ENVIVIO INC
Form S-1/A
April 11, 2012
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As filed with the Securities and Exchange Commission on April 11, 2012

Registration No. 333-173529

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 7
to
Form S-1
REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

ENVIVIO, INC.

(Exact name of registrant as specified in its charter)

Delaware	**3663**	**94-3353255**

(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

400 Oyster Point Boulevard, Suite 325

South San Francisco, California 94080

(650) 243-2700

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Julien Signès

President and Chief Executive Officer

400 Oyster Point Boulevard, Suite 325

South San Francisco, California 94080

(650) 243-2700

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	**Amount to Be Registered(1)**	**Proposed Maximum Aggregate Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price(2)**	**Amount of Registration Fee(3)**
Common Stock, par value $0.001 per share	8,918,250	$12.00	$107,019,000	$12,390

(1) Includes 1,163,250 shares that the underwriters have the option to purchase, if any.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended.

(3) A filing fee of $8,011 was previously paid in connection with the initial filing of this Registration Statement on April 15, 2011 and an additional $1,603 was paid with the filing of Amendment No. 3 of this Registration Statement on June 14, 2011.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated April 11, 2012

7,755,000 Shares

Common Stock

This is an initial public offering of shares of common stock of Envivio, Inc. Envivio is offering 6,500,000 of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional 1,255,000 shares. Envivio will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $10.00 and $12.00. Application has been made for the listing of the common stock on the Nasdaq Global Market under the symbol ENVI .

See Risk Factors beginning on page 9 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to Envivio	$	$
Proceeds, before expenses, to the selling stockholders	$	$

(1) In addition, we have agreed to reimburse the underwriters for certain expenses incurred in connection with this offering. See Underwriting.

To the extent that the underwriters sell more than 7,755,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,163,250 shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2012.

Goldman, Sachs & Co. **Deutsche Bank Securities**

Stifel Nicolaus Weisel

William Blair & Company

Prospectus dated , 2012.

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Through and including , 2012 (the 25th day after the date of this prospectus) all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

In this prospectus, Company, we, us, and our refer to Envivio, Inc. and its subsidiaries. Unless otherwise indicated, all information in this prospectus assumes no exercise of the underwriters option to purchase additional shares from the selling stockholders. The name Envivio is our trademark. We have a trademark application pending for Envivo Muse in the United States. This prospectus also contains trademarks and trade names that are the property of their respective owners.

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information concerning our company, the common stock being sold in this offering, and our consolidated financial statements appearing in this prospectus. Because this is only a summary, you should read the rest of this prospectus before you invest in our common stock. Read this entire prospectus carefully, especially the risks described under Risk Factors.

Our Business

Overview

We are a leading provider of software-based IP video processing and distribution solutions that enable the delivery of high-quality video to consumers. Based on our unique video compression and advanced IP video networking technologies, our solution is designed to enable service providers and content providers to offer high-quality video anytime, anywhere across a broad array of video formats, networks, consumer devices and operating systems. We refer to this video experience as TV without Boundaries and believe it is one of the fastest growing components of the $3.0 billion video infrastructure market. Our software-based solution offers flexibility to our customers, runs on industry-standard hardware and includes encoders, transcoders and network media processors, all controlled through our network management system.

We enable service providers and content providers to deliver linear broadcast and on-demand video services to their customers via multiple screens, such as tablets, smartphones, netbooks, laptops, PCs and TVs. We offer service providers and content providers the ability to deliver high-quality video to their customers either across their managed networks or outside the boundaries of their network over the open Internet, referred to as over-the-top, or OTT. Our customers include mobile and wireline telecommunications service providers, cable multiple system operators, or MSOs, direct broadcast satellite service providers, or DBSs, and content providers, which includes broadcasters and content publishers, owners, aggregators and licensees. We have sold our solution to over 300 end-customers to date in over 50 countries. We distribute our products and solutions globally through a network of channel partners, which includes leading telecommunications systems integrators throughout the world, as well as through our own direct sales force.

Industry Background

In the early 1990s, consumers began to experience the first digital TV technology evolution when it became possible to transmit significantly more TV channels while utilizing the same amount of bandwidth compared to analog TV. As a result, new service offerings emerged such as direct broadcast satellite TV and digital cable TV, and the channel offerings available to consumers grew from a few channels to hundreds of channels. In the mid 2000s, the second wave of digital TV technology evolution began, fueled by new connected devices and increased access to broadband Internet through wireless and wireline networks. As this technology matured, it became possible for service providers and content providers to deliver video content to a broad array of devices over mobile and broadband networks. This new era of digital TV technology enables service providers and content providers to deliver, and consumers to enjoy, a high-quality video experience anytime, anywhere.

We believe the growth in demand for TV without Boundaries is being driven by several key consumer trends, including demand for increased quality and quantity of video content, demand for video-enabled Internet Protocol, or IP, connected devices, growth in global broadband users and the shift in how video is consumed in the home. Service providers and content providers must continue

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to launch innovative new service offerings in order to address evolving consumer trends. Traditional telecommunications service providers are competing with MSOs and DBSs by offering bundled services where consumers can enjoy a single service package and monthly bill covering broadband Internet, voice and video services, or triple play, and additionally bundling mobile as a fourth service, or quad play. Service providers who also operate mobile networks can leverage their dual-network presence to offer innovative video services. Broadcasters and content owners, including BBC, ESPN and HBO, have broadened their means of distribution to consumers beyond the linear broadcast business model to include direct OTT distribution. In addition, new business models from emerging content providers, including Hulu and Netflix, have circumvented traditional video delivery models to reach consumers directly via OTT delivery.

Limitations of Existing Technologies

We believe that existing technologies designed to enable video delivery are largely either engineered solely for broadcast-centric applications serving standard TVs or engineered solely for web delivery of content. Products designed only for broadcast-centric applications do not address the growing diversity of devices and networks, and products designed only for web delivery of content do not address the technical requirements of traditional broadcast TV or provide the quality, reliability and manageability expected by service providers. Although the video delivery models of service providers and content providers historically have had different offerings, consumers are increasingly demanding a similar video experience across all of their devices. As video service offerings converge and traditional video delivery solutions attempt to address the needs of their end users in a single solution, the delivery of video increasingly requires new architectures which can fit within newly deployed datacenters and can accommodate delivery of high-quality video across multiple networks to multiple devices with the flexibility to adapt to a rapidly evolving market.

The Envivio Solution

Our software-based solution enables the delivery of a converged multi-screen service across mobile, broadband, managed or open networks, allowing service providers and content providers to offer consumers the same high-quality experience across multiple devices and networks. We utilize a unified software architecture on standards-based rack-mounted or blade servers in headends or datacenters that provides a scalable and flexible video delivery platform to service and content providers. We believe our software-based solution offers the following key benefits to our customers:

- ***Provides a high-quality video experience*** We have designed a solution that enables the delivery of video to consumers for viewing on multiple screens while maintaining a high-quality video experience. This is done through advanced video encoding algorithms, networking and adaptive streaming technologies irrespective of whether video is delivered across mobile networks, managed video networks or OTT.

- ***Addresses complexities of multi-screen video delivery*** Our solution addresses the complexities of the service provider and content provider ecosystem by providing a platform to effectively enable delivery of video over mobile and IP networks to a wide array of device and operating system combinations in a number of display formats and resolutions.

- ***Provides scale with carrier-class reliability*** Our solution is designed to meet the stringent requirements of service providers and is highly reliable, highly scalable and meets top industry certifications.

- ***Ingests and delivers video in a broad array of formats*** Our software-based solution is compatible with all major video formats across all major codecs, resolutions, frame rates, bitrates and transport profiles. We accommodate the transport of video through different

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networks, such as broadband and mobile networks, or traditional cable and satellite broadcast networks.

Leverages existing datacenter infrastructure for enhanced video delivery Using our proprietary software-based solution, service providers can leverage their existing datacenter infrastructure to deliver enhanced video services without having to deploy additional costly hardware elements.

Optimizes video distribution architecture Our solution is designed to optimize bandwidth and to ensure that video is delivered to the consumer in a highly efficient manner. Our solution adapts video content at each edge location distributed throughout the network, eliminating the need for service providers to repetitively deliver the same video content in different formats from the core of the network to the edge, which consumes valuable capacity and resources.

Enables new service monetization Our solution also allows paid or ad-supported services to be delivered to multi-screens. Our video content protection and linear ad-insertion technologies are tailored for multiple devices, allowing service providers to offer subscription-based or ad-based business models for multiple devices.

Our video processing and distribution solution is based on a suite of products built upon a proprietary software platform that we have developed for more than a decade. By combining this proprietary software platform, which conforms to international telecommunications standards, with the latest generation of industry-standard servers and other third-party products, we have created an innovative suite of video delivery products addressing multi-screen video applications.

Our Growth Strategy

Our objective is to become the leading multi-screen video delivery solution to service providers and content providers. The key elements of our growth strategy are:

Capitalize on our early commercial leadership We intend to exploit our lead in commercialization of our video processing and distribution solutions to expand our footprint of customers across leading service providers and content providers.

Continued innovation of our software-based, multi-screen solution We intend to leverage our core IP video technology strength to develop new products with enhanced software-based capabilities to further demonstrate the value of our solution and increase our long-term revenue opportunities.

Increase our share of our customers network footprint We intend to expand our relationships with our customers by offering additional products, including the addition of mobile or IPTV capabilities or the extension of our services to new geographies or content offerings.

Maximize our sales distribution capabilities to add new customers We intend to further broaden our customer and geographic presence through expanded channel partnerships with new and existing partners. We also intend to further develop our direct sales capabilities to capitalize on the emerging and rapidly growing OTT market.

Extend our solution through complementary products We intend to develop new products and features for our customers through internal development, potential acquisitions and partnerships.

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Risks to our Business

Our business is subject to numerous risks and uncertainties, including those identified in Risk Factors immediately following this prospectus summary, that primarily represent challenges we face in connection with the successful implementation of our strategy and the growth of our business. We compete in rapidly evolving markets and have a limited operating history, which make it difficult to predict our future operating results. In addition, we expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance. Such factors include the capital spending patterns of our customers, our dependence on our channel partners, our lengthy sales cycle, our reliance on a limited number of suppliers and our competition.

Corporate Information

We were founded in 2000. Our principal executive offices are located at 400 Oyster Point Blvd., Suite 325, South San Francisco, California 94080, and our telephone number is (650) 243-2700. As of January 31, 2012, we had 146 full-time employees. Our website address is www.envivio.com. We do not incorporate the information on, or accessible through, our website into this prospectus, and you should not consider any information on, or accessible through, our website as part of this prospectus.

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THE OFFERING

Common stock offered by us	6,500,000 shares
Common stock offered by the selling stockholders	1,255,000 shares
Common stock to be outstanding after this offering	26,657,728 shares
Underwriters option to purchase additional shares from the selling stockholders	The underwriters have an option to purchase a maximum of 1,163,250 additional shares of common stock. All of the shares subject to the option would be sold by the selling stockholders. The underwriters could exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We intend to use the net proceeds received by us from this offering for working capital and general corporate purposes, including further expansion of our sales and marketing efforts, continued investments in research and development and for capital expenditures. In addition, we may use a portion of the net proceeds of this offering for acquisitions of complementary businesses, technologies or other assets. However, we do not have agreements for any material acquisitions at this time. See Use of Proceeds.
	We will not receive any of the proceeds from the sale of shares to be offered by the selling stockholders. See Principal and Selling Stockholders.
Risk Factors	See Risk Factors beginning on page 9 and the other information included in this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.
Proposed Nasdaq Global Market symbol	ENVI

The number of shares of common stock that will be outstanding after this offering is based on 20,157,728 shares outstanding as of January 31, 2012, and excludes:

- 2,328,935 shares of common stock issuable upon the exercise of outstanding options as of January 31, 2012, at a weighted average exercise price of $1.15 per share, and 263,768 shares of our common stock issuable upon vesting of outstanding restricted stock units as of January 31, 2012;

- 516,269 shares of common stock outstanding as of January 31, 2012, that were issued primarily to employees located in France through stock purchase agreements and paid for by issuances of promissory notes. These shares are legally issued and outstanding, but are not included in stockholders equity (deficit) as these shares are subject to repurchase by us under the terms of the applicable stock purchase agreement or subject to forfeiture under the terms of the applicable promissory note to the extent such note has not been repaid. We have a right to repurchase these shares at the original purchase price paid for the shares

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upon termination of employment of the holder of such shares to the extent the shares are then unvested. We also have a security interest in these shares under the terms of the promissory notes that remain outstanding. We do not intend to repurchase these shares in connection with this offering. For additional information about these shares, please see Note 8. Stock Option Plan Stock Purchase Rights and Common Stock Purchase Agreements contained in our audited consolidated financial statements included in this prospectus;

36,000 shares of common stock, on an as-converted basis, issuable upon the exercise of outstanding warrants to purchase convertible preferred stock, which warrants will convert into warrants to purchase common stock immediately prior to the completion of this offering, at a weighted average exercise price of $12.50 per share; and

924,163 shares of common stock reserved for future issuance under our 2010 Stock Incentive Plan and 200,000 shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2012 Stock Incentive Plan, which will become effective in connection with this offering.

Unless otherwise indicated, all information in this prospectus assumes:

that our amended and restated certificate of incorporation, which we will file in connection with the completion of this offering, is in effect;

the conversion of all outstanding shares of our convertible preferred stock into an aggregate of 6,988,120 shares of common stock, effective immediately prior to the completion of this offering;

the conversion of all outstanding shares of our Series 1 common stock into an aggregate of 1,006,206 shares of common stock, effective immediately prior to the completion of this offering; and

no exercise by the underwriters of their option to purchase up to 1,163,250 additional shares of common stock from the selling stockholders.

All share numbers presented in this prospectus give effect to the 1-for-10 reverse stock split effected on June 10, 2011.

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SUMMARY CONSOLIDATED FINANCIAL DATA

We derived the summary consolidated statement of operations data for fiscal years ended January 31, 2010, 2011 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. The following summary consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended January 31,		
	2010	2011	2012
	(in thousands, except share and per share data)		
Consolidated Statement of Operations Data:			
Revenue	$ 16,288	$ 30,004	$ 50,646
Cost of revenue	7,482	11,504	18,492
Gross profit	8,806	18,500	32,154
Operating expenses:			
Research and development	4,908	5,152	6,728
Sales and marketing	6,980	8,886	16,206
General and administrative	5,309	6,449	8,561
Total operating expenses	17,197	20,487	31,495
Income (loss) from operations	(8,391)	(1,987)	659
Interest expense, net	(850)	(270)	(134)
Other income (expense), net	86	(61)	237
Income (loss) before provision for income taxes	(9,155)	(2,318)	762
Provision for income taxes	22	167	624
Net income (loss)	(9,177)	(2,485)	138
Deemed dividend on convertible preferred stock		(2,286)	
Accretion of redeemable convertible preferred stock			(5)
Noncumulative dividends to convertible preferred stockholders			(133)
Net income (loss) attributable to common stockholders	$ (9,177)	$ (4,771)	$
Net income (loss) per share attributable to common stockholders, basic and diluted(1)	$ (18.33)	$ (0.58)	$ 0.00
Shares used in computing net income (loss) per share attributable to common stockholders, basic and diluted(1)	500,550	8,203,001	13,123,524
Pro forma net income per share attributable to common stockholders, basic and diluted (unaudited)(1)			$ 0.00
Shares used in computing pro forma net income per share attributable to common stockholders (unaudited)(1)			
Basic			17,784,246
Diluted			19,242,727

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	As of January 31, 2012		
	Actual	Pro Forma(2)	Pro Forma as Adjusted(3)(4)
		(unaudited)	
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 27,405	$ 27,405	$ 88,915
Working capital	19,179	19,179	80,689
Total assets	44,578	44,578	106,088
Warrant liability	103		
Total debt	1,000	1,000	1,000
Convertible preferred stock	47,764		
Total stockholders equity (deficit)	(26,688)	21,179	82,689

(1) Please see Note 9 to our audited consolidated financial statements for an explanation of the calculations of our basic and diluted net income (loss) per share attributable to common stockholders and pro forma net income per share attributable to common stockholders.

(2) The pro forma column in the consolidated balance sheet data table above reflects the conversion of all outstanding shares of our convertible preferred stock into common stock immediately prior to the completion of this offering and the resulting reclassification of the warrant liability to additional paid-in capital.

(3) The pro forma as adjusted column in the consolidated balance sheet data table above reflects (i) the conversion of all outstanding shares of our convertible preferred stock into common stock immediately prior to the completion of this offering, (ii) the resulting reclassification of the warrant liability to additional paid-in capital and (iii) the receipt of the net proceeds from the sale of 6,500,000 shares of common stock offered by us in this offering at a price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus.

(4) A $1.00 increase (decrease) in the assumed initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents, working capital, total assets and total stockholders equity (deficit) by $6.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions. Each increase (decrease) of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) each of cash and cash equivalents, working capital, total assets and total stockholders equity (deficit) by approximately $10.2 million, assuming a price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. If any of the following risks is realized, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business

We depend on the capital spending of telecommunications, cable and satellite service providers, as well as broadcast, media and Internet content providers for a substantial majority of our revenue and any material decrease or delay in capital spending in these industries would negatively impact our operating results, financial condition and cash flows.

A substantial majority of our historical revenue has been derived from sales to telecommunications, cable and satellite service providers, as well as, more recently, the emerging broadcast, media and Internet content providers. We expect that revenue from all of these markets will constitute a substantial majority of our revenue for the foreseeable future. Because many of our customers in these markets purchase our products in connection with constructing and upgrading their architecture and systems, demand for our products will depend on the magnitude and timing of capital spending by our customers.

Our customers capital spending patterns are dependent on a variety of factors, including:

- the impact of industry consolidation;
- overall demand for communications services and consumer acceptance of new video and data services;
- competitive pressures, including pricing pressures;
- access to financing;
- general economic conditions;
- annual capital spending budget cycles of each of the industries that our customers serve;
- federal, local and foreign government regulation of telecommunications and television broadcasting;
- evolving industry standards and network architectures; and
- discretionary consumer spending patterns.

In the past, specific factors contributing to reduced capital spending by our customers have included:

uncertainty related to the development of digital video industry standards;

delays in the evaluation of new services, standards and system architectures by many operators;

emphasis by operators on generating revenue from existing customers, rather than from new customers through new construction or network upgrades;

a reduction in the amount of capital available to finance projects;

proposed and completed business combinations and divestitures by our customers and the length of regulatory review thereof; and

bankruptcies and financial restructuring of customers.

Further, we have a number of international customers to whom sales are denominated in U.S. dollars. The value of the U.S. dollar fluctuates significantly against many foreign currencies, which includes the local currencies of many of our international customers. If the U.S. dollar appreciates relative to the local currencies of our customers, then the prices of our products correspondingly increase for such customers. Such an effect could adversely impact the sale of our products to such customers and result in longer sales cycles, difficulties in collection of accounts receivable, slower adoption of new technologies and increased price competition in the affected countries. Further, if the U.S. dollar were to weaken against many major currencies, there can be no assurance that a weaker dollar would lead to growth in capital spending.

As a result of these capital spending issues, we may not be able to maintain or increase our revenue in the future, and our operating results, financial condition and cash flows could be materially and adversely affected.

We have incurred significant losses since inception and may continue to incur losses in the future.

