stock Options	
	Three Months Ended April 30,			
	2006	2005	2006	2005
Expected life (in years)	0.42	0.50	6.25	4.00
Interest rate	4.81%	3.05%	4.79%	3.54%
Volatility	59.80%	65.00%	85.80%	65.00%
Dividend yield				
Weighted-average fair value during the period	$ 1.68	$ 2.58	$ 5.14	$ 2.04

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	April 30, 2006	January 31, 2006
	(In thousands)	
Furniture and fixtures	$ 3,300	$ 3,285
Computer and office equipment	21,752	20,946
Lab equipment	2,531	2,392
Leasehold improvements	6,713	6,319
Capitalized software	10,006	9,926
Total property and equipment	44,302	42,868
Less: accumulated depreciation and amortization	(34,890)	(33,420)
Property and equipment, net	**$ 9,412**	**$ 9,448**

6. CAPITALIZED SOFTWARE AND INTANGIBLE ASSETS, NET

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

	April 30, 2006	January 31, 2006
	(In thousands)	
Capitalized software	$ 1,951	$ 1,951
Intellectual property rights	4,265	4,265
Capitalized software and intangible assets, gross	6,216	6,216
Less: accumulated amortization	(1,268)	(1,010)
Capitalized software and intangible assets, net	**$ 4,948**	**$ 5,206**

The total expected future annual amortization expense related to capitalized 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, 2007 (9 months)	$ 775
January 31, 2008	1,033
January 31, 2009	1,000
January 31, 2010	929
January 31, 2011	559
January 31, 2012	559
There after	93
Total	$ 4,948

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 also known as our Limited Warranty. For products purchased under our Bundled Sales Programs, the Company extends only the parts portion of the Limited Warranty for the duration of the customer s commitment. 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 April 30, 2006 and 2005, the accrued warranty reserve was $193,000 and $536,000, respectively. The Company s accrued warranty reserve is included in accrued liabilities in the accompanying unaudited condensed consolidated balance sheets.

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, 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. 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.

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. 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 attributable to common stockholders by the weighted average number of common shares outstanding.

The weighted average number of shares outstanding used in the computation of basic and diluted net loss per share does not include the effect of the following potentially outstanding common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted net loss per share because the effect would have been antidilutive:

	Three Months Ended April 30,	
	2006	**2005**
Unvested restricted stock outstanding	539,303	11,441
Options to purchase common stock	18,808,792	18,166,077
Potential shares to be issued from ESPP	172,667	245,655
Warrants to purchase common stock	3,515,524	4,838,644
Total	23,036,286	23,261,817

9. 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 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 April 13, 2006, the jury rendered a verdict in favor of the Company in the amount of approximately $74.0 million dollars. The jury ruled that the Company s patent is valid and that all nine of the asserted claims in the Company s patent are infringed by each of the accused EchoStar products. The jury also ruled that the defendants willfully infringed the patent. On May 16, 2006, the United States Patent and Trademark Office (USPTO) issued its first Office Action in response to a request by the defendants for reexamination of the 389 patent. The USPTO reexamined all 61 claims set forth in the 389 patent, confirming the validity of the majority of the claims, including two of the claims that the defendants have been found to have willfully infringed, and rejecting some of the claims. TiVo intends to vigorously defend the validity of the rejected claims. The Company is seeking an enhancement of damages for willfulness, prejudgment interest, attorney s fees and costs, and an injunction against the defendants further infringement of the patent. The Court has scheduled June 26-28, 2006 for a bench trial on the defendants remaining defenses, including a claim of inequitable conduct, and a hearing on other issues such as the amount of pre-judgment interest, supplemental damages, enhanced damages, attorney s fees and costs, and an injunction. 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. On May 10, 2006, the Court dismissed with prejudice, EchoStar s claim of infringement against TiVo and Humax relating to patent 112 (Method and System for Recording In-Progress Broadcast Programs) and claims 21-30 and 32 relating to patent 186 (Interruption Tolerant Video Program Viewing). A claim construction hearing was held on May 11, 2006 and matters relating to discovery and claim construction are ongoing. Trial is currently scheduled for February 2007. The Company intends to defend this action vigorously; however, it is incurring material expenses in connection with this lawsuit 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 America 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 Judicial Panel on Multidistrict Litigation consolidated this and seven other related lawsuits and coordinated pretrial proceedings in the United States District Court for the Northern District of California, where pretrial proceedings are currently ongoing. On January 31, 2006, the United States Patent and Trademark Office (USPTO) granted a request for reexamination of the patent in question. On May 25, 2006, the USPTO issued its first office action confirming a majority of the claims in the 672, while rejecting some claims. 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 by the inability to enable subscribers to display JPEG photos or having to pay a license fee to enable subscribers to do so.

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. On October 31, 2005, counsel for JVC submitted a letter on behalf of JVC, Sony, TiVo and Clarion advising the Federal Circuit that JVC, Sony and TiVo have declaratory judgment counterclaims for invalidity that remain pending before the district court and requesting that the appeal be dismissed as premature because the district court s decision was not a final appealable order. On February 10, 2006, the Federal Circuit issued an order dismissing the entire consolidated appeal as premature. This order was issued as a mandate on March 3, 2006 and jurisdiction was transferred back to the district court. TiVo, Sony and JVC s declaratory judgment counterclaims are currently pending before the district court. 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, TiVo s business could be harmed.

Consumer Litigation. On December 22, 2005, a consumer class action lawsuit against TiVo Inc. was filed in the Superior Court of the State of California, County of San Francisco. This action, which is captioned *Nolz, et al. v. TiVo*, was brought on behalf of a purported class of purchasers of the Company s gift subscriptions which were allegedly sold to consumers in violation of a California law that allegedly makes it unlawful to sell gift certificates in California containing an expiration date. 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.

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 April 24, 2006, the Court held a fairness hearing 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 SFAS 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 April 30, 2006.

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 SFAS 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 April 30, 2006, 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, which are used for administrative, sales and marketing, customer service, and product research and development activities. In October 1999, the Company entered into an office lease with WIX/NSJ Real Estate Limited Partnership for its headquarters. On April 27, 2006, the

Company entered into the First Amendment to Lease Agreement, dated as of February 1, 2006, which amends the Lease Agreement, dated as of October 6, 1999. Under the Amendment, the Company extended for an additional three years, from March 9, 2007 to January 31, 2010, the current Lease Agreement. Under the terms of the Amendment, monthly rent is approximately $165,000 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 three months ended April 30, 2006 and 2005 was $528,000 and $742,000, respectively.

Additionally, the Company delivered a letter of credit totaling $477,000, 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, but the amount does decrease over time. The Company also has operating leases for sales and administrative office space in New York.

Operating lease cash payments for the three months ended April 30, 2006 and 2005 were $496,000 and $800,000, respectively.

Additionally, the Company leased office space in Berkshire, United Kingdom under an operating lease that expired in March 2006.

Future minimum operating lease payments as of April 30, 2006, were as follows:

Fiscal Year Ending		**Lease Payments (In thousands)**
January 31, 2007 (9 months)		1,641
January 31, 2008		2,044
January 31, 2009		2,105
January 31, 2010		2,167
Total	$	7,957

10. 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 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 agreed to develop a TiVo Interactive Advertising Management System for deployment on Comcast platforms to enable the provision of local and national advertising to Comcast subscribers.

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 TiVo Interactive Advertising Management System.

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 TiVo Interactive Advertising Management System, subject to Comcast s option to terminate such right in exchange for certain advertising-related payments.