We have incurred significant losses since our inception, including net losses of $9.2 million and $2.5 million during fiscal years 2010 and 2011, respectively. As of January 31, 2012, we had an accumulated deficit of $78.8 million. These losses have resulted principally from costs incurred in our research and development programs and sales and marketing programs. Although we were profitable for fiscal 2012, we may incur operating losses for at least the foreseeable future as a result of the expenses associated with the continued development and expansion of our business, including expenditures to hire additional sales and marketing personnel. Additionally, following the completion of this offering, we expect that our general and administrative expenses will increase due to the additional operational and reporting costs associated with being a public company. We may also increase our research and development expenses. Our ability to sustain profitability in the future will be affected by, among other things, our ability to execute on our business strategy, the continued acceptance of our products, the timing and size of customer orders, the average sales prices of our products, the costs of our products, and the extent to which we invest in our sales and marketing, research and development, and general and administrative resources. If we are unable to sustain or increase our profitability, our business could be harmed and our stock price could decline.

We rely on systems integrators, who serve as our channel partners, for a significant portion of our revenue, and disruptions to, or our failure to develop and manage, our relationships with these channel partners and the processes and procedures that support them could materially and adversely affect our business.

We generate a significant portion of our revenue through sales to channel partners, principally to assist us with the integration of our software-based solution with other third-party products to provide a tailored solution for the end-customer. Our aggregate revenue through sales to channel partners was $12.6 million, $19.2 million and $26.8 million during fiscal years 2010, 2011 and 2012, respectively. We expect that these sales to channel partners will continue to generate a significant percentage of our revenue in the future. Accordingly, our future success is highly dependent upon establishing and maintaining successful relationships with a variety of channel partners.

We do not have long-term contracts or minimum purchase commitments with any of our channel partners, and our contracts with these parties do not prohibit them from purchasing or offering products or services that compete with ours. Some of our competitors may have stronger relationships with certain of our channel partners than we do, and may also provide incentives to these customers to persuade them to favor our competitors products or, in effect, to prevent or reduce sales of our products. Our channel partners may independently choose not to purchase or offer our products. Many of our channel partners are small, are based in a variety of international locations and may have relatively unsophisticated processes and limited financial resources to conduct their business. Any significant disruption to our sales to these channel partners, including as a result of the inability or unwillingness of these channel partners to continue purchasing our products, or their failure to properly manage their business with respect to the purchase of and payment for our products, could materially and adversely impact our business, operating results, financial condition and cash flows. Establishing relationships with new channel partners and training them in our solution requires significant time and resources. Our failure to continue to establish or maintain successful relationships with channel partners could likewise materially and adversely affect our operating results, financial condition and cash flows.

Our sales cycles can be long and unpredictable. As a result, our sales are difficult to predict and may vary substantially from quarter to quarter, which may cause our operating results to fluctuate significantly.

The timing of our sales is difficult to predict. Our sales efforts involve educating our customers about the use and benefits of our software-based solution, including the technical capabilities of our products and the potential cost savings achievable by organizations deploying our software-based solution. Customers, particularly in the cable, satellite and telecommunications industries, typically undertake a significant evaluation process, which frequently involves not only our products but also those of our competitors and can result in a lengthy sales cycle. We spend substantial time, effort and money on our sales efforts without any assurance that such efforts will produce any sales. In addition, purchases of our products are frequently subject to budget constraints, multiple approvals, and unplanned administrative, processing and other delays. The length of a customer s deployment period may directly affect the timing of any subsequent purchase of additional products by that customer. In addition, once we deliver our software-based solution to our customers, we may not be able to recognize revenue for the sale until the customer completes its acceptance procedures. If sales expected from a specific customer for a particular quarter are not realized or completed in that quarter or at all, our operating results, financial condition and cash flows could be materially and adversely affected.

Our operating results are likely to fluctuate significantly and may fail to meet or exceed the expectations of securities analysts or investors, causing our stock price to decline.

Our operating results have fluctuated in the past and are likely to continue to fluctuate in the future, on an annual and a quarterly basis, as a result of several factors, many of which are outside of our control. Some of the factors that may cause these fluctuations include:

- the level and timing of capital spending of our customers, both in the United States and in foreign markets, due in part to access to financing, including credit, for capital spending;
- economic and financial conditions specific to the telecommunications, cable and satellite service providers, as well as broadcast, media and Internet content providers;
- changes in market demand for our products or our customers services or products;
- the timing and amount of orders, especially from significant customers;
- increases and decreases in the number and size of relatively larger transactions, and projects in which we are involved, from quarter to quarter;
- the timing of revenue recognition with respect to certain of our sales arrangements, which may include multiple deliverables and timing of customer acceptance;
- the impact of seasonality in our business, particularly in the first quarter of each fiscal year;
- the timing of completion of our customers projects;

competitive market conditions, including pricing actions by our competitors;

the level and mix of our international revenue;

new product introductions by our competitors or by us;

changes in domestic and international regulatory environments affecting our business;

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- market acceptance of our new or existing products;
- the impact of new revenue recognition accounting standards, which became effective for us beginning in fiscal 2012;
- the evaluation of new services, new standards and system architectures by our customers;
- the cost and availability to us of components and subassemblies;
- the mix of our customer base, by industry and size, and sales channels;
- the mix of our products sold and the effect it has on gross margins;
- changes in our operating and extraordinary expenses, such as litigation expenses and settlement costs;
- write-downs of inventory and investments;
- the impact of applicable accounting guidance that requires us to record the fair value of stock options, restricted stock units and employee stock purchase plan awards as compensation expense;
- changes in our effective tax rate, including as a result of changes in our valuation allowance against our deferred tax assets, changes in our effective state tax rates, including as a result of apportionment, and changes in our mix of domestic versus international revenue, as well as proposed amended tax rules related to the deferral of foreign earnings and compliance with foreign tax rules;
- the impact of applicable accounting guidance on accounting for uncertainty in income taxes that requires us to establish reserves for uncertain tax positions and accrue potential tax penalties and interest;
- the timing of any acquisitions and the financial impact of any such acquisitions;
- the impact of applicable accounting guidance on business combinations that requires us to record charges for certain acquisition-related costs and expenses and generally to expense restructuring costs associated with a business combination subsequent to the acquisition date; and
- general economic conditions.

We often recognize a substantial portion of our quarterly revenue in the last month of the quarter. We establish our expenditure levels for product development and other operating expenses based on projected revenue levels for a specified period, and expenses are relatively fixed in the short term. Accordingly, even small variations in timing of revenue or revenue recognition, particularly with respect to large individual transactions, can cause significant fluctuations in operating results in a particular quarter.

As a result of these factors and other factors, our operating results in one or more future periods may fail to meet or exceed the expectations of securities analysts or investors. In that event, the trading price of our common stock would likely decline.

We need to develop and introduce new and enhanced products in a timely manner to meet the needs of our customers and to remain competitive.

All of the markets we address are characterized by continuing technological advancement, changes in customer requirements and evolving industry standards. To compete successfully, we must continually design, develop, manufacture and sell new or enhanced products that provide increasingly higher levels of performance and reliability and meet our customers changing needs. However, we may not be successful in those efforts if, among other things, our products:

- are not cost effective;

- are not brought to market in a timely manner;

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- are not in accordance with evolving industry standards and architectures;
- fail to meet market acceptance or customer requirements; or
- are ahead of the market.

Our encoding products are based on industry video compression standards, which can change rapidly. For example, encoding products based on the MPEG-2 compression standards are being increasingly replaced by encoding products based on newer standards, such as MPEG-4 AVC/H.264, that have been recently adopted and provide significantly greater compression efficiency, thereby making more bandwidth available to operators. The availability of more bandwidth is particularly important to those operators seeking to launch, or expand, HDTV services. We have developed and launched products, including HD encoders, based on these new standards in order to remain competitive, and are continuing to devote considerable resources to these efforts. As industry standards continue to evolve, however, we must continue to devote significant resources to address these evolving standards. Our efforts to address these evolving standards may not be successful in the future, or at all, and we may be unable to compete effectively in our target markets when new industry standards are established.

In order to successfully develop and market certain of our planned products, we may be required to enter into technology development or licensing agreements with third parties. We cannot assure you that we will be able to enter into any necessary technology development or licensing agreements on reasonable terms, or at all, or that all of our existing technology license agreements will remain in place.

If we fail to develop and market new and enhanced products in a timely manner, our operating results, financial condition and cash flows could be materially and adversely affected.

The average sales prices of our products may decrease.

The average sales prices for our products may decline for a variety of reasons, including competitive pricing pressures, a change in our mix of products, anticipation of the introduction of new products or promotional programs. The markets in which we compete are highly competitive and we expect this competition to increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product offerings may reduce the price of products that compete with ours in order to promote the sale of other products or may bundle them with other products. For example, some of our large competitors who provide systems integration may offer video headends at very low prices or on a bundled basis. Furthermore, average sales prices for our products may decrease over product life cycles. A decline in our average sales prices in excess of our expectations may harm our operating results, financial condition and cash flows.

We expect gross margin to vary over time, and our level of gross margin may not be sustainable.

Our level of gross margin may not be sustainable and may be adversely affected by numerous factors, including:

- increased price competition;
- changes in customer or product and service mix;
- introduction of new products;
- our ability to reduce production costs;
- increases in material or labor costs;

excess inventory, inventory holding charges and obsolescence charges;

the timing of revenue recognition and revenue deferrals;

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- changes in our distribution channels or arrangements with our channel sales partners;

- increased warranty costs; and

- inbound shipping charges.

As a result of any of these factors, or other factors, our gross margin may be adversely affected, which in turn would harm our operating results.

Our customer base is concentrated, and we are regularly involved in relatively large transactions. The loss of one or more of our key customers, or a failure to diversify our customer base, as well as a decrease in the number of such larger transactions, could harm our business.

Historically, a majority of our revenue has been derived from relatively few customers. Sales to our ten largest customers in fiscal 2012 together accounted for approximately 58% of our total revenue. In fiscal 2012, sales to Time Warner Cable accounted for 18% of our total revenue. In fiscal 2011, sales to Huawei Technologies, Birtel Network Technologies and Ericsson, each a channel partner, accounted for 12%, 12% and 11%, respectively, of our total revenue. In fiscal 2010, sales to BJ Taiyu, Huawei Technologies and Nokia, each a channel partner, accounted for 15%, 13% and 12%, respectively, of our total revenue. We expect to see continuing industry consolidation and customer concentration. At the same time, we are currently targeting large customer accounts, which if successful, could increase our concentration risk on an even smaller group of customers. Even if we are successful in selling a large volume of products to these large potential customers, we may not be able to continue to sell such large volumes to these customers, which could cause our operating results to fluctuate significantly and decline.

Additionally, we do not enter into long-term contracts or purchase commitments with our customers, and we have no contractual arrangements for future sales of our products to existing customers. We sell our solution by entering into purchase orders with our customers. The loss of one or more of our significant customers, any material reduction in orders by any significant customer, or our failure to qualify our new products with a significant customer could materially and adversely affect our operating results, financial condition and cash flows. In addition, we are involved in most quarters in one or more large individual transactions, including, from time to time, projects in which we act similar to a systems integrator. A decrease in the number of larger individual transactions in which we are involved in any quarter could adversely affect our operating results for that quarter.

We rely on a single third party to manufacture our products, and depend on it for the supply and quality of our products.

We outsource the manufacturing of our products to a single manufacturer, FutureQuest Incorporated, and are, therefore, subject to the risk that our third-party manufacturer does not provide our customers with the quality and performance that they expect from our products. Our manufacturer may not view fulfilling our orders a priority in the event it is constrained in its ability to fulfill all of its customer obligations in a timely manner. In addition, if we need to increase our manufacturing capacity beyond what our current manufacturer is able to provide, we may not be able to meet customer demand on a timely basis. If we are required, or we desire, to replace our manufacturer or add an additional manufacturer, we may need to expend a considerable amount of resources, time and money to locate another manufacturer, and as a result, we may experience a delay in our ability to meet customer demand during the transition process. We place manufacturing orders on a purchase order basis under the terms of a master agreement with our manufacturer. This agreement is limited to an initial term of one year, with an automatic renewal feature for additional one-year terms unless either party requests in writing at least 90 days prior to the end of the term not to renew the agreement. In addition, our manufacturer may terminate this agreement for any reason by providing us 120-days notice of termination. If we are unable to fulfill customer demand, we may lose revenue opportunities and our reputation could suffer. In addition, we must also predict the number of products that we will require. If we

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underestimate our requirements, our manufacturer may have inadequate materials and components required to produce our products. This could result in an interruption of the manufacturing of our products, delays in shipments and deferral or loss of revenue. Quality or performance failures of our products or changes in our manufacturer s financial or business condition could disrupt our ability to supply quality products to our customers and thereby have a material and adverse effect on our operating results, financial condition and cash flows.

We use several key components and subassemblies in our products that are supplied from a single source or a limited number of sources. The loss of any of these suppliers may cause us to incur additional transition costs, result in delays in the manufacturing and delivery of our products, or cause us to carry excess or obsolete inventory and could cause us to redesign our products.

While supplies of our components are generally available from a variety of sources, we currently depend on a single source or limited number of sources for several components for our products. We have also entered into license agreements with some of our suppliers for technologies that are used in our products, and the termination of these licenses, which can generally be done on relatively short notice without penalty, could have a material adverse effect on our business. If we lost any of these suppliers and licensors, we could be required to transition to a new supplier or licensor, which could increase our costs, result in delays in the manufacturing and delivery of our products or cause us to carry excess or obsolete inventory, and we could be required to redesign our hardware and software in order to incorporate components or technologies from alternative sources.

In addition, even for certain components for which there are multiple sources, we are subject to potential price increases and limited availability due to market demand for such components. An increase in demand for components and subassemblies that we use could cause shortages of these parts and cause an increase in the costs of these parts. If such shortages or price increases occur in the future, our business would be adversely affected. We carry very little inventory of our products, and we and our manufacturer rely on our suppliers to deliver necessary components in a timely manner. We and our manufacturer rely on purchase orders rather than long-term contracts with these suppliers, and as a result, even if available, we or our manufacturer may not be able to secure sufficient components at reasonable prices or of acceptable quality to build products in a timely manner and, therefore, may not be able to meet customer demands for our products, which could have a material and adverse effect on our operating results, financial condition and cash flows.

Our products include third-party technology and intellectual property, and our inability to use that technology in the future could harm our business.

We incorporate certain third-party technologies, including software programs, into our products, and intend to utilize additional third-party technologies in the future. Licenses to relevant third-party technologies or updates to those technologies may not continue to be available to us on commercially reasonable terms, or at all. In addition, the technologies that we license may not operate properly or as specified, and we may not be able to secure alternatives in a timely manner, either of which could harm our business. We could face delays in product releases until alternative technology can be identified, licensed or developed, and integrated into our products, and we may not be able to do so at all. These delays, or a failure to secure or develop adequate technology, could materially and adversely affect our operating results, financial condition and cash flows.

We may engage in future acquisitions that could disrupt our business, cause dilution to our stockholders and materially and adversely affect our operating results, financial condition and cash flows.

In the future we may acquire other businesses, products or technologies. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, or such

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acquisitions may be viewed negatively by customers, financial markets or investors. We may also face additional challenges because acquisitions entail numerous risks, including:

- difficulties in the integration of acquired operations, technologies and/or products;
- unanticipated costs associated with the acquisition transaction;
- the diversion of management s attention from the regular operations of the business and the challenges of managing larger and more widespread operations;
- adverse effects on new and existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience;
- the potential loss of key employees of acquired businesses; and
- delays in realizing or failure to realize the anticipated benefits of an acquisition.

Competition within our industry for acquisitions of businesses, technologies, assets and product lines has been, and may in the future continue to be, intense. As such, even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or because the target is acquired by another company. Furthermore, in the event that we are able to identify and consummate any future acquisitions, we could:

- issue equity securities, which would dilute current stockholders percentage ownership;
- incur substantial debt;
- incur significant acquisition-related expenses;
- assume contingent liabilities; or
- expend significant cash.

We or our customers may face intellectual property infringement and other claims from third parties.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, leading companies in the telecommunications industry have extensive patent portfolios. From time to time, third parties may assert in the future, patent, copyright, trademark and other intellectual property rights against us or our customers. Our suppliers and their customers, including us, may have similar claims asserted against them. Any future intellectual property litigation, regardless of its outcome, could result in substantial expense and significant diversion of the efforts of our management and technical personnel. An adverse determination in any such proceeding could subject us to significant liabilities, temporary or permanent injunctions, or require us to seek licenses from third parties or pay royalties that may be substantial. Furthermore, necessary licenses may not be available on terms satisfactory to us, or at all. An unfavorable outcome on any such litigation matter could require that we pay substantial damages or ongoing royalty payments or could prohibit us from selling certain of our products. Any such outcome could have a material adverse effect on our operating results, financial condition and cash flows.

Our suppliers and customers may have intellectual property claims relating to our products asserted against them. We have agreed to indemnify some of our suppliers and customers for patent infringement relating to our products. The scope of this indemnity varies, but, in some instances, includes indemnification for damages and expenses, including reasonable attorney s fees, incurred by the supplier or customer in connection with such claims. If a supplier or customer seeks to enforce a claim for indemnification against us, we could incur significant costs defending against the underlying claim. An adverse determination in such a proceeding could subject us to significant liabilities.

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If we are unable to protect our intellectual property rights, our competitive position could be harmed or we could be required to incur significant expenses to enforce our rights.

We depend on our ability to protect our proprietary technology. We protect our proprietary information and technology through licensing agreements, nondisclosure agreements and other contractual provisions, as well as through patent, trademark, copyright and trade secret laws in the United States and similar laws in other countries. These protections may not be available in all cases or may be inadequate to prevent our competitors from copying, reverse engineering or otherwise obtaining and using our technology, proprietary rights or products. In addition, third parties may seek to challenge, invalidate or circumvent our patents, trademarks, copyrights and trade secrets, or applications for any of the foregoing. Our competitors may independently develop technologies that are substantially equivalent, or superior, to our technology or design around our proprietary rights. In each case, our ability to compete could be significantly impaired.

We also rely on customary contractual protections with our customers, suppliers, distributors, employees and consultants, and we implement security measures to protect our trade secrets. We cannot assure you that these contractual protections and security measures will not be breached, that we will have adequate remedies for any such breach or that our suppliers, employees or consultants will not assert rights to intellectual property arising out of such contracts.

In addition, our proprietary rights may not be adequately protected because the laws of other countries in which we market our products, such as some countries in the Asia Pacific region, may offer little or no protection for our proprietary technologies.

To prevent substantial unauthorized use of our intellectual property rights, it may be necessary to prosecute actions for infringement or misappropriation of our proprietary rights against third parties. Any such action could result in significant costs and diversion of our resources and management s attention, and there can be no assurance that we will be successful in such action. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing or misappropriating our intellectual property.

We have a limited patent portfolio. While we plan to protect our intellectual property with, among other things, patent protection, there can be no assurance that:

- current or future U.S. or future foreign patent applications will be approved;
- our issued patents will protect our intellectual property and not be held invalid or unenforceable if challenged by third parties;
- we will succeed in protecting our technology adequately in all key jurisdictions in which we or our competitors operate;
- the patents of others will not have an adverse effect on our ability to do business; or
- others will not independently develop similar or competing products or methods or design around any patents that may be issued to us.

The failure to obtain patents with claims of a scope necessary to cover our technology, or the invalidation of our patents, or our inability to protect any of our intellectual property, may weaken our competitive position and may materially and adversely affect our operating results, financial condition and cash flows.

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Our products incorporate complex technology and may contain defects or errors, which could negatively affect the performance of our solution and could harm our reputation and adversely affect our business.

Our products incorporate complex technology that must operate with a significant number and types of devices, which attempt to run new and complex applications in a variety of environments that utilize different communication industry standards. Our products have contained and may in the future contain defects or errors. In some cases, these defects or errors have delayed the introduction of our new products. Some errors in our products have only been discovered after a product has been installed and used by customers. These problems have in the past, and may in the future cause us to divert the attention of our engineering personnel from our development efforts and cause customer relations problems. We may also incur significant warranty and repair costs or be subject to liability claims for damages related to product errors or defects. While we carry insurance policies covering these types of liability claims, which we believe to be reasonable for the level of our business activity, these policies may not provide sufficient protection in the event of a liability claim. Moreover, errors in our products are most prevalent when new products are introduced into the market. Any errors or defects discovered in our products after commercial release could result in loss of revenue or delay in revenue recognition, loss of customers, damage to our brand and reputation, and increased service and warranty cost, any of which could materially and adversely affect our operating results, financial condition and cash flows.

We incorporate third-party hardware into our products which could cause errors or failures of our solution and damage our reputation.

We incorporate hardware purchased from third parties into our products. This hardware has in the past, and may in the future contain errors or defects, which in turn could result in errors or a failure of our solution. We may not learn of these hardware errors or defects until after we have shipped our solution to our customers. Errors or defects in the third-party hardware that we incorporate into our products could significantly damage our reputation, even though we did not cause these errors or defects, which could have a material and adverse effect on our operating results, financial condition and cash flows.

Our ability to sell our products is highly dependent on the quality of our support and service offerings, and our failure to offer high-quality support and services would harm our operating results and reputation.

Once our products are deployed within our customers networks, our customers depend on our support organization to resolve any issues relating to our products. A high level of support is critical for the successful marketing and sale of our products. If we or our channel partners do not effectively assist our customers in deploying our products, succeed in helping our customers quickly resolve post-deployment issues, and provide effective ongoing support, it would adversely affect our ability to sell our products to existing customers and would harm our reputation with potential customers. In addition, as we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Any failure to maintain high-quality support and services could materially and adversely affect our operating results, financial condition and cash flows.

We will incur significant increased costs as a result of operating as a public company, our management has limited experience managing a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, and the Dodd-Frank Act of 2010, as well as rules subsequently implemented by the SEC and the Nasdaq Stock Market, or Nasdaq, impose a number of requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a

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substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations will increase our legal, accounting and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

In addition, the Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and disclosure controls and procedures quarterly. Our compliance with Section 404 of the Sarbanes-Oxley Act will require that we incur substantial accounting expense and expend significant management time on compliance-related issues.

We identified a material weakness in our internal control over financial reporting in connection with the audit of our consolidated financial statements for the fiscal year ended January 31, 2011, which we have since remediated. If we are unable to maintain effective internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected.

Although our management and independent registered public accounting firm were not required to perform an evaluation of our internal control over financial reporting as of January 31, 2011 or as of January 31, 2012 in accordance with the provisions of the Sarbanes-Oxley Act, our management did not identify any material weaknesses in our internal control over financial reporting in connection with the audit of our consolidated financial statements for the fiscal year ended January 31, 2012. However, in connection with the audit of our consolidated financial statements for the fiscal year ended January 31, 2011, our management and independent registered public accounting firm identified a material weakness in our internal control over financial reporting, which we have since remediated. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Had we or our independent registered public accounting firm performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional control deficiencies may have been identified by management or our independent registered public accounting firm, and those control deficiencies could have also represented one or more material weaknesses. However, we have concluded that the material weakness identified in fiscal 2011 was successfully remediated as of January 31, 2012.

In connection with the audit of our consolidated financial statements for the fiscal year ended January 31, 2011, our management and independent registered public accounting firm identified a material weakness related to our ability to properly record certain revenue transactions in accordance with software revenue recognition guidance for the fiscal year ended January 31, 2011, which we have since remediated. This resulted in a more than remote likelihood that a material misstatement of our annual and interim financial statements would not be prevented or detected. As a result, audit adjustments to our financial statements were identified during the course of the audit. To remediate this material weakness, we hired additional finance and accounting personnel with the appropriate expertise and experience, and further developed and documented our accounting policies and financial reporting procedures around our revenue recognition practices for fiscal 2012. For example, we recently hired a new senior director of revenue, senior director of sales operations and an assistant controller to improve processes, establish internal controls and augment existing controls. In addition, we retained consultants to assist with our implementation of new revenue recognition accounting guidance related to multiple-element arrangements that we adopted as of February 1, 2011, and to advise us on making further improvements to our internal controls related to revenue recognition in the future. We cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Accordingly, material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting for purposes of our attestation required by reporting requirements under the Securities

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Exchange Act of 1934, or the Exchange Act, or Section 404 of the Sarbanes-Oxley Act after this offering. The standards required for a Section 404 assessment under the Sarbanes-Oxley Act will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements. These stringent standards require that our audit committee be advised and regularly updated on management s review of internal controls. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company. If we fail to staff our accounting and finance function adequately or maintain internal controls adequate to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to report our financial results accurately or in a timely manner and our business and stock price may suffer. Furthermore, investor perceptions of our company may suffer, and this could cause a decline in the market price of our stock.

Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could materially and adversely affect our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent registered public accounting firm.

We have a limited operating history, which makes it difficult to predict our future operating results.

We were incorporated in January 2000 and began commercial shipments of our products in 2001. As a result of our limited operating history, it is very difficult to forecast our future operating results. We face challenges in our business and financial planning as a result of the uncertainties resulting from having had a relatively limited time period in which to implement and evaluate our business strategies as compared to more mature companies with longer operating histories. In addition, we typically sell our products on a purchase order basis, and not under long-term contracts, which means we do not have extended visibility into our future levels of revenue. These uncertainties make it difficult to predict our future operating results. If the assumptions we use to plan our business are incorrect or change in reaction to a change in our markets, our operating results, financial condition and cash flows could be materially and adversely affected.

We must increase market awareness of our software-based solution and develop and expand our sales channels, and if we are unsuccessful, our operating results, financial condition and cash flows could be materially and adversely affected.

We must improve the market awareness of our software-based solution and expand our relationships with our channel partners in order to increase our revenue. We intend to continue to add personnel and to expend resources in our sales and marketing functions as we focus on expanding awareness of our software-based solution. Further, we believe that we must continue to develop our relationships with new and existing channel partners to effectively and efficiently extend our geographic reach and market penetration. Our efforts to improve our sales could result in a material increase in our sales and marketing expense and general and administrative expense, and there can be no assurance that such efforts will be successful. If we are unable to significantly increase the awareness of our software-based solution, expand our relationships with channel partners, or effectively manage the costs associated with these efforts, our operating results, financial condition and cash flows could be materially and adversely affected.

We depend significantly on our international revenue and are subject to the risks associated with international operations, which may negatively affect our operating results.

Revenue derived from customers outside of the United States during fiscal years 2010, 2011 and 2012 represented 92%, 77% and 71% of our revenue, respectively. We expect that international revenue

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will continue to represent a similar substantial percentage of our revenue for the foreseeable future. Our international operations and our efforts to maintain and increase revenue in international markets are subject to a number of risks, which are generally greater with respect to emerging market countries, including the impact on our business and operating results of:

- general economic conditions in international economies, which may adversely affect our customers capital spending;
- changes in foreign government regulations and standards;
- import and export license requirements, tariffs, taxes and other trade barriers;
- fluctuations in currency exchange rates;
- a significant reliance on distributors, resellers and other third parties to sell our products and solutions, particularly in emerging market countries;
- difficulty in collecting accounts receivable, especially from smaller customers and resellers, particularly in emerging market countries;
- compliance with the United States Foreign Corrupt Practices Act, or FCPA, and the Office of Foreign Asset Control regulations, particularly in emerging market countries;
- the burden of complying with a wide variety of foreign laws, treaties and technical standards;
- fulfilling country of origin requirements for our products for certain customers;
- difficulty in staffing and managing foreign operations;
- political and economic instability, including risks related to terrorist activity, particularly in emerging market countries;
- changes in economic policies by foreign governments;
- lack of basic infrastructure, particularly in emerging market countries;
- availability of credit, particularly in emerging market countries; and
- impact of the recent escalating social and political unrest, particularly in the Middle East.

In the past, certain of our international customers accumulated significant levels of debt and have undertaken reorganizations and financial restructurings, including bankruptcy proceedings. Even where these restructurings have been completed, in some cases these customers have not been in a position to purchase new equipment at levels we had seen in the past.

Furthermore, payment cycles for international customers are typically longer than those for customers in the United States. Unpredictable payment cycles could cause us to fail to meet or exceed the expectations of securities analysts and investors for any given period.

The effect of one or more of these international risks could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

While our international revenue has typically been denominated in U.S. dollars, fluctuations in currency exchange rates could cause our products to become relatively more expensive to customers in a particular country, leading to a reduction in revenue or profitability from sales in that country. A portion of our overall expenses, primarily from our research and development facility in France, is denominated in Euros, which subjects us to increased foreign currency risk. We currently do not enter into hedging arrangements to minimize the impact of foreign currency fluctuations. Our exposure to foreign currency fluctuation may change over time as our business practices evolve and could have a material adverse impact on our financial condition and results of operations. Gains and losses on the conversion to U.S. dollars of accounts payable and other monetary assets and liabilities arising from international operations may contribute to fluctuations in operating results.

Our use of, and reliance on, research and development resources in France may expose us to unanticipated costs or events.

We have a significant research and development center in France and, in recent years, have increased headcount and development activity at this facility. Our research and development efforts and other operations in France involve significant risks, including:

- difficulty hiring and retaining appropriate engineering personnel due to competition for such limited resources;
- a disruption in relations with our employees;
- fluctuations in currency exchange rates between the Euro and the U.S. dollar; and
- compliance with regulatory requirements, including local employment regulations and organized labor.

Difficulties resulting from the factors above and other risks related to our operations in France could expose us to increased expense, impair our development efforts and harm our competitive position.

If we do not appropriately manage any future growth, or are unable to improve our systems and processes, our operating results could be negatively affected.

Our future growth, if it occurs, could place significant demands on our management, infrastructure and other resources. We may need to increasingly rely on information technology systems, some of which we do not currently have significant experience in operating, to help manage critical functions. Some of our critical information technology systems are hosted by third parties, and we may have interruptions in our ability to access these systems in a timely manner, which could disrupt our business. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, operating and administrative systems and controls, and continue to manage headcount, capital and processes in an efficient manner. We may not be able to successfully implement improvements to these systems and processes in a timely or efficient manner, which could result in additional operating inefficiencies and could cause our costs to increase more than planned. If we do increase our operating expenses in anticipation of the growth of our business and this growth does not meet our expectations, our financial results may be negatively impacted. In addition, our systems and processes may not prevent or detect all errors, omissions or fraud. Our failure to improve our systems and processes, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to accurately forecast our revenue, expenses and earnings, or to prevent certain losses. Any future growth would add complexity to our organization and require effective coordination within our organization. Failure to manage any future growth effectively could result in increased costs and harm our business.

If demand for our products increases more quickly than we expect, we may be unable to meet our customers requirements.

If demand for our products increases, the difficulty of accurately forecasting our customers requirements and meeting these requirements will increase. Forecasting customers needs and effectively managing our supply chain is particularly difficult in connection with newer products. Our ability to meet customer demand depends significantly on the availability of components and other materials, as well as the ability of our contract manufacturers to scale their production. Furthermore, we purchase several key components and subassemblies used in the manufacture or integration of our products from sole or limited sources. Our ability to meet customer requirements depends in part on our ability to obtain sufficient volumes of these materials in a timely fashion. Increases in demand on our suppliers and subcontractors from other customers may cause sporadic shortages of certain components and products. In order to be able to respond to these issues, we may increase our inventories of certain components and products, particularly for our customers that order significant dollar amounts of our products, and expedited shipments of our products when necessary, which may increase our costs and could increase our risk of holding obsolete or excessive inventory. Nevertheless, we may be unable to respond to customer demand if it increases more quickly than we expect. If we fail to meet customers supply expectations, our revenue would be adversely affected and we may lose business, which could materially and adversely affect our operating results, financial condition and cash flows.

We are investing in engineering, sales, marketing, services and infrastructure, and these investments may achieve delayed or lower than expected benefits, which could harm our operating results, financial condition and cash flows.

We intend to continue to add personnel and other resources to our engineering, sales, marketing, services and infrastructure functions as we focus on developing new technologies, growing our market segment, capitalizing on existing or new market opportunities, increasing our market share, and enabling our business operations to meet anticipated demand. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results, financial condition and cash flows could be materially and adversely affected.

Our reported financial results may be adversely affected by changes in accounting principles applicable to us.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC and other various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. In addition, the SEC has announced a multi-year plan that could ultimately lead to the use of International Financial Reporting Standards by U.S. issuers in their SEC filings. Any such change could have a significant effect on our reported financial results.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described under Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below market expectations, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, allowances for doubtful accounts, valuation of deferred inventory costs, useful lives of property and equipment, valuation of deferred tax assets, valuation of equity and liability instruments and stock-based compensation.

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Our future capital needs are uncertain, and we may need to raise additional funds in the future.

We believe that our existing cash and cash equivalents, combined with the amounts available under our line of credit facility, will be sufficient to meet our anticipated cash requirements for at least the next 12 months. We may, however, need to raise substantial additional capital to:

- expand the commercialization of our products;
- fund our operations;
- continue our research and development;
- defend, in litigation or otherwise, any claims that we infringe third-party patents or violate other intellectual property rights;
- commercialize new products; and
- acquire companies and in-license products or intellectual property.

Our future funding requirements will depend on many factors, including:

- market acceptance of our products;
- the cost of our research and development activities;
- the cost of filing and prosecuting patent applications;
- the cost of defending, in litigation or otherwise, any claims that we infringe third-party patents or violate other intellectual property rights;
- the cost and timing of establishing additional sales, marketing and distribution capabilities;
- the cost and timing of establishing additional technical support capabilities;
- the effect of competing technological and market developments; and
- the market for such funding requirements and overall economic conditions.

If we require additional funds in the future, such funds may not be available on acceptable terms, or at all.

We may require additional funds in the future and we may not be able to obtain such funds on acceptable terms, or at all. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we do not have, or are not able to obtain, sufficient funds, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If we are unable to raise adequate funds, we may have to liquidate some or all of our assets, or delay, reduce the scope of or eliminate some or all of our development programs. We also may have to reduce marketing, customer support or other resources devoted to our products or cease operations. Any of these factors could materially and adversely affect our operating results, financial condition and cash flows.

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If we are not successful in addressing management succession issues and attracting and retaining qualified personnel, our business and operating results could be materially and adversely affected.

Our future success will depend, to a significant extent, on the ability of our management to operate effectively, both individually and as a group. We must successfully manage transition and replacement issues that may result from the departure or retirement of members of our executive management, whether in the context of an acquisition or otherwise. Changes of management personnel in the future could cause disruption to our operations or customer relationships or a decline in our operating results.

We are also dependent on our ability to retain and motivate our existing highly qualified personnel, including Julien Signès, our President and Chief Executive Officer. These personnel may terminate employment with us at any time with no advance notice. The replacement of Mr. Signès likely would involve significant time and costs, and the loss of his services may significantly delay or prevent the achievement of our business objectives.

Competition for highly skilled personnel is frequently intense, especially in the locations where we have a substantial presence and need for highly-skilled personnel, including the San Francisco Bay Area and France. We may not be successful in attracting qualified personnel to fulfill our current or future needs. Competitors and others have in the past attempted, and are likely in the future to attempt, to recruit our employees. While our employees are required to sign standard agreements concerning confidentiality and ownership of inventions, we generally do not have employment contracts or non-competition agreements with any of our personnel. The loss of the services of any of our key personnel, the inability to attract or retain highly qualified personnel in the future or delays in hiring such personnel, particularly senior management and engineers and other technical personnel, could materially and adversely affect our operating results, financial condition and cash flows.

We are subject to import and export controls that could subject us to liability or impair our ability to compete in international markets.

Our products are subject to U.S. export controls, and may be exported outside the United States only with the required level of export license or through an export license exception, in most cases because we incorporate encryption technology into our products. In addition, various countries regulate the import of certain technology and have enacted laws that could limit our ability to distribute our products or could limit our customers ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the export or import of our products to certain countries altogether. Any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers internationally.

In addition, we may be subject to customs duties that could have a significant adverse impact on our operating results or, if we are able to pass on the related costs in any particular situation, would increase the cost of the related product to our customers. As a result, the future imposition of significant increases in the level of customs duties or the creation of import quotas on our products in Europe or in other jurisdictions, or any of the limitations on international sales described above, could have a material adverse effect on our business, operating results, financial condition and cash flows. Further, some of our customers in Europe have been, or are being, audited by local governmental authorities regarding the tariff classifications used for importation of our products. Import duties and tariffs vary by country and a different tariff classification for any of our products may result in higher duties or tariffs, which could have an adverse impact on our operating results and potentially increase the cost of the related products to our customers.

Our limited use of open source software could impose limitations on our ability to commercialize our products.

Our products contain software modules licensed for use from third-party authors under open source licenses, including the GNU Public License, the GNU Lesser Public License, the Apache License and others. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software to the public. This could allow our competitors to create similar products with lower development effort and in less time and ultimately could result in a loss of product sales for us.

Although we monitor our use of open source closely, it is possible our past, present or future use of open source has triggered or may trigger the foregoing requirements. Furthermore, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could materially and adversely affect our operating results, financial condition and cash flows.

We could be required to provide the source code of our products to our customers.

Some of our customers have the right to require the source code of our products to be deposited into a source code escrow. Under certain circumstances, our source code could be released to our customers. The conditions triggering the release of our source code vary by customer, but include, among other things, breach of the applicable customer agreement, failure to provide required product support or maintenance, or if we are subject to a bankruptcy proceeding or otherwise fail to carry on our business in the ordinary course. A release of our source code would give our customers access to our trade secrets and other proprietary and confidential information.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in connection with or after this offering, our ability to utilize NOLs could be further limited by Section 382 of the Internal Revenue Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code. Our net operating losses may also be impaired under state law. Accordingly, we may not be able to utilize a material portion of the NOLs.

Changes in our provision for income taxes or adverse outcomes resulting from examination of our income tax returns could materially and adversely affect our operating results, financial condition and cash flows.

Our provision for income taxes is subject to volatility and could be adversely affected by the following:

- earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates;

- changes in the valuation of our deferred tax assets and liabilities;
- expiration of, or lapses in, the research and development tax credit laws;
- transfer pricing adjustments;
- tax effects of nondeductible compensation;
- tax costs related to intercompany realignments;
- changes in accounting principles; or
- changes in tax laws and regulations, including possible changes to the taxation of earnings in the United States of our foreign subsidiaries, and the deductibility of expenses attributable to foreign income, or the foreign tax credit rules.

Significant judgment is required to determine the recognition and measurement attribute prescribed in the accounting guidance for uncertainty in income taxes. The accounting guidance for uncertainty in income taxes applies to all income tax positions, including the potential recovery of previously paid taxes, which if settled unfavorably could adversely impact our provision for income taxes or additional paid-in capital. In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. The outcomes from these examinations may have a material and adverse effect on our operating results, financial condition and cash flows.

Our business is subject to the risks of earthquakes, fire and other natural catastrophic events.

Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. We also have significant research and development activities in France and facilities in Asia, regions that have experienced fires, floods and other natural disasters. Our customers and suppliers may also experience a disruption in their business as a result of natural disasters, which could negatively impact our business. A significant natural disaster, such as an earthquake, flood or fire, occurring at our headquarters, our other facilities or where our channel partners, suppliers or customers are located, could have a material and adverse effect on our operating results, financial condition and cash flows.

Man-made problems such as computer viruses, terrorism or electrical blackouts may disrupt our operations and could adversely affect our operating results, financial condition and cash flows.

Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. Any such event could have a material adverse effect on our business, operating results, and financial condition. Efforts to limit the ability of third parties to disrupt the operations of the Internet or undermine our own security efforts may be ineffective. In addition, the continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the economies of the United States and other countries and create further uncertainties or otherwise materially harm our business, operating results, and financial condition. Likewise, events such as widespread electrical blackouts could have similar negative impacts. To the extent that such disruptions or uncertainties result in delays or cancellations of customer orders, our research and development efforts or the deployment, manufacture or shipment of our products, our operating results, financial condition and cash flows could be materially and adversely affected.