On March 28, 2006, the Company executed the First Amendment to the Licensing and Marketing Agreement, effective as of March 27, 2006, between TiVo Inc. and Comcast STB Software DVR, LLC and Comcast Corporation. The First Amendment to the Licensing and Marketing Agreement extends the acceptance deadline for the TiVo Interactive Advertising Management System from the second anniversary of the Effective Date of the Agreement to February 15, 2008. Concurrently, the Company also finalized the scope of the engineering services to be delivered with respect to the initial statement of work for the TiVo Interactive Advertising Management System. Under the licensing and marketing agreement, Comcast paid TiVo an upfront fee that the Company recorded as deferred revenue. This upfront fee, subsequent milestone payments, and related costs were initially deferred as the arrangement was not complete. Development costs were $4.6 million, as of January 31, 2006, and were classified on the consolidated balance sheet under prepaid expense and other, current. During the three-months ended April 30, 2006 the companies agreed upon the engineering services to be delivered. As a result, the Company recognized all costs ($4.6 million of these deferred costs and $2.6 million of incremental costs for the quarter ended April 30, 2006) and an equal amount of revenues on its unaudited condensed consolidated financial statements. Currently, it is not possible to separate the various elements within the arrangement due to a lack of fair value for undelivered elements in the contract. Consequently, the Company recognizes revenues and costs based on a zero profit model, which results in the recognition of equal amounts of revenues and costs.

Development and deployment of the TiVo service software solution is targeted to occur within two years from the date of the licensing and marketing agreement. Development and deployment of the TiVo Interactive Advertising Management System is targeted to begin after the second anniversary of this agreement, but by no later than February 15, 2008. In the event development of the TiVo service software solution and the TiVo Interactive Advertising Management System have not been completed by the relevant deadlines, the Company could be subject to certain consequences, including, but not limited to, termination of the agreement. 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 TiVo Interactive 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.

11. DEVELOPMENT AGREEMENT AND SERVICES AGREEMENT WITH DIRECTV, INC.

On April 7, 2006, the Company entered into the Seventh Amendment of our Development Agreement, dated as of February 15, 2002, with DIRECTV, Inc. Under this amendment, which amends the expiration date of the Development Agreement from February 15, 2007, to February 15, 2010, TiVo will continue to provide support for DIRECTV receivers with TiVo service through the extended expiration date of the Development Agreement, and will provide mutually agreed upon development services for no additional fee up to a defined maximum from February 2007 to February 2010. In addition, DIRECTV will continue to have the right to distribute DIRECTV receivers with TiVo service through February 15, 2007, and a related grace period as set forth in the Development Agreement. Further, TiVo and DIRECTV agreed that neither party would assert its patents against the other party with respect to each company s products and services deployed prior to the expiration of the agreement, subject to limited exceptions. DIRECTV will continue to pay a monthly fee for all households using DIRECTV receivers with TiVo service similar to the amount paid by DIRECTV for households with DIRECTV receivers with TiVo service currently being deployed immediately prior to this amendment, subject to a monthly minimum payment by DIRECTV. The Company defers a portion of these fees equal to the fair value of the undelivered development services. These deferred fees are classified on the Company s unaudited condensed consolidated balance sheets under deferred revenue, current.

On April 7, 2006, the Company also entered into the First Amendment of the Amended and Restated Services Agreement, dated as of March 31, 2005, with DIRECTV. This amendment extends the terms of the current advertising arrangement between TiVo and DIRECTV, the Services Agreement until February 15, 2010, and additionally provides DIRECTV with the ability to obtain additional technical support and training for its use of advertising-related software tools with DIRECTV receivers with TiVo service.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

You should read the following discussion and analysis in conjunction with the consolidated financial statements and the accompanying notes included in this report and our most recent annual report on Form 10-K, the sections entitled Risk Factors in Item 1A, as well as other cautionary statements and risks described elsewhere in this Report and our most recent annual report, before deciding to purchase, sell or hold our common stock.

Company Overview

We are a leading provider of technology and services for digital video recorders. The 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 transfers, and online scheduling. As of April 30, 2006, there were just over 4.4 million subscriptions to the TiVo service. We distribute the TiVo service through agreements with leading television service providers such as currently DIRECTV and in the future, Comcast, through our website, as well as through the sale of TiVo enabled DVR s through consumer electronics retailers. We also provide innovative marketing solutions for the television industry, including a unique platform for advertisers and audience research.