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Risks Related to Our Industry

Our future growth depends on market acceptance of several broadband services, on the adoption of new broadband technologies and on several other broadband industry trends.

Future demand for many of our products will depend significantly on the growing market acceptance of, and demand for, emerging broadband services, including digital video, on-demand video services, HD video, IPTV, mobile video services and high-speed data services. The market demand for such emerging services is rapidly growing, with many de facto or proprietary systems in use, which increases the challenge of delivering interoperable products intended to address the requirements of such services.

The effective delivery of these services will depend, in part, on a variety of new network architectures, standards and equipment, such as:

- video compression standards, such as MPEG-4 AVC/H.264, for both standard definition and high definition services;
- delivery of high-speed services, such as fiber-to-the-premises, or FTTP, and digital subscriber line, or DSL, networks designed to facilitate the delivery of video services by telecommunications operators;
- higher speed mobile technologies, such as LTE or 3G;
- the further adoption of bandwidth-optimization techniques, such as switched digital video and DOCSIS 3.0; and
- the introduction of new consumer devices, such as advanced set-top boxes, personal video recorders, or PVRs, and a variety of smartphones, such as the iPhone.

If adoption of these emerging services or technologies is not as widespread or as rapid as we expect, or if we are unable to develop new products based on these technologies on a timely basis, our revenue will be materially and adversely affected.

Furthermore, other technological, industry and regulatory trends will affect the growth of our business. These trends include the following:

- convergence, or the need of many network operators to deliver a package of video, voice and data services to consumers, including mobile delivery options;
- the increasing availability of traditional broadcast video content on the Internet;
- the further penetration of telecommunications operators into video service delivery;
- the emergence of a viable mobile video content delivery standard;
- efforts by regulators and governments in the United States and abroad to encourage the adoption of broadband and digital technologies;

- increased consumer interest in 3D television and content;

- the extent and nature of regulatory attitudes towards such issues as network neutrality, competition between operators, access by third parties to networks of other operators, local franchising requirements for telecommunications operators to offer video, and other new services, such as mobile video; and

- the outcome of litigation and negotiations between content owners and service providers regarding rights of service providers to store and distribute recorded broadcast content, which outcomes may drive adoption of one technology over another in some cases.

If we fail to recognize and respond to these trends by timely developing products, features and services required by these trends, we are likely to lose revenue opportunities and our operating results, financial condition and cash flows could be materially and adversely affected.

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Changes in telecommunications legislation and regulations could harm our prospects and future revenue.

Changes in telecommunications legislation and regulations in the United States and other countries could affect the revenue from our products. In particular, regulations dealing with access by competitors to the networks of incumbent operators could slow or stop additional construction or expansion by these operators. Increased regulation of our customers pricing or service offerings could limit their investments and, consequently, revenue from our products. The impact of new or revised legislation or regulations could have a material adverse effect on our business, operating results and financial condition.

Newly adopted regulations will likely impact the demand for product features by our customers. For example, in the United States, these regulations include the Commercial Advertisement Loudness Mitigation Act and the Twenty-First Century Communications and Video Accessibility Act of 2010, which address accessibility for the hearing and visually impaired. We may be required to add features to our products to address these regulations or new regulations in the future. These and other regulations may require us to develop features on a schedule which may be inflexible and difficult to meet. In addition, certain countries do not currently allow for specific types of video distribution, such as IPTV, or restrict our customers from delivering video using certain technology. These restrictions could prohibit or limit our ability to sell our solution in these countries. Changes in legislation and regulations could result in our inability to develop other product features necessary for particular transactions at the same time, and thus we could lose business and the related revenue.

The markets in which we operate are intensely competitive.

The markets for our products are extremely competitive and have been characterized by rapid technological change and declining average sales prices. We may face declining average sales prices during economic downturns as equipment suppliers compete aggressively for customers reduced capital spending.

Currently, we compete with companies focused on more traditional broadcast delivery, including Harmonic Inc. We also compete with companies focused on multi-screen encoding, including Cisco Systems, Inc. (through its acquisition of Inlet Technologies LLC) and RGB Networks, Inc. (through its acquisition of RipCode, Inc.). Due to the evolving competitive landscape and growing market opportunity, we expect to encounter direct competition in the future from one or more larger traditional network infrastructure providers that may be one of our systems integrators, such as Motorola Mobility (in the process of being acquired by Google Inc.) and Ericsson AB. These network equipment companies may provide, as a package, encoding solutions in combination with other equipment that they traditionally sell to service providers.

Many of our competitors are substantially larger than us, and have greater financial, technical, marketing and other resources than we do. Many of these large enterprises are in a better position to withstand any significant reduction in capital spending by customers in these markets. They often have broader product lines and market focus, and may not be as susceptible to downturns in a particular market. These competitors may also be able to bundle their products together to meet the needs of a particular customer, and may be capable of delivering more complete solutions than we are able to provide. To the extent large enterprises that currently do not compete directly with us choose to enter our markets by acquisition or otherwise, competition would likely intensify.

Further, some of our competitors that have greater financial resources have offered, and in the future may offer, their products at lower prices than we offer for our competing products or on more attractive financing terms, which has in the past caused, and may in the future cause, us to lose sales opportunities and the resulting revenue or to reduce our prices in response to that competition. Reductions in prices for any of our products could materially and adversely affect our operating margins and revenue. In addition, many of our competitors have been in operation longer than we have, and therefore, have more long-standing and established relationships with domestic and foreign customers, making it difficult for us to establish relationships with and to sell our products to those customers.

If any of our competitors products or technologies were to become the industry standard, our business would be seriously harmed. If our competitors are successful in bringing their products to market earlier than us, or if these products are more technologically capable than ours, or are deemed by customers to be more technologically capable than ours, our revenue could be materially and adversely affected. In addition, certain companies that have not had a large presence in the broadband communications equipment market have begun to expand their presence in this market through mergers and acquisitions. The continued consolidation of our competitors could have a significant negative impact on our business.

If we are unable to compete effectively in any of our markets, or are forced to reduce the prices of our products in order to continue to be competitive, our operating results, financial condition and cash flows could be materially and adversely affected.

Video delivery markets are characterized by rapid technological change.

Video delivery markets are subject to rapid changes, making it difficult to accurately predict the markets future growth rates, sizes or technological directions. In view of the evolving nature of these markets, it is possible that Pay-TV service providers, broadcasters, content providers and other video production and delivery companies will decide to adopt alternative architectures, new business models, or technologies that are incompatible with our current or future products. In addition, successful new entrants into the media markets, both domestic and international, may impact existing industry business models, resulting in decreased spending by our existing customer base. Finally, decisions by customers to adopt new technologies or products are often delayed by extensive evaluation and qualification processes, which can result in delays in revenue of current and new products. If we are unable to design, develop, manufacture and sell products that incorporate, or are compatible with, these new architectures or technologies, our operating results, financial condition and cash flows could be materially and adversely affected.

We are subject to various laws and regulations related to the environment and potential climate change that could impose substantial costs upon us and may adversely affect our business, operating results and financial condition.

Our operations are regulated under various federal, state, local and international laws relating to the environment and potential climate change, including those governing the management, disposal and labeling of hazardous substances and waste and the cleanup of contaminated sites. We could incur costs and fines, third-party property damage or personal injury claims, or could be required to incur substantial investigation or remediation costs, if we were to violate or become liable under environmental laws. The ultimate costs to us under these laws and the timing of these costs are difficult to predict.

We also face increasing complexity in our product design as we adjust to new and future requirements relating to the presence of certain substances in electronic products and requiring producers of those products to be financially responsible for the collection, treatment, recycling and disposal of certain products. For example, the European Parliament and the Council of the European Union have enacted the Waste Electrical and Electronic Equipment (WEEE) directive, which regulates the collection, recovery and recycling of waste from electrical and electronic products, and the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) directive, which bans the use of certain hazardous materials, including lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs) that exceed certain specified levels. Legislation similar to RoHS and WEEE has been or may be enacted in other jurisdictions, including in the United States, Japan and China. Our failure to comply with these laws could

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result in our being directly or indirectly liable for costs, fines or penalties and third-party claims, and could jeopardize our ability to conduct business in such regions and countries.

We also expect that our operations will be affected by other new environmental laws and regulations on an ongoing basis. Although we cannot predict the ultimate impact of any such new laws and regulations, they will likely result in additional costs, and could require that we redesign or change how we manufacture our products, any of which could have a material and adverse effect on our operating results, financial condition and cash flows.

An economic downturn, including developments in the financial markets in the United States and elsewhere in the world, may materially and adversely affect our operating results, financial condition and cash flows.

Financial markets in the United States, Europe and Asia have recently experienced extreme disruption, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intended to address extreme market conditions, such as the severe restrictions on credit and declines in real estate values. While currently these conditions have not impaired our ability to access credit markets and finance operations, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies. These economic developments affect our business in a number of ways. A tightening of credit in financial markets may adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations, and could result in a decrease in demand for our products and services. Our customers ability to pay for our solution may also be impaired, which may lead to an increase in our allowance for doubtful accounts and write-offs of accounts receivable, reducing our cash flow.

Our global business could also be adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending. Our success depends on our ability to effectively plan and manage our resources through rapidly fluctuating economic market conditions. We are unable to predict the likely duration and severity of any disruption in financial markets and adverse economic conditions in the United States and other countries. Should these economic conditions result in our not meeting our revenue growth objectives, it may have a material and adverse effect on our operating results, financial condition and cash flows.

Risks Related to this Offering and Our Common Stock

There may have been potential deficiencies in the process by which we obtained approvals of certain prior amendments to our certificate of incorporation. As a result, stockholders who acquired shares of our capital stock prior to this offering and who did not participate in our recent exchange offer could have claims against us for additional or different shares of our capital stock, for monetary damages or both.

There may have been potential deficiencies in the process by which we obtained approvals of prior amendments to our certificate of incorporation, and in particular the means by which our certificate of incorporation was approved in connection with our Series D preferred stock financing in 2003, or the Series D charter. Delaware law, which is the state in which we are incorporated, requires a specific ordering of board and stockholder approvals in order for charter amendments to be properly approved. Our records from the Series D financing, which occurred nine years ago and among other things effected a 1-for-100 reverse stock split and an automatic conversion into shares of common stock of all of the then-outstanding shares of Series A preferred stock, Series B preferred stock, Series C1 preferred stock and Series C2 preferred stock held by any stockholder who did not purchase its full pro rata allocation in the Series D financing, do not provide clear evidence that the ordering process was correctly adhered to in all instances.

There are Delaware court decisions that have emphasized the importance of strict compliance with the board and stockholder approval requirements for charter amendments, and the Delaware courts have concluded in those decisions that non-compliance may result in invalidation of the purported amendments. In the event that a stockholder who acquired shares of our capital stock prior to this offering were to prevail in a claim that the Series D charter was invalid, persons listed on our stock ledger as owning shares of our capital stock could have claims against us for additional or different shares, for monetary damages or both, depending on what shares they hold and when they originally purchased them from us.

Holders of any shares of common stock traceable to shares of common stock outstanding prior to the filing of the Series D charter could have a claim to a number of shares equal to 100 times the amount currently shown on our stock ledger. This is because the Series D charter effected a 1-for-100 reverse stock split, and if the Series D charter were held to be invalid, then such holders could claim that the reverse stock split never occurred. Similarly, because the Series D charter, in addition to the reverse stock split described above, provided for the automatic conversion into shares of common stock of all of the then-outstanding shares of Series A preferred stock, Series B preferred stock, Series C1 preferred stock and Series C2 preferred stock held by investors that did not purchase their full pro rata allocation in the Series D financing, holders of any shares of common stock traceable to such converted preferred shares could have a claim that, were the Series D charter held invalid, such shares of preferred stock were never converted and are still outstanding in an amount equal to 100 times the amount shown on our stock ledger at the time of their conversion. A determination that the Series D charter was invalid also could raise concerns about the validity of our subsequently adopted certificates of incorporation, including those adopted in connection with our Series E, F, G and H preferred stock financings. As a result, holders of any shares of common stock traceable to shares of Series A preferred stock, Series B preferred stock, Series C1 preferred stock and Series C2 preferred stock who did purchase their full pro rata allocation in the Series D financing also could have a claim that such preferred shares remain outstanding in an amount equal to 100 times the amount shown on our stock ledger at the time of their later conversion, and holders of any shares of capital stock that were purchased, or are traceable only to shares originally purchased, after the filing of the Series D charter could have contractual or other claims for monetary damages against us based on the amount paid for such shares.

We have consulted with legal counsel regarding the validity of the Series D charter. It is our position and belief, based in part on our consultation with legal counsel, that the Series D charter was validly approved by our board of directors and stockholders at the time of the Series D financing, and as a result, the corporate actions effected by the filing of the Series D charter, including the 1-for-100 reverse stock split, and the conversion into shares of common stock of any shares of Series A preferred stock, Series B preferred stock, Series C1 preferred stock and Series C2 preferred stock held by any stockholder who did not purchase its full pro rata allocation in the Series D financing, validly occurred.

Nevertheless, to address this matter and any other matters that could raise concerns about our current capital structure, we conducted an Exchange Offer to provide holders of outstanding shares of capital stock the opportunity to exchange each share of capital stock shown as owned by such holder, together with any claims relating to the original acquisition of such share, or of the shares from which it was converted or reclassified, including claims for additional or different shares of our capital stock and claims for monetary damages (each such share, together with such claims, referred to as an Existing Share), for one share of the same class and series of capital stock (each, referred to as an Exchange Share). As part of the consideration for the Exchange Shares issued, each participating holder also was required to agree that, following the Exchange Offer, the Exchange Shares would represent their entire equity interest in and to Envivio (other than unexercised stock options or warrants outstanding as of the date of the closing of the Exchange Offer) and to provide us a release from any claims that such holder may have relating to such holder s acquisition of the outstanding shares being tendered or of the shares from which they were converted or reclassified.

Holders of more than 99% of the Existing Shares, measured on an as-converted basis based on the conversion ratios set forth in our existing certificate of incorporation, participated in the Exchange Offer and, therefore, surrendered in the exchange all claims relating to the original acquisition of their shares

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(or their acquisition of shares upon the conversion or reclassification of those original shares), and also both agreed that the Exchange Shares they received in the Exchange Offer represent their entire equity interest in and to Envivio (other than unexercised stock options or warrants outstanding as of the date of the closing of the Exchange Offer) and provided us a release from any and all claims that such holder may have relating to such holder s acquisition of the outstanding shares being tendered or of the shares from which they were converted or reclassified.

Even though we have completed the Exchange Offer with almost all of our outstanding shares participating, the stockholders who did not participate in the Exchange Offer may bring claims against us for additional or different shares, for monetary damages or both, depending on what shares they hold and when they originally acquired them from us. These claims, regardless of outcome, could result in substantial expense and significant diversion of the efforts of our management. In the event each such non-participating stockholder prevails on a claim against us, we could be required to pay substantial damages or issue additional shares of our common stock, or both, which could have a material adverse effect on our operating results, financial condition and cash flows and you may incur additional dilution.

Our stock price may be volatile. Further, you may not be able to resell shares of our common stock at or above the price you paid.

Prior to this offering, there has been no public market for shares of our common stock, and an active public market for these shares may not develop or be sustained after this offering. We and the representatives of the underwriters will determine the initial public offering price of our common stock through negotiation. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell our shares following this offering. In addition, the trading price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- actual or anticipated variation in our and our competitors results of operations;
- announcements by us or our competitors of new products, new or terminated significant contracts, commercial relationships or capital commitments;
- issuance of new securities analysts reports or changed recommendations for our stock;
- developments or disputes concerning our intellectual property or other proprietary rights;
- commencement of, or our involvement in, litigation;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- any major change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, the stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and resources.

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If securities or industry analysts issue an adverse opinion regarding our stock or do not publish research or reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts or the content and opinions included in their reports. The price of our common stock could decline if one or more equity research analysts downgrade our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. If one or more equity research analysts cease coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline. Further, securities analysts may elect not to provide research coverage of our common stock after the completion of this offering, and such lack of research coverage may adversely affect the market price of our common stock.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Based on shares outstanding as of January 31, 2012, upon completion of this offering, we will have outstanding a total of 26,657,728 shares of common stock. Of these shares, only the shares of common stock sold in this offering by us and the selling stockholders will be freely tradable, without restriction, in the public market immediately after the offering. Each of our directors and officers, the selling stockholders and certain of our other stockholders, has entered into lock-up agreements with the underwriters that restrict their ability to sell or transfer their shares. The lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus, although they may be extended for up to an additional 34 days under certain circumstances. Our underwriters, however, may, in their sole discretion, permit our officers, directors and other current stockholders who are subject to the contractual lock-up to sell shares prior to the expiration of the lock-up agreements. After the lock-up agreements expire, based on shares outstanding as of January 31, 2012, without giving effect to the sale of shares in this offering by the selling stockholders, up to an additional 20,157,728 shares of common stock will be eligible for sale in the public market, 12,906,960 of which are held by directors, executive officers and other affiliates and will be subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, and various vesting agreements. In addition, shares of common stock that are subject to outstanding options as of January 31, 2012 will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. We intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of common stock subject to options outstanding and reserved for issuance under our stock plans. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will be eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates and any lock-up agreements described above. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Insiders have substantial control over us and will be able to influence corporate matters.

As of March 31, 2012, our directors and executive officers and their affiliates beneficially owned, in the aggregate, 58.6% of our outstanding capital stock. As a result, these stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit stockholders ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

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Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our certificate of incorporation and bylaws, as expected to be restated immediately prior to the closing of this offering, may have the effect of delaying or preventing a change of control or changes in our management. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. These provisions include the following:

- the right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors;
- the classification of our board of directors so that only a portion of our directors are elected each year, with each director serving a three-year term;
- the requirement for advance notice for nominations for election to our board of directors or for proposing matters that can be acted upon at a stockholders meeting;
- the ability of our board of directors to alter our bylaws without obtaining stockholder approval;
- the ability of our board of directors to issue, without stockholder approval, up to 2,500,000 shares of preferred stock with rights set by our board of directors, which rights could be senior to those of common stock;
- the required approval of holders of at least two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or amend or repeal the provisions of our certificate of incorporation regarding the election and removal of directors and the ability of stockholders to take action by written consent; and
- the elimination of the right of stockholders to call a special meeting of stockholders and to take action by written consent.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware. These provisions may prohibit or restrict large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our certificate of incorporation and bylaws and under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in our market price being lower than it would without these provisions.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

We will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. Our failure to apply these funds effectively could have a material adverse effect on our business, delay the development of our products and cause the price of our common stock to decline.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of $7.90 in net tangible book value per

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share from the price you paid, based on an assumed initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus. See Dilution for more information. In addition, new investors who purchase shares in this offering will contribute approximately 41.5% of the total amount of equity capital raised by us through the date of this offering, but will only own approximately 24.4% of the outstanding share capital. The exercise of outstanding options and warrants will result in further dilution. For a further description of the dilution that you will experience immediately after this offering, see Dilution.

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on any of our classes of capital stock to date, have contractual restrictions against paying cash dividends and currently intend to retain our future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words believe, may, will, estimate, continue, anticipate, design, intend, expect c version of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Risk Factors. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- anticipated trends and challenges in our business and the competition that we face;
- our intent to leverage our core IP video technology strength to develop new products with enhanced software-based capabilities to demonstrate the unique value of our solution and increase our long-term revenue opportunities;
- our intent to increase our market share by selling additional products into our existing customers networks;
- our intent to leverage our relationships with leading systems integrators to expand our market presence;
- our intent to develop new products and features for our customers through internal development, potential acquisitions and partnerships with third party technologies and products;
- our liquidity and working capital requirements;
- our expectations regarding future expenses; and
- our expectations regarding the use of proceeds from this offering.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. We disclaim any duty to update any of these forward-looking statements after the date of this prospectus to confirm these statements to actual results or revised expectations.