Executive Overview and Outlook of Financial Results

During the three months ended April 30, 2006, we experienced growth in our overall subscription base and service revenues through our continued investment in marketing and research and development. Additionally, we continued to invest in subscription acquisition activities to expand our subscription base and promote the TiVo brand for future partnerships. TiVo-Owned subscriptions gross additions in the first quarter of fiscal year 2007 were 91,000, which was down 13% from the quarter ended April 30, 2005. For the fiscal year ending January 31, 2007, we expect our subscription acquisition costs to increase due at least in part to the new multi-tiered pricing structure and bundled sales program we have implemented which includes a TiVo DVR in exchange for customer commitment to either a one, two, or three year service plan. We expect to continue achieving growth in our TiVo-Owned subscription base in fiscal 2007; however, we expect this growth to be offset by losses in our DIRECTV subscription base as DIRECTV shifts the focus on new deployments to a competing DVR technology and our current DIRECTV with TiVo subscriptions continue to churn out over time.

The following table sets forth selected information as of the three months ended April 30, 2006 and 2005:

	Three Months Ended April 30,	
	2006	**2005**
	(In thousands)	
Service and technology revenues	$ 55,109	$ 40,020
Net revenues	$ 56,512	$ 46,908
Cost of revenues	(32,947)	(24,508)
Operating expenses	(35,309)	(23,872)
Loss from operations	$ (11,744)	$ (1,472)
Cash flows from operating activities	$ (14,150)	$ (170)

Service and Technology Revenues. Our service and technology revenues increased $15.1 million or 38% during the three months ended April 30, 2006 compared to the same prior-year period and up 17% sequentially compared to the quarter ended January 31, 2006. This increase was primarily due to the recognition of Comcast development revenue of $7.2 million and cransform:none; vertical-align:top;width:98.67%;" colspan="5">Centene Corp.01/15/20254.750% 8,455,0008,234,189Independent Energy 0.9%Indigo Natural Resources LLC[e]02/15/20266.875% 8,800,0008,360,475Stone Energy Corp.05/31/20227.500% 6,136,1776,242,898Total14,603,373Media and Entertainment 0.5%Lions Gate Entertainment Corp.[e]11/01/20245.875% 4,050,0004,217,946Meredith Corp.[e]02/01/20266.875% 4,100,0004,206,641Total8,424,587Metals and Mining 1.0%CONSOL Energy, Inc.[e]11/15/202511.000% 4,200,0004,467,229Constellium NV[e]03/01/20256.625% 8,000,0008,111,824Warrior Met Coal, Inc.[e]11/01/20248.000% 4,200,0004,301,346Total16,880,399Midstream 0.8%Rockpoint Gas Storage Canada Ltd.[e]03/31/20237.000% 3,716,0003,704,659

Portfolio of Investments (continued)
Tri-Continental Corporation, March 31, 2018 (Unaudited)

Corporate Bonds & Notes (continued)

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Summit Midstream Partners LP[g]			
Junior Subordinated			
12/31/2049	9.500%	8,400,000	8,557,206
Total			12,261,865
Oil Field Services 0.5%			
Bristow Group, Inc.[e]			
03/01/2023	8.750%	4,200,000	4,242,668
SESI LLC[e]			
09/15/2024	7.750%	4,200,000	4,347,155
Total			8,589,823
Packaging 1.0%			
BWAY Holding Co.[e]			
04/15/2025	7.250%	8,300,000	8,481,986
Novolex [e]			
01/15/2025	6.875%	8,490,000	8,434,764
Total			16,916,750
Pharmaceuticals 1.3%			
AMAG Pharmaceuticals, Inc.[e]			
09/01/2023	7.875%	8,700,000	8,605,005
Horizon Pharma, Inc.[e]			
11/01/2024	8.750%	3,900,000	4,151,019
Valeant Pharmaceuticals International, Inc.[e]			
03/01/2023	5.500%	9,700,000	8,506,483
Total			21,262,507
Restaurants 0.2%			
IRB Holding Corp.[e]			
02/15/2026	6.750%	4,100,000	4,022,342
Retailers 0.1%			
Rite Aid Corp.			
Junior Subordinated			
02/15/2027	7.700%	1,937,000	1,643,804
Supermarkets 0.4%			
Safeway, Inc.			
02/01/2031	7.250%	7,512,000	6,094,959
Technology 1.1%			
Diebold, Inc.			
04/15/2024	8.500%	8,100,000	8,525,517
Genesys Telecommunications Laboratories, Inc./Greeneden Lux 3 Sarl/U.S. Holdings I LLC[e]			
11/30/2024	10.000%	3,750,000	4,155,630
Informatica LLC[e]			
07/15/2023	7.125%	4,538,000	4,529,882
Total			17,211,029