You may rely only on the information contained in this prospectus. You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part completely and with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. Neither we, the selling stockholders nor any of the underwriters have authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus, nor sale of common stock, means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy shares of common stock in any circumstances under which the offer or solicitation is unlawful.

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This prospectus also contains statistical data and estimates, including those relating to market size and growth rates of the markets in which we participate, that we obtained from industry publications and reports generated by Cisco, Gartner, Inc.[1], or Gartner, and IMS Research. These publications typically indicate that they have obtained their information from sources they believe to be reliable, but do not guarantee the accuracy and completeness of their information. Although we have assessed the information in the publications and found it to be reasonable and believe the publications are reliable, we have not independently verified their data.

[1] The Gartner reports described herein, or the Gartner Reports, represent data, research opinion or viewpoints published, as part of a syndicated service, by Gartner and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this prospectus) and opinions expressed in the Gartner Reports are subject to change without notice.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of our common stock that we are selling in this offering will be $61.5 million, based on an assumed initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us by $6.0 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) the net proceeds to us by $10.2 million, assuming a price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the shares of common stock sold in the offering by the selling stockholders, although we will pay the expenses, other than underwriting discounts and commissions, associated with the sale of those shares.

The principal purposes of this offering are to obtain additional capital, to create a public market for our common stock and to facilitate our future access to the public equity markets.

We currently intend to use the net proceeds received by us from this offering for working capital and general corporate purposes, including further expansion of our sales and marketing efforts, continued investments in research and development and for capital expenditures. Specifically, we intend to hire additional personnel to support the growth in our business. In addition, we may use a portion of the proceeds received by us from this offering for acquisitions of complementary businesses, technologies or other assets. We have no agreements with respect to any material acquisitions at this time and we have not allocated specific amounts of net proceeds for any of these purposes. Based on our current cash and cash equivalents balance together with cash generated from operations, we do not expect that we will need to utilize any of the net proceeds to us of this offering to fund our operations during the next 12 months.

We cannot specify with certainty the particular amounts or uses for the net proceeds to be received by us from this offering. Accordingly, our management team will have broad discretion in using the net proceeds to be received by us from this offering.

Pending the use of proceeds from this offering as described above, we plan to invest the net proceeds in short- and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent on a number of factors, including our earnings, capital requirements and overall financial conditions. Additionally, under the terms of our Term Loan and Security Agreement dated as of November 22, 2010, by and between us and Silicon Valley Bank, we must obtain written consent from Silicon Valley Bank prior to paying any cash dividends.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of January 31, 2012, as follows:

- our actual cash and cash equivalents and capitalization as of January 31, 2012;
- our pro forma cash and cash equivalents and capitalization after giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into common stock, assuming the conversion immediately prior to the completion of this offering, and the resulting reclassification of the warrant liability to additional paid-in capital; and
- our pro forma as adjusted cash and cash equivalents and capitalization after giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into common stock, assuming the conversion immediately prior to the completion of this offering, the resulting reclassification of our warrant liability to additional paid-in capital, and the receipt of the net proceeds from the sale of 6,500,000 shares of common stock offered by us in this offering at the initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus.

You should read this table in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of January 31, 2012		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
	(in thousands, except share and per share data, unaudited)		
Cash and cash equivalents	$ 27,405	$ 27,405	$ 88,915
Warrant liability	103		
Convertible preferred stock, par value $0.001 per share: 7,286,000 shares authorized, 6,988,120 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma (unaudited) and pro forma as adjusted (unaudited)	47,764		
Stockholders equity (deficit):			
Preferred stock, par value $0.001 per share: no shares authorized, issued or outstanding, actual; 2,500,000 shares authorized, no shares issued and outstanding, pro forma (unaudited) and pro forma as adjusted (unaudited)			
Common stock, par value $0.001 per share: 102,000,000 shares authorized, 13,169,608 shares issued and outstanding, actual; 102,000,000 shares authorized, 20,157,728 shares issued and outstanding, pro forma (unaudited); 26,657,728 shares issued and outstanding, pro forma as adjusted (unaudited)	13	20	27
Additional paid-in capital	52,955	100,815	162,318
Accumulated other comprehensive loss	(825)	(825)	(825)
Accumulated deficit	(78,831)	(78,831)	(78,831)
Total stockholders equity (deficit)	(26,688)	21,179	82,689
Total capitalization	$ 21,179	$ 21,179	$ 82,689

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of additional paid-in capital, total stockholders equity (deficit) and total

capitalization by $6.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) cash and cash equivalents, additional paid-in capital, total stockholders equity (deficit) and total capitalization by approximately $10.2 million assuming a price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and terms of this offering determined at pricing.

If the underwriters option to purchase additional shares from the selling stockholders were exercised in full, pro forma as adjusted cash and cash equivalents, common stock and additional paid-in capital, stockholders equity (deficit) and shares issued and outstanding as of January 31, 2012 would remain the same since the shares subject to the option would be sold by the selling shareholders.

The number of shares of common stock in the table above excludes the following shares:

2,328,935 shares of common stock issuable upon the exercise of outstanding options as of January 31, 2012, at a weighted average exercise price of $1.15 per share, and 263,768 shares of our common stock issuable upon vesting of outstanding restricted stock units as of January 31, 2012;

516,269 shares of common stock outstanding as of January 31, 2012, that were issued primarily to employees located in France through stock purchase agreements and paid for by issuances of promissory notes. These shares are legally issued and outstanding, but are not included in stockholders equity (deficit) as these shares are subject to repurchase by us under the terms of the applicable stock purchase agreement or subject to forfeiture under the terms of the applicable promissory note to the extent such note has not been repaid. We have a right to repurchase these shares at the original purchase price paid for the shares upon termination of employment of the holder of such shares to the extent the shares are then unvested. We also have a security interest in these shares under the terms of the promissory notes that remain outstanding. We do not intend to repurchase these shares in connection with this offering. For additional information about these shares, please see Note 8. Stock Option Plan Stock Purchase Rights and Common Stock Purchase Agreements contained in our audited consolidated financial statements included in this prospectus;

36,000 shares of common stock, on an as-converted basis, issuable upon the exercise of outstanding warrants to purchase convertible preferred stock, which warrants will convert into warrants to purchase common stock immediately prior to the completion of this offering, at a weighted average exercise price of $12.50 per share; and

924,163 shares of common stock reserved for future issuance under our 2010 Stock Incentive Plan and 200,000 shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2012 Stock Incentive Plan, which will become effective in connection with this offering.

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DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock immediately after completion of this offering.

Net tangible book value per share is determined by dividing our total tangible assets, including our deferred inventory costs, less our total liabilities by the number of shares of common stock outstanding. Our historical net tangible book value as of January 31, 2012, was $21.1 million, or $1.60 per share. Our pro forma net tangible book value as of January 31, 2012, was $21.2 million, or $1.05 per share, based on the total number of shares of our common stock outstanding as of January 31, 2012, after giving effect to the conversion of all outstanding shares of our convertible preferred stock into common stock assuming the conversion immediately prior to the completion of this offering and the resulting reclassification of the warrant liability to additional paid-in capital.

After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of January 31, 2012 would have been $82.7 million, or $3.10 per share. This represents an immediate increase in net tangible book value of $2.05 per share to existing stockholders and an immediate dilution in net tangible book value of $7.90 per share to purchasers of common stock in this offering, as illustrated in the following table:

Initial public offering price per share		$ 11.00
Pro forma net tangible book value per share as of January 31, 2012	$ 1.05	
Increase in pro forma net tangible book value per share attributable to new investors	2.05	
Pro forma as adjusted net tangible book value per share after this offering		3.10
Dilution per share to investors in this offering		$ 7.90

Each $1.00 increase (decrease) in the assumed public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value by approximately $6.0 million, or approximately $0.23 per share, and the pro forma dilution per share to investors in this offering by approximately $0.77 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase of 1.0 million shares in the number of shares offered by us would result in a pro forma as adjusted net tangible book value of approximately $92.9 million, or $3.36 per share, and the pro forma dilution per share to investors in this offering would be $7.64 per share. Similarly, a decrease of 1.0 million shares in the number of shares offered by us would result in a pro forma as adjusted net tangible book value of approximately $72.5 million, or $2.82 per share, and the pro forma dilution per share to investors in this offering would be $8.18 per share. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

If the underwriters option to purchase 1,163,250 additional shares from the selling stockholders is exercised in full, the pro forma as adjusted net tangible book value per share after this offering would remain at $3.10 per share. There will be no change in pro forma as adjusted net tangible book value per share to existing stockholders and there will be no further dilution to new investors purchasing shares in this offering since the shares subject to the underwriters option to purchase additional shares would be sold by the selling stockholders.

The following table presents, on a pro forma as adjusted basis as of January 31, 2012, after giving effect to the conversion of all outstanding shares of convertible preferred stock into common stock assuming the conversion immediately prior to the completion of this offering, the differences between the existing stockholders and the purchasers of shares in this offering with respect to the number of shares purchased from us, the total consideration paid, which includes net proceeds received from the issuance of common and convertible preferred stock, cash received from the exercise of stock options and warrants and the value of any stock issued for services and the average price paid per share (in thousands, except per share amounts and percentages):

	Shares Purchased		Total Consideration(1)		Average Price
	Number	Percent	Amount	Percent	per Share
Existing stockholders	20,157,728	75.6%	$ 100,732	58.5%	$ 5.00
New investors	6,500,000	24.4	71,500	41.5	11.00
Totals	26,657,728	100.0%	$ 172,232	100.0%	$ 6.46

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid to us by new investors and total consideration paid to us by all stockholders by $6.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) the total consideration paid to us by new investors and total consideration paid to us by all stockholders by $10.2 million assuming a price of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The exercise by the underwriters of their option to purchase additional shares in full would not further dilute existing stockholders since the shares subject to the option to purchase additional shares would be sold by the selling stockholders.

The foregoing calculations are based on 20,157,728 shares outstanding as of January 31, 2012 after giving effect to the conversion of all outstanding shares of convertible preferred stock into common stock, and excludes the following shares:

2,328,935 shares of common stock issuable upon the exercise of outstanding options as of January 31, 2012, at a weighted average exercise price of $1.15 per share, and 263,768 shares of our common stock issuable upon vesting of outstanding restricted stock units as of January 31, 2012;

516,269 shares of common stock outstanding as of January 31, 2012, that were issued primarily to employees located in France through stock purchase agreements and paid for by issuances of promissory notes. These shares are legally issued and outstanding, but are not included in stockholders equity (deficit) as these shares are subject to repurchase by us under the terms of the applicable stock purchase agreement or subject to forfeiture under the terms of the applicable promissory note to the extent such note has not been repaid. We have a right to repurchase these shares at the original purchase price paid for the shares upon termination of employment of the holder of such shares to the extent the shares are then unvested. We also have a security interest in these shares under the terms of the promissory notes that remain outstanding. We do not intend to repurchase these shares in connection with this offering. For additional information about these shares, please see Note 8. Stock Option Plan Stock Purchase Rights and Common Stock Purchase Agreements contained in our audited consolidated financial statements included in this prospectus;

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- 36,000 shares of common stock, on an as-converted basis, issuable upon the exercise of outstanding warrants to purchase convertible preferred stock, which warrants will convert into warrants to purchase common stock immediately prior to the completion of this offering, at a weighted average exercise price of $12.50 per share; and

- 924,163 shares of common stock reserved for future issuance under our 2010 Stock Incentive Plan and 200,000 shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2012 Stock Incentive Plan, which will become effective in connection with this offering.

The sale by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to 18,902,728 shares, or 70.9% the total number of shares of our common stock outstanding after this offering, and will increase the number of shares held by new investors to 7,755,000 shares, or 29.1% of the total number of shares outstanding after this offering.

To the extent that any outstanding options are exercised or new options are issued under our incentive plans, there will be further dilution to investors participating in this offering. If all outstanding options under our 2000 Stock Option Plan and our 2010 Stock Incentive Plan as of January 31, 2012 were exercised, and if all of our outstanding warrants were exercised for cash, then our existing stockholders, including the holders of these options and warrants, would own 78.0% and our new investors would own 22.0% of the total number of shares of our common stock outstanding upon the completion of this offering. In such event, the total consideration paid by our existing stockholders, including the holders of these options and warrants, would be approximately $104.5 million, or 59.4%, the total consideration paid by our new investors would be $71.5 million, or 40.6%, the average price per share paid by our existing stockholders would be $4.53 and the average price per share paid by our new investors would be $11.00 per share.

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SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated statement of operations data for fiscal years ended January 31, 2010, 2011 and 2012 and the consolidated balance sheet data as of January 31, 2011 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the selected consolidated statement of operations data for the fiscal years ended January 31, 2008 and 2009 and the consolidated balance sheet data as of January 31, 2008, 2009 and 2010 from our audited consolidated financial statements which are not included in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the following selected consolidated historical financial data below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, related notes and other financial information included elsewhere in this prospectus. The selected consolidated financial data in this section is not intended to replace the consolidated financial statements and is qualified in its entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended January 31,				
	2008	**2009**	**2010**	**2011**	**2012(3)**
	(in thousands, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenue	$ 14,064	$ 18,664	$ 16,288	$ 30,004	$ 50,646
Cost of revenue(1)	7,888	10,085	7,482	11,504	18,492
Gross profit	6,176	8,579	8,806	18,500	32,154
Operating expenses:					
Research and development(1)	7,279	7,878	4,908	5,152	6,728
Sales and marketing(1)	8,933	9,698	6,980	8,886	16,206
General and administrative(1)	4,679	5,840	5,309	6,449	8,561
Total operating expenses	20,891	23,416	17,197	20,487	31,495
Income (loss) from operations	(14,715)	(14,837)	(8,391)	(1,987)	659
Interest expense, net	(389)	(1,557)	(850)	(270)	(134)
Other income (expense), net	563	695	86	(61)	237
Income (loss) before provision for income taxes	(14,541)	(15,699)	(9,155)	(2,318)	762
Provision (benefit) for income taxes	(46)	70	22	167	624
Net income (loss)	(14,495)	(15,769)	(9,177)	(2,485)	138
Deemed dividend on convertible preferred stock				(2,286)	
Accretion of redeemable convertible preferred stock					(5)
Noncumulative dividends to convertible preferred stockholders					(133)
Net income (loss) attributable to common stockholders(2)	$ (14,495)	$ (15,769)	$ (9,177)	$ (4,771)	$
Net income (loss) per share attributable to common stockholders, basic and diluted(2)	$ (37.32)	$ (34.93)	$ (18.33)	$ (0.58)	$ 0.00
Shares used in computing net income (loss) per share attributable to common stockholders, basic and diluted(2)	388,434	451,390	500,550	8,203,001	13,123,524

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(1) Includes employee stock-based compensation as follows:

	Year Ended January 31,				
	2008	2009	2010	2011	2012
	(in thousands)				
Cost of revenue	$ 3	$ 2	$ 1	$ 37	$ 3
Research and development	4	7	6	71	89
Sales and marketing	5	15	17	65	279
General and administrative	25	17	21	578	1,279
Total stock-based compensation	$ 37	$ 41	$ 45	$ 751	$ 1,650

(2) Please see Note 9 to our audited consolidated financial statements for an explanation of the calculations of our basic and diluted net income (loss) per share attributable to common stockholders.

(3) We prospectively adopted new accounting guidance with respect to multiple element revenue arrangements for transactions entered into or materially modified on or subsequent to February 1, 2011. Pro forma revenue that would have been reported for the fiscal year ended January 31, 2012 if the transactions entered into or materially modified on or subsequent to February 1, 2011 were subject to the previous accounting guidance would have been $45.1 million.

	As of January 31,				
	2008	2009	2010	2011	2012
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 654	$ 6,880	$ 4,330	$ 10,017	$ 27,405
Working capital (deficit)	(3,854)	2,886	(1,796)	2,283	19,179
Total assets	14,074	22,157	15,143	26,751	44,578
Warrant liability	309	200	83	196	103
Total debt	5,702	6,345	3,674		1,000
Convertible preferred stock	40,692	60,487	65,465	31,421	47,764
Total stockholders deficit	(43,092)	(59,034)	(68,256)	(28,915)	(26,688)

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in Risk Factors included elsewhere in this prospectus.

Overview

We are a leading provider of software-based IP video processing and distribution solutions that enable the delivery of high-quality video to consumers. Based on our unique video compression and advanced IP video networking technologies, our solution is designed to enable service providers and content providers to offer high-quality video anytime, anywhere across a broad array of video formats, networks, consumer devices and operating systems. Our software-based solution runs on industry-standard hardware and includes encoders, transcoders, network media processors and video gateways, all controlled through our network management system.

We were founded in January 2000 by a small group of talented software and electrical engineers from France Telecom. France Telecom also agreed to provide us with the reference MPEG-4 software platform developed over four years at France Telecom, and a worldwide and royalty-free license to several key patents addressing elements of the MPEG-4 standards in exchange for shares of our convertible preferred stock representing approximately 10% of our outstanding shares at that time. This technology from France Telecom was critical in our early development efforts because it provided us early access to the technology that would later serve as the basis for an industry standard. Even though this MPEG-4 platform technology is now widely available as a result of becoming an industry standard, we have made proprietary developments to our software-based platform that have continued to differentiate us from our competitors.

Since our inception, we have been focused on developing a software-based architecture for processing and distributing IP video to video-enabled devices at the highest video quality possible. At that time, our software-based approach was a novel strategy for addressing video processing and distribution as most existing technologies processed and distributed video by designing hardware products for the transfer of video over a fixed format to standard TVs. These hardware products generally focused on improving quality of video, but did not attempt to address multiple formats or the challenges created by multiple devices and different networks. Because of our founding team s software expertise and the challenge of delivering video to mobile devices, which utilizes multiple formats and has multiple delivery requirements, our solution was designed from the beginning to provide a flexible solution that could adapt quickly and cost-effectively to the rapidly changing landscape of technologies, formats and capabilities of mobile devices.

While attempting to address the challenges of processing and distributing video across a rapidly changing landscape of formats, networks, devices and operating systems, we have maintained our focus on improving the quality of the video delivered by our solution. We originally focused on developing technologies supported by the MPEG-4 standard, which is an industry standard for a group of audio and video coding formats and related technology that is capable of providing the highest quality video in the marketplace today. When we initially developed this technology, the standard in the marketplace was MPEG-2, a previous similar standard available since 1992. Throughout our history, we believe we have made valuable contributions to the ISO/IEC Moving Picture Experts Group, or MPEG, including having several of our employees sit on the governing standards body and by contributing several technologies to the video community that fostered the development of MPEG-4 as an industry standard. We believe these contributions demonstrate our innovation and thought leadership in the video processing and distribution industry.

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Our software-based approach to developing a flexible solution while delivering high-quality video has led to the development of several key products throughout our history. In 2001, we completed our first product based on the MPEG-4 standard. In 2002, we developed our first MPEG-4 webcasting system, which allowed us to address the enterprise market. In 2003, we deployed a news video contribution system in MPEG-4, which allowed us to address the need to transmit low bitrate video for real-time news gathering. In 2004, our first H.264 live transmission over satellite was successful, which allowed us to address the needs of satellite providers looking to deliver low bitrate video over satellite. We focused on our expansion into Asia in 2005 by providing the IPTV system for a service provider in China and a mobile digital TV service provider in Japan. In 2007, we developed our first all IP-based headend, an innovative and cost-reducing design for consumer video distribution, and our first AVS encoder, which allowed us to address the expanding video services market in China. In 2008, we introduced the world s first three-screen convergence encoder, which enabled operators to deliver video to three screens (mobile, PC and TV) from a single product. In 2010, we introduced 3D TV support with multi-video encoding standard on our C4 encoder, as well as support for the expanding set of mobile and web streaming formats. In November 2010, we launched a new class of product, a network media processor, which we call Halo, which enables the optimization of networks for distribution of multi-screen, multi-format video. In December 2011, we released Muse, our new multi-screen software designed for live or file-based video transcoding and distribution to any device.