Corporate Bonds & Notes (continued)

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Transportation Services 0.7%			
Hertz Corp. (The)[e]			
06/01/2022	7.625%	4,250,000	4,319,033
Hertz Corp. (The)			
10/15/2022	6.250%	6,700,000	6,317,678
Total			10,636,711
Wirelines 0.4%			
Frontier Communications Corp.			
09/15/2025	11.000%	8,360,000	6,271,488
Total Corporate Bonds & Notes (Cost $241,798,037)			239,502,031

Limited Partnerships 0.8%		
Issuer	Shares	Value ($)
Energy 0.2%		
Oil, Gas & Consumable Fuels 0.2%		
Enviva Partners LP	145,000	3,973,000
Total Energy		3,973,000
Industrials 0.3%		
Trading Companies & Distributors 0.3%		
Fortress Transportation & Infrastructure Investors LLC	250,000	3,987,500
Total Industrials		3,987,500
Utilities 0.3%		
Independent Power and Renewable Electricity Producers 0.3%		
8Point3 Energy Partners LP	420,000	5,103,000
Total Utilities		5,103,000
Total Limited Partnerships (Cost $15,564,183)		13,063,500

Preferred Debt 0.6%			
Issuer	Coupon Rate	Shares	Value ($)
Banking 0.4%			
Citigroup Capital XIII[g]			
10/30/2040	8.137%	220,000	5,981,800
Finance Companies 0.2%			
GMAC Capital Trust I[g]			
02/15/2040	7.624%	160,000	4,156,800
Total Preferred Debt (Cost $9,796,867)			10,138,600

Portfolio of Investments (continued)
Tri-Continental Corporation, March 31, 2018 (Unaudited)

Senior Loans 1.0%			
Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Food and Beverage 0.2%			
HLF Financing SARL[h],[i]			
Term Loan			
3-month USD LIBOR + 5.500% 02/15/2023	7.377%	3,700,000	3,734,706
Oil Field Services 0.5%			
EagleClaw Midstream Ventures[h],[i]			
Term Loan			
3-month USD LIBOR + 4.250% 06/24/2024	6.039%	7,943,970	7,983,690
Retailers 0.3%			
BJ's Wholesale Club, Inc.[h],[i]			
2nd Lien Term Loan			
3-month USD LIBOR + 4.000% 02/03/2025	9.191%	4,108,000	4,114,408
Total Senior Loans (Cost $15,716,503)			15,832,804

Warrants —%		
Issuer	Shares	Value ($)
Energy —%		
Oil, Gas & Consumable Fuels —%		
Goodrich Petroleum Corp.[a],[c],[d],[j]	11,283	0
Total Energy		0
Total Warrants (Cost $—)		0

Money Market Funds 0.7%		
	Shares	Value ($)
Columbia Short-Term Cash Fund, 1.738%[k],[l]	7,788,463	7,787,684
JPMorgan U.S. Government Money Market Fund, Agency Shares, 1.479%[k]	3,269,935	3,269,935
Total Money Market Funds (Cost $11,057,619)		11,057,619
Total Investments in Securities (Cost: $1,546,056,814)		1,638,963,622
Other Assets & Liabilities, Net		6,733,190
Net Assets		1,645,696,812

At March 31, 2018, securities and/or cash totaling $410,544 were pledged as collateral.
Investments in derivatives

Long futures contracts						
Description	Number of contracts	Expiration date	Trading currency	Notional amount	Value/Unrealized appreciation ($)	Value/Unrealized depreciation ($)
S&P 500 E-mini	68	06/2018	USD	8,986,200	—	(189,739)

Notes to Portfolio of Investments

(a) Non-income producing investment.
(b) This security or a portion of this security has been pledged as collateral in connection with derivative contracts.
(c) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At March 31, 2018, the value of these securities amounted to $2,170,004, which represents 0.13% of net assets.
(d) Valuation based on significant unobservable inputs.