As a result of our close relationship with France Telecom, we initially focused on the telecommunications market both for broadband IPTV delivery and delivery of video to mobile devices. However, as consumer demands have evolved over time, our solution has become attractive to a larger set of customers. In reaction to telecommunications companies providing video content and services to multiple devices with IPTV as well as mobile video services, traditional cable TV service providers have launched innovative services that deliver video content to PCs and mobile devices. Most recently over-the-top, or OTT, providers have also gained market share by offering innovative and cost-effective video services to mobile devices, PCs and even TVs for consumers through the open Internet. This set of competing service offerings, when combined with increased consumer demand for video on multiple screens, led us to design a single solution that addresses the needs of a broader customer base of service providers and content providers. For example, one of our first major end-customers purchased our IPTV solution in 2008 to enable delivery of video to TVs over broadband networks. This same customer began providing OTT services in 2009, and purchased our OTT solution to enable its OTT services. Finally, in 2010, this customer began to offer mobile video content and purchased our solution to address this video delivery mode as well.

We target several different types of video service providers and content providers, including telecommunications companies and cable, satellite and OTT providers. These target customers have unique characteristics, including their infrastructure, target consumer demands, scale, delivery models and business models. We focus on providing video delivery solutions to these customers that allow them to better target their growth markets, such as mobile TV, Pay-TV, IPTV and OTT. To date, our solution has been deployed by over 300 end-customers worldwide in over 50 different countries.

We outsource the manufacturing of our products to a single manufacturer in California. In some cases, we rely on our manufacturer to procure the components for our equipment. For certain components, we contract directly with the supplier. We ship our solutions directly from our manufacturer.

Our products and support services are sold worldwide, primarily through systems integrators, which serve as our channel partners. Our channel partners assist us with the sales process, systems integration, deployment and support. We employ a sales force that is responsible for managing our relationships with our channel partners within each geographic territory in which we market and sell our products. To a lesser extent, we also sell our products and support services directly to end-customers. In many cases, even when we sell our products through channel partners, we market and work directly with the end-customer to promote our products.

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Since inception, we have expended significant resources on our research and development operations. Our research and development activities are exclusively conducted in the metropolitan area of Rennes, France, which we believe provides us access to highly qualified engineers on a cost-effective basis located in what has traditionally been viewed as a top broadcast center of Europe.

Our revenue was $14.1 million, $18.7 million, $16.3 million and $30.0 million in the fiscal years 2008, 2009, 2010 and 2011, respectively, and significantly increased to $50.6 million in fiscal 2012, a 69% increase compared to the prior fiscal year. We have incurred losses since inception as we grew our business and invested in research and development, sales and marketing, and administrative functions. However, we achieved profitability during the year ended January 31, 2012. As of January 31, 2012, we had an accumulated deficit of $78.8 million.

Factors Affecting Our Results of Operations

The following are key factors that impact our results of operations:

Consumer Demand and Infrastructure Capacity

Most of our products are installed into networks operated by telecommunications, cable, satellite and OTT providers to deliver high-quality video to a consumer. The demand for our products is significantly impacted by the end consumer of video services and the demands these end consumers place on service providers and content providers to deliver high-quality video across disparate networks and to multiple devices. As this consumer demand increases, service providers respond by expanding or enhancing their infrastructure and equipment to address these needs. As the infrastructure capacity increases, high-quality video can be made available to more consumers over broadband and wireless IP networks, which we believe will also increase the number of global broadband users.

Our solution is designed to address the infrastructure challenge of delivering massive amounts of content over different types of networks to consumers who are increasingly viewing video on a growing variety of devices, such as tablets, smartphones, laptops, and Internet-enabled TVs and media players. As consumer expectations of video delivery increase, the demand from telecommunications, cable, satellite and OTT providers for the type of video delivery solutions that we provide increases. Accordingly, we measure consumer demand for video services by monitoring a collection of key market metrics, including the introduction of new mobile devices, such as tablets, new access mediums that are emerging in the digital home, such as Internet-enabled TVs and new video applications, and enhanced product offerings, such as bundling on-demand video services with other traditional service offerings.

We believe the combination of increased availability of video-enabled connected devices combined with the evolution of the network infrastructure will, in turn, drive service providers and content providers to seek flexible solutions to deliver video to consumers that can continue to adapt to changing formats, networks and devices while maintaining the highest possible video quality.

Competitive Environment and Geographic Mix

The market for our products is competitive and our gross margin is impacted by the level of competition we face and the geographic mix of product sales worldwide. We face significant competition in selling our solution. In any given sales opportunity, the level of competition we face could impact our gross margin. In addition, our gross margin may be impacted by the location of our target customer as different geographic regions have different pricing environments based on customer expectation, business models and our customers revenue opportunity from the services we enable. For example, we typically experience lower average sales prices in the Asia-Pacific region. We anticipate that our geographic mix will continue to fluctuate in the future from quarter to quarter, which could impact our future gross margin.

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Average Sales Prices

We may experience a decline in average sales prices as new competitive products are introduced into the marketplace. Changes in average sales prices cannot always be predicted with certainty. The average sales prices of our products may decline faster than we expect. Competitors may also anticipate our entry into a market and begin to lower their sales prices even before we introduce our product. Under certain circumstances, lower prices may increase our sales volume and thus our revenue, but a lower average sales price typically reduces our gross margin. We expect to continue to face price pressure on our products as average sales prices may decline over time, and there is no assurance that our gross margins will not decline in the future. As we continue to innovate our software-based solution, we may be able to offset a decline in the average sales prices of the prior generation of our solution.

Evolution of Hardware Platform

We utilize industry-standard hardware, and therefore, are able to leverage the evolutionary increase in computing power in each new generation of hardware. In the past, this has allowed us to increase the number of video streams at a given resolution with each new hardware platform, and we expect this to continue. This increase in performance may offset any potential decline in the average sales prices of the prior generation of our solution.

Components of Revenue, Cost of Revenue and Operating Expenses

Revenue

Our revenue is derived primarily from the sale of our IP video processing and distribution solutions, which consists of both hardware and software. Our proprietary software is an essential component in the products we sell and provides a key differentiator between us and our competitors. Our hardware generally consists of industry-standard components, which are readily available from third-party providers. To a lesser extent, we derive revenue from professional services as well as support and maintenance of our products. Our maintenance contracts typically do not include future software enhancements. Our support contracts typically include telephone and email access to technical support personnel. When we sell an enhanced support offering which provides for software enhancements, we generally provide our customers with rights to maintenance releases and patches released during the term of the support period.

We prospectively adopted new accounting guidance with respect to multiple element revenue arrangements for transactions entered into or materially modified on or subsequent to February 1, 2011, as described in the Critical Accounting Policies under Revenue Recognition.

Cost of Revenue

Our cost of revenue consists primarily of third-party manufacturing costs and component costs. Our cost of revenue also includes shipping costs, third-party logistics costs, write-offs for excess and obsolete inventory and warranty costs. To a lesser extent, our cost of revenue includes personnel costs associated with our operations and logistics, technical support and professional services teams.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. The largest component of our operating expenses is personnel costs. Personnel costs consist of salaries and benefits for our employees. We expect our operating expenses to continue to grow in absolute dollars in the near term, although they are likely to fluctuate as a percentage of revenue.

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Research and Development Expenses

Research and development expenses primarily consist of personnel, engineering, testing and compliance, facilities and professional services costs. We expense research and development costs as incurred. Research and development expenses are presented net of French research tax credits. We intend to continue to devote substantial resources to the development of additional functionality for our existing products and the development of new products.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of personnel costs, sales commissions, travel costs, costs for marketing programs and facilities costs. We plan to continue to invest in sales and marketing, including increasing the number of our sales personnel worldwide to further expand our relationships with current and future channel partners and direct customers.

General and Administrative Expenses

General and administrative expenses primarily consist of personnel, professional services and facilities costs related to our executive, finance, human resource and information technology functions. Professional services costs consist of outside legal and accounting services and information technology consulting costs. Following the completion of this offering, we expect to incur significant additional accounting and legal costs related to compliance with rules and regulations enacted by the SEC, including the additional costs of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act, as well as additional insurance, investor relations and other costs associated with being a public company.

Interest Expense, net

Interest expense, net consists primarily of interest expense on our outstanding debt and interest income on our cash and cash equivalent balances.

Other Income (Expense), net

Other income (expense), net consists primarily of charges to record fair value adjustments for our warrants to purchase convertible preferred stock and foreign currency transaction gains and losses. Our outstanding warrants are classified as a liability on our consolidated balance sheets and any changes in fair value are recognized as a component of other income (expense), net. We will continue to record adjustments to the fair value of the warrants until they are exercised, converted to warrants to purchase common stock, or expire, at which time the warrants will no longer be remeasured at each balance sheet date. Upon the closing of this offering, our outstanding warrants to purchase convertible preferred stock will automatically convert into warrants to purchase common stock. Other income (expense), net also includes fluctuations in foreign exchange rates on receivables and payables denominated in currencies other than the U.S. dollar.

The foreign currency transaction gains and losses relate to transactions that are exercised in a different currency than the respective functional currency of the company and its subsidiaries.

Internal Control Over Financial Reporting

Although our management and independent registered public accounting firm were not required to perform an evaluation of our internal control over financial reporting as of January 31, 2011 or as of January 31, 2012 in accordance with the provisions of the Sarbanes-Oxley Act, our management did not identify any material weaknesses in our internal control over financial reporting in connection with the audit of our consolidated financial statements for the fiscal year ended January 31, 2012. However, in connection with the audit of our consolidated financial statements for the fiscal year ended January 31, 2011, our management and independent registered public accounting firm identified a material weakness in our internal control over financial reporting, which we have since remediated. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Had we or our independent registered public accounting firm performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional control deficiencies may have been identified by management or our independent registered public accounting firm, and those control deficiencies could have also represented one or more material weaknesses. However, we have concluded that the material weakness identified in fiscal 2011 was successfully remediated as of January 31, 2012.

In connection with the audit of our consolidated financial statements for the fiscal year ended January 31, 2011, our management and independent registered public accounting firm identified a material weakness related to our ability to properly record certain revenue transactions in accordance with software revenue recognition guidance for the fiscal year ended January 31, 2011, which we have since remediated. In fiscal 2011, this resulted in a more than remote likelihood that a material misstatement of our annual and interim financial statements would not be prevented or detected. As a result, audit adjustments to our financial statements were identified during the course of the audit. To remediate this material weakness, we hired additional finance and accounting personnel with the appropriate expertise and experience, and further developed and documented our accounting policies and financial reporting procedures around our revenue recognition practices for fiscal 2012. For example, we recently hired a new senior director of revenue, senior director of sales operations and an assistant controller to improve processes, establish internal controls and augment existing controls. In addition, we retained consultants to assist with our implementation of new revenue recognition accounting guidance related to multiple-element arrangements that we adopted as of February 1, 2011, and to advise us on making further improvements to our internal controls related to revenue recognition in the future. We cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Accordingly, material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting for purposes of our attestation required by reporting requirements under the Exchange Act, or Section 404 of the Sarbanes-Oxley Act after this offering. The standards required for a Section 404 assessment under the Sarbanes-Oxley Act will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements. These stringent standards require that our audit committee be advised and regularly updated on management s review of internal controls. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company. If we fail to staff our accounting and finance function adequately or maintain internal controls adequate to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to report our financial results accurately or in a timely manner and our business and stock price may suffer.

Assessing our staffing and training procedures to improve our internal control over financial reporting is an ongoing process. We are currently not required to comply with Section 404 of the Sarbanes-Oxley Act, and are therefore not required to make an assessment of the effectiveness of our internal control over financial reporting. As a result, our management did not perform an evaluation of our internal control over financial reporting as of January 31, 2011 or 2012. Further, our independent registered public accounting firm has not been engaged to express, nor have they expressed, an opinion on the effectiveness of our internal control over financial reporting.

For the fiscal year ending January 31, 2014, pursuant to Section 404 of the Sarbanes-Oxley Act, management will be required to deliver a report that assesses the effectiveness of our internal control over financial reporting. Under current SEC rules, if we are an accelerated filer, our independent registered public accounting firm will also be required to report on the effectiveness of our internal control over financial reporting beginning with our fiscal year ending January 31, 2014.

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Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period-to-period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management s judgments and estimates.

Revenue Recognition

We derive revenue from the sale of our IP video processing and distribution solutions, which consist of hardware and integrated software that is essential to the functionality of the equipment we sell. We also derive revenue from related professional services and support and maintenance agreements.

We recognize revenue only when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. We evaluate each of these criteria as follows:

- ***Evidence of an arrangement*** We generally use contracts and customer purchase orders to determine the existence of an arrangement.

- ***Delivery*** We consider delivery to occur when title has been transferred, except in instances where final acceptance of the product, system or solution is specified by the customer. In these instances, we defer revenue until all acceptance criteria have been met. In the case of electronic delivery of the licensed software, title transfers when the customer is given access to download the software.

- ***Fixed or determinable fee*** We assess whether fees are fixed or determinable at the time of sale. We only consider the fee to be fixed or determinable if the fee is not subject to refund or adjustment. Our payment terms may vary based on the country in which the agreement is executed and the credit standing of the individual customer, among other factors. If the arrangement fee is not fixed or determinable, we recognize revenue as amounts become due and payable.

- ***Collection is deemed probable*** We deem collection to be probable if we expect that the customer will be able to pay amounts under the arrangement as payments become due. If we determine that collection is not probable, we defer the recognition of revenue until we actually collect cash from the customer.

Channel partners purchase our products for specific capital equipment projects of end-customers and do not hold inventory. They perform functions that include importation, delivery to the end-customer, installation or integration, and post-sales service and support. Our agreements with these channel partners have terms which are consistent with the standard terms and conditions for the sale of our equipment to end-customers, and we do not provide for product rotation or pricing allowances, as are typically found in agreements with stocking distributors. Our agreements with channel partners do not provide for return rights. We have long-term relationships with most of our large channel partners and substantial experience with similar sales of similar products. We recognize revenue from sales to our channel partners upon delivery of the products, provided that the criteria for revenue recognition have been met.

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In October 2009, the Financial Accounting Standards Board, or FASB, amended the accounting standards for revenue recognition to remove from the scope of industry-specific software revenue recognition guidance any tangible products containing software components and non-software components that operate together to deliver the product s essential functionality. In addition, the FASB amended the accounting standards for certain multiple element revenue arrangements to:

Provide updated guidance on whether multiple elements exist, how the elements in an arrangement should be separated, and how the arrangement consideration should be allocated to the separate elements;

Provide for price hierarchy, where the selling price for an element is based on vendor specific objective evidence, or VSOE, if available; third-party evidence, or TPE, if available and VSOE is not available; or the best estimate of selling price, or BESP, if neither VSOE or TPE is available; and

Eliminate the use of the residual method and require an entity to allocate arrangement consideration using the selling price hierarchy.

We adopted the new accounting guidance on a prospective basis at the beginning of the fiscal year ending January 31, 2012 for transactions entered into or materially modified on or after February 1, 2011.

We enter into multiple element revenue arrangements in which a customer may purchase a combination of hardware, software, software upgrades, hardware and software maintenance and professional services. We account for multiple agreements with a single customer as one arrangement if the contractual terms or substance of those agreements indicate that they may be so closely related that they are, in effect, parts of a single arrangement.

For transactions entered into prior to February 1, 2011, the adoption date of the amended revenue standards, we allocate revenue for arrangements with multiple deliverables, such as sales of our solution with software that include support, training or other professional services, to the delivered elements of the arrangement using the residual value method based on VSOE of fair value of the undelivered items. VSOE of fair value for undelivered elements is determined based upon prices paid by the customers for the separate renewal or sales of such services. If sufficient VSOE of fair value does not exist for the allocation of revenue to the various elements of the arrangement, all revenue from the arrangement is deferred until the earlier of the point at which (i) such sufficient VSOE of fair value does exist or (ii) all elements of the arrangement have been delivered. Under those circumstances, if the only undelivered element is post-contract support, the entire fee is recognized ratably over the contractual post-contract support period, which is typically one year but can be as long as five years.

For transactions, other than stand-alone sales of software, entered into or materially modified on or after February 1, 2011, we allocate the arrangement fee to each element based upon the relative selling price of such element and, if software and software-related elements, such as maintenance for the software elements, are also included in the arrangement, we allocate the arrangement fee to each of those software and software-related elements as a group based on its BESP for those elements. After such allocations are made, the amount of the arrangement fee allocated to the software and software-related elements is accounted for using the residual method. When applying the relative selling price method, we determine the selling price for each element using VSOE of selling price, if it exists, or if not, TPE of selling price, if it exists. If neither VSOE nor TPE of selling price exist for an element, we use BESP for that element. The revenue allocated to each element is then recognized when the basic revenue recognition criteria are met for that element. The manner in which we account for multiple element arrangements that contain only software and software-related elements remains unchanged.

Consistent with our methodology under previous accounting guidance, we determine VSOE for each element based on historical stand-alone sales to third parties. For hardware and software maintenance and professional services, we determine VSOE of fair value based on our history of stand-alone sales demonstrating that a substantial majority of transactions fall within a narrow range for each service offering.

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We presently are not able to determine TPE for our products, maintenance or professional services. TPE is determined based on competitor prices for similar elements when sold separately. Generally, our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. Furthermore, our go-to-market strategy differs from that of our peers and we are unable to reliably determine what similar competitor products selling prices are on a stand-alone basis.

When we are unable to establish the selling price of an element using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. We determine BESP for a product or service by considering multiple factors including, but not limited to, historical pricing practices by geography, customer class and distribution channel and gross margin objectives.

We regularly review VSOE and BESP data provided by actual transactions to update these estimates and the relative selling prices allocated to each element.

If the transactions entered into or materially modified after February 1, 2011 were subject to previous accounting guidance, our total pro forma revenues would have been $45.1 million during the year ended January 31, 2012. Similarly, our pro forma deferred revenue would have been $14.2 million as of January 31, 2012 if the transactions entered into or materially modified after February 1, 2011 were subject to previous accounting guidance.

The impact of the revised accounting guidance to total revenue for the year ended January 31, 2012 was attributable to our ability to assign BESP to undelivered elements which previously required VSOE, the recognition of hardware revenue associated with maintenance contracts previously accounted for ratably over the contract period, and the reallocation of discounts to revenue deliverables.

Revenue from support and maintenance agreements is recognized ratably over the term of the maintenance agreement, which is typically one year, and we defer the unrecognized revenue portion of the maintenance agreements. We recognize revenue from professional services on the performance of the services, and we recognize costs associated with services as incurred. Professional services are always combined with product sales and as such, we do not have VSOE for these services. We do not recognize revenue on such combined arrangements until all professional services have been delivered to the customer.

Our management must make significant judgments and estimates in connection with determination of the revenue to be recognized in any accounting period. Because we may have large orders within a particular quarterly period, different judgments or estimates made for any one large contract or customer could result in material differences in the amount and timing of revenue recognized in any particular period.