Portfolio of Investments (continued)
Tri-Continental Corporation, March 31, 2018 (Unaudited)
Notes to Portfolio of Investments (continued)

(e) Represents privately placed and other securities and instruments exempt from SEC registration (collectively, private placements), such as Section 4(a)(2) and Rule 144A eligible securities, which are often sold only to qualified institutional buyers. The Fund may invest in private placements determined to be liquid as well as those determined to be illiquid. Private placements may be determined to be liquid under guidelines established by the Fund's Board of Directors. At March 31, 2018, the value of these securities amounted to $184,735,719, which represents 11.23% of net assets.

(f) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At March 31, 2018, the value of these securities amounted to $55,250, which represents less than 0.01% of net assets.

(g) Represents a variable rate security with a step coupon where the rate adjusts according to a schedule for a series of periods, typically lower for an initial period and then increasing to a higher coupon rate thereafter.

(h) Senior loans have interest rates that float periodically based primarily on the London Interbank Offered Rate ("LIBOR") and other short-term rates. The interest rate shown reflects the weighted average coupon as of March 31, 2018. The interest rate for senior loans purchased on a when-issued or delayed delivery basis will be determined upon settlement therefore no weighted average coupon rate is disclosed. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted.

(i) Variable rate security.

(j) Negligible market value.

(k) The rate shown is the seven-day current annualized yield at March 31, 2018.

(l) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of the company's outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the period ended March 31, 2018 are as follows:

Issuer	Beginning shares	Shares purchased	Shares sold	Ending shares	Realized gain (loss) — affiliated issuers ($)	Net change in unrealized appreciation (depreciation) — affiliated issuers ($)	Dividends — affiliated issuers ($)	Value — affiliated issuers at end of period ($)
Columbia Short-Term Cash Fund, 1.738%								
	13,847,965	22,756,929	(28,816,431)	7,788,463	514	(1,042)	28,076	7,787,684

Abbreviation Legend

ADR American Depositary Receipt

Currency Legend

USD US Dollar

Investments are valued using policies described in the Notes to Financial Statements in the most recent shareholder report.

Fair value measurements

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset's or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date. Valuation adjustments are not applied to Level 1 investments.

Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).

Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Portfolio of Investments (continued)
Tri-Continental Corporation, March 31, 2018 (Unaudited)
Fair value measurements (continued)

Certain investments that have been measured at fair value using the net asset value (NAV) per share (or its equivalent) are not categorized in the fair value hierarchy. The fair value amounts presented in the table are intended to reconcile the fair value hierarchy to the amounts presented in the Portfolio of Investments. The Columbia Short-Term Cash Fund seeks to provide shareholders with maximum current income consistent with liquidity and stability of principal. Columbia Short-Term Cash Fund prices its shares with a floating NAV and no longer seeks to maintain a stable NAV.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models may rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Directors (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for overseeing the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are or are not readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments at March 31, 2018:

	Level 1 quoted prices in active markets for identical assets ($)	Level 2 other significant observable inputs ($)	Level 3 significant unobservable inputs ($)	Investments measured at net asset value ($)	Total ($)
Investments in Securities					
Common Stocks					
Consumer Discretionary	120,068,423	—	—	—	120,068,423
Consumer Staples	88,698,763	—	—	—	88,698,763