Deferred Revenue

A portion of our deferred revenue represents customer payments made in advance for our support and maintenance contracts because we typically bill our support contracts on an annual basis in advance and recognize the associated revenue ratably over the support period, which typically is a one-year term, but was as long as five years for certain arrangements entered into during fiscal years 2008 and 2009. Our deferred revenue also includes arrangements where, in prior years, we did not have VSOE for our support and maintenance services. For transactions entered into before February 1, 2011, and for stand-alone sales of software that are subject to software accounting, when we do not have VSOE for our support services, we recognize revenue from the entire arrangement ratably over the support period.

For transactions entered into before February 1, 2011 and for stand-alone sales of software, we also record deferred revenue for arrangements that include our professional services because we have not

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established VSOE for these services. In these arrangements, we defer the revenue from the entire arrangement until the professional services are delivered, which typically ranges from approximately two weeks to three months after delivery of the products. For transactions, other than stand-alone sales of software, entered into or materially modified on or after February 1, 2011, revenue will only be deferred for the portion of the arrangement relating to undelivered services and support and maintenance, rather than deferring the entire arrangement.

Our deferred revenue also includes arrangements where final acceptance of the product, system or solution is specified by the customer, and the recognition of revenue for these arrangements is deferred until all acceptance criteria are met.

Stock-Based Compensation

We recognize compensation costs related to stock options, share purchase rights and restricted stock units granted to employees based on the estimated fair value of the awards on the date of grant, net of estimated forfeitures. We estimate the grant date fair value of stock options and share purchase rights, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The fair value of the restricted stock units is the fair value of our common stock on the date of grant. The grant date fair value of the stock-based awards is generally recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective awards.

We account for stock options issued to non-employees based on the estimated fair value of the awards determined using the Black-Scholes option-pricing model. The fair value of the equity awards granted to non-employees is remeasured as the awards vest, and the resulting increase in value, if any, is recognized as expense during the period the related services are rendered.

The fair value of the stock options granted to employees during fiscal years 2010, 2011 and 2012 was calculated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended January 31,		
	2010	**2011**	**2012**
Expected term (in years)	6.0	6.0	6.0
Expected volatility	57%	59%	55%
Risk-free interest rate	2.5%	2.3%	2.4%
Expected dividend	0%	0%	0%

The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions which determine the fair value of stock-based awards, including the expected term and the price volatility of the underlying stock. These assumptions include:

Expected term The expected term represents the period that the stock-based awards are expected to be outstanding. For option grants that are considered to be plain vanilla, we used the simplified method to determine the expected term as provided by the SEC. The simplified method calculates the expected term as the average of the time-to-vesting and the contractual life of the options. For option grants that are not considered plain vanilla, the expected term is based on historical option exercise behavior and post-vesting cancellations of options by employees;

Expected volatility The expected volatility is derived from historical volatilities of several unrelated publicly listed peer companies over a period approximately equal to the expected term of the award because we have limited information on the volatility of our common stock since we have no trading history. When making the selections of our industry peer companies to be used in the volatility calculation, we considered the size, operational and economic similarities to our principal business operations;

Risk-free interest rate The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal the expected term of the awards; and

Expected dividend The expected dividend is assumed to be zero as we have never paid dividends and have no current plans to do so. In addition to the assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation for our awards. Our forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover and other factors. Quarterly changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in our financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in our financial statements.

We will continue to use judgment in evaluating the expected volatility, expected terms and forfeiture rates utilized for our stock-based compensation calculations on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to the estimates of our expected volatility, expected terms and forfeiture rates, which could materially impact our future stock-based compensation expense.

We are also required to estimate the fair value of the common stock underlying our stock-based awards when performing the fair value calculations with the Black-Scholes option-pricing model. The fair value of the common stock underlying our stock-based awards was estimated on each grant date by our board of directors, with input from management. Our board of directors is comprised of a majority of non-employee directors with significant experience investing and operating companies in the digital media and communications industries. As such, we believe that our board of directors has the relevant experience and expertise to determine a fair value of our common stock on each respective grant date. Given the absence of a public trading market of our common stock, and in accordance with the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock including:

- contemporaneous and retrospective valuations performed by unrelated third party specialists;
- recent preferred stock financings and the related valuations;
- rights, preferences and privileges of our convertible preferred stock relative to those of our common stock;
- actual operating and financial performance;
- present value of future cash flows;
- likelihood of achieving a liquidity event, such as an initial public offering or a sale of our company given prevailing market conditions and the nature and history of our business;
- illiquidity of stock-based awards involving securities in a private company;
- experience of our management team;

stage of development;

industry information such as market size and growth; and

macroeconomic conditions.

The independent valuations performed by unrelated third-party specialists were utilized by our board of directors to assist with the valuation of the common stock, however, management and our board have assumed full responsibility for the estimates. Our board of directors utilized the fair values of the common stock derived in the third-party valuations as a factor to set the exercise price for options granted during fiscal 2010, 2011 and 2012, however, the fair value of the underlying common stock was subsequently revisited by our board of directors for financial reporting purposes and sometimes reassessed on a retrospective basis as discussed in greater detail below. In valuing our common stock, the equity value of our business was determined by taking a weighted combination of the value indications under two valuation approaches, an income approach and a market approach. The income approach estimates the present value of future estimated cash flows, based upon forecasted revenue and costs. These future cash flows are discounted to their present values using a discount rate which is derived from an analysis of the cost of capital of comparable publicly traded companies in the same industry or similar lines of business as of each valuation date and is adjusted to reflect the risks inherent in the projected cash flows. The market approach estimates the fair value of a company by applying market multiples of comparable publicly traded companies in the same industry or similar lines of business which are based on key metrics implied by the enterprise values or acquisition values of the comparable publicly traded companies.

The enterprise values determined by the income and market approaches are then allocated to the common stock using either the option pricing method or the probability weighted expected return method.

The option pricing method, or OPM, treats common stock and convertible preferred stock as call options on a business, with exercise prices based on the liquidation preference of the convertible preferred stock. Therefore, the common stock has value only if the funds available for distribution to the stockholders exceed the value of the liquidation preference at the time of a liquidity event such as a merger, sale or initial public offering, assuming the business has funds available to make a liquidation preference meaningful and collectible by the stockholders. The common stock is modeled to be a call option with a claim on the business at an exercise price equal to the remaining value immediately after the convertible preferred stock is liquidated. The OPM uses the Black-Scholes option-pricing model to price the call option. The OPM is appropriate to use when the range of possible future outcomes is so difficult to predict that forecasts would be highly speculative.

The Probability Weighted Expected Return Method, or PWERM, involves a forward-looking analysis of the possible future outcomes of the business. This method is particularly useful when discrete future outcomes can be predicted with high confidence and with a probability distribution. Discrete future outcomes considered under the PWERM include non-IPO market based outcomes as well as IPO scenarios. In the non-IPO scenarios, a large portion of the equity value is allocated to the convertible preferred stock to incorporate higher aggregate liquidation preferences. In the IPO scenarios, the equity value is allocated pro rata among the shares of common stock and each series of convertible preferred stock, which causes the common stock to have a higher relative value per share than under the non-IPO scenario. The fair value of the business determined using the IPO and non-IPO scenarios will be weighted according to our board of directors estimate of the probability of each scenario.

Over time, as certainty developed regarding possible discrete events, including an IPO, the allocation methodology utilized to allocate our enterprise value to the common stock transitioned from the OPM, which was utilized in the January 2010 valuation, to the PWERM, which was utilized in all subsequent valuations.

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Information regarding stock award grants, other than grants of restricted stock units, to our employees since February 1, 2010 is summarized as follows:

Grant Date	Number of Shares Granted	Exercise Price	Fair Value Per Share of Common Stock	Aggregate Grant Date Fair Value
February 22, 2010	4,000	$ 0.30	$ 0.30	$ 1,000
September 9, 2010	3,000	0.30	1.30	3,000
October 28, 2010	5,500	0.30	2.23	11,000
December 8, 2010	2,127,472	0.30	2.97	5,799,000
April 8, 2011	336,500	5.10	5.10	966,000
May 20, 2011	163,500	7.90	7.90	674,000
September 8, 2011	42,500	7.90	6.27	189,000
March 16, 2012	63,750	8.06	8.06	280,000

The intrinsic value of all outstanding options as of January 31, 2012 was $28.1 million based on the estimated fair value for our common stock of $11.00 per share, the midpoint of the price range set forth on the cover page of this prospectus.

In connection with the sale of our Series H convertible preferred stock in fiscal 2011, we undertook a recapitalization which significantly diluted our outstanding common stock and, therefore, the common stock underlying our outstanding options. As a result, our board of directors reviewed the equity incentives that remained in place following the Series H convertible preferred stock financing for all of our employees, including our executive officers. In an effort to provide appropriate incentives and align our employees interests with those of our stockholders, our board of directors determined to award refresh options to almost all of our employees in December 2010 following the issuance of our Series H convertible preferred stock. Our board of directors also determined it was in the best interest of our company and our stockholders to allow holders of outstanding options with an exercise price higher than the then current fair market value of our common stock, as determined by our board of directors in good faith at that time, to exchange those options for options with an exercise price equal to the then current fair market value of our common stock, as determined by our board of directors in good faith at that time. In order to participate in this exchange, holders were required to forfeit a certain amount of the vested portion of the exchanged option, resulting in replacement options containing new vesting terms. In addition, the changes to vesting for managers of the company, including our executive officers, was more significant than the changes to vesting for our non-managers. Our board of directors felt this adjustment to vesting was critical to aligning employees interest with long-term stockholder value and to establish future equity incentives for employee performance. As a result, our board of directors granted options and stock rights to purchase an aggregate of 2,127,472 shares of our common stock in December 2010 and exchanged options to purchase an aggregate of 61,635 shares of our common stock.

On April 8, 2011, our board of directors granted options and other rights to purchase an aggregate of 216,500 shares of our common stock at an exercise price of $5.10 per share to new and current employees and options to purchase an aggregate of 120,000 shares to our non-employee directors at an exercise price of $5.10 per share. In addition, on April 13, 2011, our board of directors granted 349,500 restricted stock units to current employees.

On May 20, 2011, our board of directors granted options and other rights to purchase an aggregate of 83,500 shares of our common stock at an exercise price of $7.90 per share to new and current employees and options to purchase an aggregate of 80,000 shares to our non-employee directors at an exercise price of $7.90 per share.

On September 8, 2011, our board of directors granted options to purchase an aggregate of 42,500 shares of our common stock at an exercise price of $7.90 per share to new and current employees. Our board of directors also granted restricted stock units for 24,000 shares of our common stock to new and current employees. In addition, our board of directors granted another 25,000 options to a non-employee with an exercise price of $7.90 per share.

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On December 8, 2011, the compensation committee of our board of directors approved the grant of restricted stock units with respect to 239,768 shares of our common stock to existing employees, effective as of January 1, 2012.

On March 16, 2012, the compensation committee of our board of directors granted options and other rights to purchase an aggregate of 63,750 shares of our common stock at an exercise price of $8.06 per share to new and current employees. In April 2012, the compensation committee of our board of directors modified options to purchase an aggregate of 23,500 shares and 4,500 share purchase rights to adjust the vesting commencement date to be consistent with each award holder s respective employment start date. No other terms of these awards were changed as a result of this modification.

No single event caused the valuation of our common stock to increase or decrease from January 2010 through March 2012. Instead, a combination of the factors described below in each period led to the changes in the fair value of the underlying common stock.

January 31, 2010 Retrospective Valuation

As of January 31, 2010, our board of directors determined a fair value of the common stock to be $0.30 per share. One of the factors our board of directors took into account in making this determination was a retrospective valuation performed by an unrelated third-party specialist. This retrospective valuation of the common stock as of January 31, 2010 was completed in July 2010 in conjunction with the Series H convertible preferred stock financing, in which we sold shares of Series H convertible preferred stock and shares of incentive common stock at $3.35 per unit to existing investors. Concurrent with the Series H financing, all prior series of convertible preferred stock, with the exception of Series G convertible preferred stock, were converted to common stock. As a result of the significant change to our capital structure as a result of this transaction, the valuation was performed on a pro forma basis to incorporate the Series H financing and convertible preferred stock conversion.

This retrospective valuation was prepared on a minority, non-marketable interest basis. Our board of directors determined that they had equal confidence in both the income and market approaches for this analysis and, therefore, utilized both and weighted them equally to determine the enterprise value for this valuation. In addition, a weighted average cost of capital, or WACC, of 32.5% was determined to be reasonable and appropriate given our stage of development and inherent risks.

We then allocated our enterprise value to the common stock utilizing an OPM with the following assumptions: a time to a liquidity event of 3.0 years, a risk-free rate of 1.4% and volatility of 60%. The results from the OPM were then reduced by a 30% marketability discount which determined the fair value of the common stock to be $0.30 per share as of January 31, 2010. The January 2010 valuation did not consider the sale of the Series H convertible preferred stock even though it was incorporated into the valuation on a pro forma basis primarily because the Series H convertible preferred stock was purchased by existing investors that received additional benefits in the form of additional shares of common stock for participating in the financing. Even if the Series H transaction had been considered, however, there would have been no change to the fair value of the common stock of $0.30 per share based on a minority, non-marketable interest basis using an OPM.

During the period from January 31, 2010 to the date the valuation was performed in July 2010, we granted 4,000 options with an exercise price of $0.30 per share on February 22, 2010.

April 6, 2011 Contemporaneous Valuation

As of April 6, 2011, we obtained a contemporaneous valuation performed by an unrelated third-party specialist. As of April 8, 2011, our board of directors determined a fair value of the common stock to be $5.10 per share. One of the factors our board of directors took into account in making this determination was this contemporaneous valuation. This contemporaneous valuation was prepared on a minority,

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non-marketable interest basis. For this valuation, the market approach was utilized and the income approach was not used because projected economic benefits to the stockholders are expected to be realized in the form of an IPO or merger in which market participants are expected to value the business primarily using valuation multiples derived from market data rather than from the application of discount rates to future earnings or cash flows. A WACC of 24.3% was then applied to the values derived from the market approach.

We used a PWERM for the April 2011 valuation which requires us to estimate the probability of future scenarios for our business including an IPO scenario, merger scenario and a liquidation scenario. As noted previously, the OPM is preferred when future outcomes are difficult to predict and the PWERM becomes useful when discrete future outcomes become more predictable. At the beginning of fiscal 2012, our board of directors assessment on the likelihood of discrete events became significantly more clear, specifically for the IPO scenarios; therefore, the PWERM was utilized to estimate the fair value of the common stock as of April 6, 2011 with the following scenario probabilities: IPO scenario with 45% probability, merger scenario with 45% probability, and a liquidation scenario with 10% probability. The results from the PWERM were then discounted by an 18% marketability discount to determine the fair value of the common stock of $5.10 per share.

We granted 3,000, 5,500 and 2,127,472 options on September 9, October 28 and December 8, 2010 with an exercise price of $0.30 per share. In addition, we modified 61,635 outstanding options, therefore, essentially reissuing these options with a reduced exercise price of $0.30 per share. The weighted-average exercise price of the awards exchanged was $3.00 per share. For these options granted or modified between September and December 2010, our board of directors originally estimated the fair value of the underlying common stock to be $0.30 per share, which was consistent with the January 2010 valuation but less than the value of $5.10 per share as determined by the April 2011 valuation. One of the factors that our board of directors used to determine the original value of our common stock for options granted on September 9, October 28 and December 8, 2010 was the independent valuation performed by an unrelated third-party specialist. This valuation of the common stock was as of January 31, 2010, but was completed as of July 2010 on a retrospective basis taking into account significant events that occurred through July 2010. Our board of directors evaluated other factors and events through the respective grant dates and concluded, on those respective dates, that no adjustment was necessary to the fair value of our common stock. Although our board of directors continued to believe the original value of our common stock determined between September and December 2010 was appropriate based on the facts known at that time, with the benefit of hindsight, this fair value was subsequently revisited for financial reporting purposes and reassessed so that the fair value of the underlying common stock used to calculate the related stock-based compensation expense for the options granted in September, October and December 2010 was ultimately $1.30, $2.23 and $2.97 per share, respectively. We did not utilize independent valuations to reassess these fair values. We expect to recognize an aggregate of $5.8 million in stock-based compensation expense related to the awards granted in September, October and December 2010, which will be recognized generally over the vesting period of the awards. In addition, we will recognize $0.3 million in additional stock-based compensation related to the incremental cost incurred as a result of the award modifications over the remaining vesting period of the modified awards. In addition, we granted 336,500 options and other purchase rights on April 8, 2011 with an exercise price equal to the fair value of the underlying shares of common stock of $5.10 per share as determined in the April 6, 2011 contemporaneous valuation and 349,500 restricted stock units on April 13, 2011.

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No single event caused the valuation of our common stock to increase; rather it was a combination of factors. Through December 2010, our board of directors continued to believe the original value of our common stock of $0.30 per share was appropriate based on the facts known at that time. However, with the benefit of hindsight, the fair value of our common stock for these awards was subsequently revisited on a retrospective basis for financial reporting purposes and we reassessed the fair value of the underlying common stock used to calculate the related stock-based compensation expense. In connection with this review, we evaluated our business in light of market opportunities for an IPO or other liquidity event in the near-term. However, our board of directors did not utilize independent retrospective valuations to reassess these fair values for reporting purposes because it did not believe that there was a single event or series of events that would result in a significant increase in the fair value of our common stock during the period between September and December 8, 2010. In this context, our board of directors noted material developments that occurred after December 8, 2010, which it believes are informative to an understanding of why the fair value increased from December 8, 2010 to April 2011, including the following:

Primarily, the increase was a result of our progress towards an IPO, including expanded discussions with investment bankers in February and March 2011 and an organizational meeting that was held in early March 2011. The impact of the IPO progress was mostly noted in the change in valuation methodologies from the OPM to PWERM and other assumption and projection changes. The change from OPM to PWERM, however, was significant as such a change generally increases valuations because there tends to be higher prices allocated to IPO scenarios than to remaining as a standalone private company and other scenarios. This is primarily because non-IPO scenarios allocate a large portion of the equity value to the convertible preferred stock to incorporate higher aggregate liquidation preferences. In the IPO scenarios, however, the equity value is allocated pro rata among the shares of common stock and each series of convertible preferred stock, which causes the common stock to have a higher relative value per share than under a non-IPO scenario. In addition, in the April 2011 valuation, our board of directors assigned a 45% probability to the possibility of an IPO. Given that we had already held discussions with investment bankers and started preparation for an IPO in April 2011, a 45% probability was determined to be reasonable.

The increase was also attributable to business developments during the period between December 8, 2010 and April 2011. Specifically, although we were obtaining bookings of new business during the third quarter ended October 31, 2010 and the first part of the fourth quarter ended January 31, 2011, which were meeting current expectations at that time, our bookings were not exceeding expectations as of December 8, 2010. At that time, there remained a high degree of uncertainty that we would be able to meet our bookings and revenue plan for fiscal 2011. In addition, our operating expenses during this same timeframe were higher than anticipated and, as a result, our net income (loss) was below management s expectations. However, following December 8, 2010, our results began to vastly exceed expectations in terms of bookings, cash and revenue. We also increased our projections and forecast for fiscal year 2012. In addition, in light of our significantly improved cash position due to better than anticipated collections in late fiscal year 2011, we determined we did not need to sell additional equity securities to continue to fund operations, which meant we would avoid a potentially further dilutive event to the common stock.

The increase was also due to the change in comparable guideline companies determined to be publicly traded peers. For the April 2011 valuation, our board of directors added 12 comparable guideline companies to the analysis based on discussions with management and investment bankers regarding the prospects of an IPO. Our board of directors did not remove any of the comparable guideline companies used in the January 2010 valuation, but the addition of these new companies was significant. As a result, the metrics used in the January 2010 valuation for the market approach analysis were increased for the April 2011 valuation. These increases were expected and determined to be reasonable given that we were then progressing toward an IPO, which would generally necessitate higher multiples than would a private company valuation.