Energy	62,205,224	—	4	—	62,205,228
Financials	180,076,810	—	—	—	180,076,810
Health Care	139,271,405	—	—	—	139,271,405
Industrials	99,779,597	—	—	—	99,779,597
Information Technology	270,847,781	—	—	—	270,847,781
Materials	21,985,934	—	—	—	21,985,934
Real Estate	33,848,543	—	—	—	33,848,543
Telecommunication Services	24,224,175	—	—	—	24,224,175
Utilities	43,938,457	—	—	—	43,938,457
Total Common Stocks	1,084,945,112	—	4	—	1,084,945,116
Convertible Bonds	—	155,035,969	—	—	155,035,969
Convertible Preferred Stocks					
Consumer Staples	—	7,876,110	—	—	7,876,110
Energy	10,938,150	—	—	—	10,938,150
Financials	20,932,425	12,191,959	—	—	33,124,384
Health Care	16,229,200	—	—	—	16,229,200
Industrials	10,100,150	—	—	—	10,100,150
Information Technology	7,942,400	4,131,130	—	—	12,073,530
Materials	—	1,843,548	—	—	1,843,548

Portfolio of Investments (continued)
Tri-Continental Corporation, March 31, 2018 (Unaudited)
Fair value measurements (continued)

	Level 1 quoted prices in active markets for identical assets ($)	Level 2 other significant observable inputs ($)	Level 3 significant unobservable inputs ($)	Investments measured at net asset value ($)	Total ($)
Real Estate	8,608,061	—	—	—	8,608,061
Utilities	8,594,850	—	—	—	8,594,850
Total Convertible Preferred Stocks	83,345,236	26,042,747	—	—	109,387,983
Corporate Bonds & Notes	—	237,332,031	2,170,000	—	239,502,031
Limited Partnerships					
Energy	3,973,000	—	—	—	3,973,000
Industrials	3,987,500	—	—	—	3,987,500
Utilities	5,103,000	—	—	—	5,103,000
Total Limited Partnerships	13,063,500	—	—	—	13,063,500
Preferred Debt	10,138,600	—	—	—	10,138,600
Senior Loans	—	15,832,804	—	—	15,832,804
Warrants					
Energy	—	—	0*	—	0*
Money Market Funds	3,269,935	—	—	7,787,684	11,057,619
Total Investments in Securities	1,194,762,383	434,243,551	2,170,004	7,787,684	1,638,963,622
Investments in Derivatives					
Liability					
Futures Contracts	(189,739)	—	—	—	(189,739)
Total	1,194,572,644	434,243,551	2,170,004	7,787,684	1,638,773,883

*Rounds to zero.
See the Portfolio of Investments for all investment classifications not indicated in the table.
The Fund’s assets assigned to the Level 2 input category are generally valued using the market approach, in which a security’s value is determined through reference to prices and information from market transactions for similar or identical assets.
Derivative instruments are valued at unrealized appreciation (depreciation).
There were no transfers of financial assets between levels during the period.
The Fund does not hold any significant investments (greater than one percent of net assets) categorized as Level 3.
The Fund’s assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances.
Certain common stock and warrants classified as Level 3 are valued using an income approach. To determine fair value for these securities, management considered estimates of future distributions from the liquidation of the company assets. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement.
Certain corporate bonds classified as Level 3 securities are valued using the market approach and utilize single market quotations from broker dealers which may have included, but were not limited to, observable transactions for identical or similar assets in the market and the distressed nature of the security. The appropriateness of fair values for these securities is monitored on an ongoing basis which may include results of back testing, manual price reviews and other control procedures. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) valuation measurement.

Item 2. Controls and Procedures.

(a) The registrant s principal executive officer and principal financial officer, based on their evaluation of the registrant s disclosure controls and procedures as of a date within 90 days of the filing of this report, have concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-Q is accumulated and communicated to the registrant s management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) There was no change in the registrant s internal control over financial reporting that occurred during the registrant s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 3. Exhibits.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) Tri-Continental Corporation

By (Signature and Title) /s/ Christopher O. Petersen
Christopher O. Petersen, President and Principal Executive Officer

Date May 22, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Christopher O. Petersen
Christopher O. Petersen, President and Principal Executive Officer

Date May 22, 2018

By (Signature and Title) /s/ Michael G. Clarke
Michael G. Clarke, Treasurer and Chief Financial Officer

Date May 22, 2018