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The increase was also partially attributable to a decrease in the WACC from 32.5% for the January 2010 valuation compared to 24.3% for the April 2011 valuation. The decrease was due to lower assessed risk with the projections determined by our board of directors as it believed that it had a better view of expectations for the business projections in April 2011 compared to January 2010. Specifically, we had deferred revenue of $12.1 million as of January 31, 2011, of which more than half was expected to be recognized in the first half of fiscal 2012 as the product had been shipped but the related revenue had been deferred in accordance with revenue recognition guidance. In addition, there was a relatively good volume of purchase orders that had been received by the end of fiscal year 2011 in which the product had not yet been shipped.

As noted above, in view of the significant increase between the fair value of $5.10 per share determined in the contemporaneous valuation prepared as of April 6, 2011 by an unrelated valuation specialist and our board of director s adoption of $5.10 per share as fair value as of April 8, 2011, compared to $0.30 per share on December 8, 2010, our board of directors believed it was appropriate to reassess the fair value of common stock for grants made in fiscal year 2011 on a retrospective basis for reporting purposes. However, our board of directors believed there was not a single significant event or series of events that would have significantly impacted the fair values of the common stock in September, October and December 2010. Our board of directors also believed that the primary reasons for the increase in fair value between December 8, 2010 and April 8, 2011 were the changes to valuation methodology and assumptions. Accordingly, without any concrete events or information our board of directors could point to that would lead to such an increase in fair value for this timeframe, our board of directors applied a straight-line method to retrospectively increase the fair value of our common stock during this period for purposes of calculating the stock-based compensation expense.

May 15, 2011 Contemporaneous Valuation

As of May 15, 2011, we obtained a contemporaneous valuation performed by an unrelated third-party specialist. As of May 20, 2011, our board of directors determined a fair value of our common stock to be $7.90 per share. One of the factors our board of directors took into account in making this determination was this contemporaneous valuation. Similar to the April 2011 valuation, this contemporaneous valuation was prepared on a minority, non-marketable interest basis and only the market approach was utilized. A WACC of 24.0% was then applied to the values derived from the market approach.

We also used a PWERM for the May 2011 valuation with the following scenario probabilities: IPO scenario with 70% probability, merger scenario with 25% probability and a liquidation scenario with 5% probability. The results from the PWERM were then discounted by an 11% marketability discount to determine the fair value of our common stock of $7.90 per share.

We granted 163,500 options on May 20, 2011 and used the fair value of the underlying common stock of $7.90 per share as the exercise price for these options.

The increase in the fair value of our common stock from April 8 to May 20, 2011 was primarily the result of the change in the PWERM scenario probabilities, most importantly the IPO scenario, which was increased from a probability of 45% in the April 2011 valuation to 70% for the May 2011 valuation. Our board of directors increased the probability for an IPO for the May 2011 valuation primarily due to our initial filing of a registration statement with the Securities and Exchange Commission in furtherance of this offering during this interim period on April 15, 2011 and the continued strength of the IPO markets in general. To a lesser extent, the market multiples increased slightly due mostly to higher market values of our comparable guideline companies as we did not change the guideline companies during this period. The decrease in the marketability discount from 18% for the April 2011 valuation to 11% for the May 2011 valuation as a result of our progression toward an IPO also contributed to the increase in the fair value of our common stock.

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September 8, 2011 Valuation

As of September 8, 2011, our board of directors determined the fair value of our common stock to be $6.27 per share. Also on September 8, 2011, our board of directors granted options to purchase an aggregate of 42,500 shares of our common stock at an exercise price of $7.90 per share to new and current employees. Our board of directors also granted restricted stock units for 24,000 shares of our common stock to new and current employees. In addition, our board of directors granted another 25,000 options to a non-employee director with an exercise price of $7.90 per share. We calculated the grant date fair value of the employee options and restricted stock units using the fair value of $6.27 per share. This fair value was determined by discounting the fair value determined in the May 15, 2011 contemporaneous valuation to adjust the probabilities of each scenario, specifically the IPO scenario, after we adjusted our IPO timeline in June 2011.

November 30, 2011 Contemporaneous Valuation

As of November 30, 2011, we obtained a contemporaneous valuation performed by an unrelated third-party specialist. As of November 30, 2011, our board of directors determined the fair value of our common stock to be $5.11 per share. One of the factors our board of directors took into account in making this determination was this contemporaneous valuation. Similar to the April and May 2011 valuations, this contemporaneous valuation was prepared on a minority, non-marketable interest basis and only the market approach was utilized. A WACC of 23.0% was then applied to the values derived from the market approach.

We also used a PWERM for the November 30, 2011 valuation with the following scenario probabilities: IPO scenario with 40% probability, merger scenario with 40% probability and a liquidation scenario with 20% probability. The results from the PWERM were then discounted by a weighted average marketability discount of approximately 20% to determine the fair value of our common stock of $5.11 per share.

On December 8, 2011, the compensation committee of our board of directors approved the grant of restricted stock units with respect to 239,768 shares of common stock to existing employees, effective as of January 1, 2012. The grant date fair value of our common stock was based on the fair value determined in November 30, 2011 valuation of $5.11 per share. These restricted stock units contain performance commitments which only allow the units to vest upon a qualified IPO. As our board of directors did not believe that an IPO was probable under current accounting standards, no related stock-based compensation was recognized for these awards during the year ended January 31, 2012. If we complete a qualified IPO prior to the expiration of these awards, we will recognize the vested portion of the grant date fair value of the restricted stock units as stock-based compensation at that time with the remaining grant date fair value being recognized as the other restricted stock units vest.

February 29, 2012 Contemporaneous Valuation

As of February 29, 2012, we obtained a contemporaneous valuation performed by an unrelated third-party specialist. As of March 16, 2012, our board of directors determined the fair value of our common stock to be $8.06 per share. One of the factors our board of directors took into account in making this determination was this contemporaneous valuation. Similar to the April, May and November 2011 valuations, this contemporaneous valuation was prepared on a minority, non-marketable interest basis and only the market approach was utilized. A WACC of 21.4% was then applied to the values derived from the market approach.

We also used a PWERM for the February 29, 2012 valuation with the following scenario probabilities: IPO scenario with 70% probability, merger scenario with 25% probability and a liquidation scenario with 5% probability. The results from the PWERM were then discounted by a weighted average marketability discount of approximately 9% to determine the fair value of our common stock of $8.06 per share.

The changes in the fair value of our common stock from May 2011 to March 2012 were primarily the result of the change in the PWERM scenario probabilities, most importantly the IPO scenario, which varied from 70% in the May 15, 2011 valuation to 40% for the November 30, 2011 valuation and back to 70% for the February 29, 2012 valuation. Our board of directors decreased the probability for an IPO for the November 2011 valuation as we had recently delayed our initial public offering since the May 2011 valuation. With the decrease in the probability of an IPO, our board of directors also agreed with the increase in the marketability discount from 11% for the May 2011 valuation to 20% for the November 2011 valuation as a result of our delayed IPO, which also contributed to the decrease in the fair value of our common stock. However, in February 2012 our board of directors increased the probability for an IPO back to 70% and due to the accelerated IPO timeline reduced the weighted average marketability discount from 20% to 9%, which contributed to an increase in the fair value of our common stock.

Our stock-based compensation expense for our stock-based awards was recognized as follows (in thousands):

	Year Ended January 31,		
	2010	**2011**	**2012**
Cost of revenue	$ 1	$ 37	$ 3
Research and development	6	71	89
Sales and marketing	17	65	279
General and administrative	21	578	1,279
Total stock-based compensation	$ 45	$ 751	$ 1,650

As of January 31, 2012, we had $5.3 million of unrecognized stock-based compensation expense, net of estimated forfeitures, that is expected to be recognized over a weighted average period of 2.6 years. In future periods, our stock-based compensation expense is expected to increase as a result of our existing unrecognized stock-based compensation to be recognized as these awards vest and as we issue additional stock-based awards to attract and retain employees.

Warrants to Purchase Convertible Preferred Stock

Freestanding warrants to purchase shares of our convertible preferred stock are classified as a liability on the consolidated balance sheet at fair value because the warrants may conditionally obligate us to transfer assets at some point in the future. The warrants are subject to remeasurement at each balance sheet date, and any change in fair value will be recognized as a component of other income (expense), net in the consolidated statements of operations. We use management judgment to estimate the fair value of these warrants and these estimates, which include the fair value of the underlying stock and the expected volatility of the stock, are highly judgmental and could differ significantly in the future.

As of January 31, 2011 and 2012, we had outstanding warrants to purchase an aggregate of 36,000 shares of our Series G convertible preferred stock. During prior years, we also had outstanding warrants to purchase shares of our Series E and F convertible preferred stock. The fair value of our warrants in the amounts of $0.2 million and $0.1 million was recorded on our consolidated balance sheets as a warrant liability as of January 31, 2011 and 2012, respectively. The change in fair value of these warrants resulted in gains to other income (expense), net in the amount of $0.1 million and $0.1 million during fiscal years 2010 and 2012, and a loss in the amount of $0.1 million during fiscal year 2011.

We will continue to record adjustments to the fair value of the warrants until they are exercised, expire or convert into warrants to purchase shares of our common stock which will occur upon the conversion of all of our outstanding convertible preferred stock into common stock immediately before an IPO. At that time, the then-current aggregate fair value of these warrants will be reclassified from liabilities to additional paid-in capital and we will cease to record any related periodic fair value adjustments.

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Allowances for Doubtful Accounts

We record a provision for doubtful accounts based on historical experience and a detailed assessment of the collectability of our accounts receivable. To assist with the estimate, our management considers, among other factors, the aging of the accounts receivable, including trends within the age of the accounts receivable, our historical write-offs, the credit-worthiness of each purchaser, the economic conditions of the purchaser s industry and general economic conditions. In cases where we are aware of circumstances that may impair a specific purchaser s ability to meet their financial obligations to us, we record a specific allowance against amounts due from the customer, and thereby reduce the net recognized receivable to the amount we reasonably believe will be collected. There is significant judgment involved in estimating the allowance for doubtful accounts.

Income Taxes

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We make these estimates and judgments about our future taxable income that are based on assumptions that are consistent with our future plans. As of January 31, 2012, we had recorded a full valuation allowance on our net deferred tax assets due to uncertainties related to our ability to utilize our deferred tax assets in the foreseeable future. These deferred tax assets primarily consist of net operating loss carryforwards. Should the actual amounts differ from our estimates, the amount of our valuation allowance could be materially impacted.

Since inception, we have incurred operating losses, and, accordingly, we have not recorded significant provisions for income taxes for any of the periods presented. Accordingly, there have not been significant changes to our provision for income taxes and we do not expect any significant changes until we are no longer incurring losses.

As of January 31, 2012, we had federal net operating loss carryforwards of $52.9 million and state net operating loss carryforwards of $47.0 million. Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. If not utilized, the federal net operating loss carryforwards will begin to expire in 2021 and the state net operating loss carryforwards will begin to expire in 2013. Utilization of these net operating loss carryforwards may be subject to an annual limitation due to applicable provisions of the Internal Revenue Code, and state and local tax laws if we have experienced an ownership change in the past, or if an ownership change occurs in the future, including, for example, as a result of the shares issued in this offering aggregated with certain other sales of our stock before or after this offering.

We regularly review our tax positions and for benefits to be realized, a tax position must be more likely than not to be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is more likely than not to be realized upon settlement. Our policy is to recognize interest and penalties related to income tax matters as income tax expense. Through January 31, 2012, approximately $20,000 of interest and penalties associated with unrecognized tax benefits has been recognized.

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Results of Operations

Fiscal Year Ended January 31, 2012 Compared to the Fiscal Year Ended January 31, 2011

The following table presents our historical operating results and the changes in these results in dollars (in thousands) and as a percentage for the periods presented:

	Year Ended January 31, 2011	Year Ended January 31, 2012	Increase / (Decrease)	% Increase / (Decrease)
Revenue	$ 30,004	$ 50,646	$ 20,642	69%
Cost of revenue	11,504	18,492	6,988	61%
Gross profit	18,500	32,154	13,654	74%
Operating expenses:				
Research and development	5,152	6,728	1,576	31%
Sales and marketing	8,886	16,206	7,320	82%
General and administrative	6,449	8,561	2,112	33%
Total operating expenses	20,487	31,495	11,008	54%
Income (loss) from operations	(1,987)	659	2,646	(133)%
Interest expense, net	(270)	(134)	136	(50)%
Other income (expense), net	(61)	237	298	(488)%
Income (loss) before provision for income taxes	(2,318)	762	3,080	(133)%
Provision for income taxes	167	624	457	274%
Net income (loss)	$ (2,485)	$ 138	$ 2,623	(106)%

Revenue

Our revenue increased by $20.6 million, or 69%, to $50.6 million in fiscal 2012 from $30.0 million in fiscal 2011. This increase primarily reflected the significant increase in sales of our IP video processing and distribution solution in the fiscal year ended January 31, 2012, which was primarily the result of increased consumer demand for multi-screen video services, and our continued growth into the North American telecommunications and cable services market. In addition, we prospectively adopted new accounting guidance for multiple element revenue arrangements entered into or materially modified on or subsequent to February 1, 2011, which had a positive impact on our revenue during the period when compared to the fiscal year ended January 31, 2011 as discussed further in Note 1 of our consolidated financial statements. We believe that our future revenue will continue to be impacted by consumer demand for multi-screen video services, which in turn impacts the level of capital expenditures by our target end customers looking to upgrade their IP video processing and distribution capabilities to enable the delivery of these video services to consumers.

Cost of Revenue and Gross Margin

Cost of revenue increased by $7.0 million, or 61%, to $18.5 million in fiscal 2012 from $11.5 million in fiscal 2011, primarily as a result of increased unit volume during the year ended January 31, 2012 compared to the prior fiscal year in order to meet increasing demand for our solution. In addition, the adoption of the new accounting guidance for multiple element arrangements increased our cost of revenue during the year ended January 31, 2012.

Gross margin increased from 62% in fiscal 2011 to 63% in fiscal 2012. Our gross margin increased during the year ended January 31, 2012 primarily as a result of increased unit sales volume while our manufacturing and other fixed costs remained relatively consistent across these periods. In addition, our gross margin was positively impacted by an increase of our higher margin software-only transactions.

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Operating Expenses

Our operating expenses increased by $11.0 million, or 54%, to $31.5 million in fiscal 2012 from $20.5 million in fiscal 2011.

Research and Development Expenses

Research and development expenses increased by $1.6 million, or 31%, to $6.7 million in fiscal 2012 from $5.2 million in fiscal 2011. Research and development expenses increased primarily as a result of an increase of $1.2 million in personnel-related expenses and $1.1 million in professional services related to our use of consultants for certain research and development activities. Research and development expenses are presented net of French research tax credits, which amounted to $1.2 million for each of the years ended January 31, 2011 and 2012.

Sales and Marketing Expenses

Sales and marketing expenses increased by $7.3 million, or 82%, to $16.2 million in fiscal 2012 from $8.9 million in fiscal 2011, primarily as a result of an increase of $3.2 million in personnel-related expenses, $1.9 million in commissions and bonuses associated with increased sales, $1.1 million in travel expenses due to an increase in sales and marketing personnel and $0.4 million in marketing expenses to increase our brand and global footprint.

General and Administrative Expenses

General and administrative expenses increased by $2.1 million, or 33%, to $8.6 million in fiscal 2012 from $6.4 million in fiscal 2011, primarily due to an increase of $1.7 million in personnel-related expenses and $0.3 million in professional services related to our use of consultants for accounting and other administrative activities.

Interest Expense, net

Interest expense, net decreased by $0.1 million, or 50%, to $0.1 million in fiscal 2012 from $0.3 million in fiscal 2011. The decrease was primarily a result of a decrease in the average outstanding principal amount of borrowings under our credit facilities in the year ended January 31, 2012 compared to the same prior year period, due to our repayment of outstanding notes payable.

Other Income (Expense), net

Other income (expense), net changed by $0.3 million in fiscal 2012 from an expense of $0.1 million in fiscal 2011 to income of $0.2 million in fiscal 2012. This change was due primarily to a change in our foreign currency gain or loss from a gain of $103,000 in the year ended January 31, 2012 compared to a gain of $52,000 during the year ended January 31, 2011. The difference is also due to the decrease in the fair value of our convertible preferred stock warrants which resulted in a gain of $0.1 million for the year ended January 31, 2012 compared to a loss of $0.1 million for the year ended January 31, 2011.

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Fiscal Year Ended January 31, 2011 Compared to the Fiscal Year Ended January 31, 2010

The following table presents our historical operating results and the changes in these results in dollars (in thousands) and as a percentage for the periods presented:

	Year Ended January 31,			% Increase
			Increase /	/
	2010	2011	(Decrease)	(Decrease)
Revenue	$ 16,288	$ 30,004	$ 13,716	84%
Cost of revenue	7,482	11,504	4,022	54
Gross profit	8,806	18,500	9,694	110
Operating expenses:				
Research and development	4,908	5,152	244	5
Sales and marketing	6,980	8,886	1,906	27
General and administrative	5,309	6,449	1,140	21
Total operating expenses	17,197	20,487	3,290	19
Loss from operations	(8,391)	(1,987)	(6,404)	(76)
Interest expense, net	(850)	(270)	(580)	(68)
Other income (expense), net	86	(61)	(147)	(171)
Loss before provision for income taxes	(9,155)	(2,318)	(6,837)	(75)
Provision for income taxes	22	167	145	659
Net loss	$ (9,177)	$ (2,485)	(6,692)	(73)

Revenue

Our revenue increased by $13.7 million, or 84%, to $30.0 million in fiscal 2011 from $16.3 million in fiscal 2010. This increase primarily reflected an increase in sales of our IP video processing and distribution solution, which was primarily the result of increased consumer demand for multi-screen video services, and our continued growth into the North American telecommunications and cable services market as well as, to a lesser extent, the emergence of new OTT content providers that utilized our solution.

Cost of Revenue and Gross Margin

Cost of revenue increased by $4.0 million, or 54%, to $11.5 million in fiscal 2011 from $7.5 million in fiscal 2010 primarily as a result of increased unit volume to meet increasing demand for our solution, partially offset by cost reductions on our converged encoder products which were shipped during the entire fiscal year and comprised the majority of our revenue in fiscal 2011.

Gross margin increased from 54% in fiscal 2010 to 62% in fiscal 2011. Our gross margin increased in fiscal 2011 primarily as a result of improved margins from our new generation of converged encoder products which were shipped during the entire year and comprised the majority of our revenue in fiscal 2011, increased sales in certain geographies that typically have higher average sales prices, and, to a lesser extent, cost reductions from a switch in the fourth quarter of fiscal 2010 to a new, more efficient contract manufacturer.

Operating Expenses

Our operating expenses increased by $3.3 million, or 19%, to $20.5 million in fiscal 2011 from $17.2 million in fiscal 2010.

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Research and Development Expenses

Research and development expenses increased by $0.2 million, or 5%, to $5.2 million in fiscal 2011 from $4.9 million in fiscal 2010. Research and development expenses are presented net of French research tax credits which amounted to $1.5 million in fiscal 2010 and $1.2 million in fiscal 2011.

Sales and Marketing Expenses

Sales and marketing expenses increased by $1.9 million, or 27%, to $8.9 million in fiscal 2011 from $7.0 million in fiscal 2010, primarily as a result of an increase of $1.0 million in personnel-related expenses and $0.4 million in travel expenses due to an increase in sales and marketing personnel, as well as an increase of $0.9 million in commissions and bonuses associated with increased sales. These increases were partially offset by a decrease of $0.3 million in public relations and other costs related to our marketing materials.

General and Administrative Expenses

General and administrative expenses increased by $1.1 million, or 21%, to $6.4 million in fiscal 2011 from $5.3 million in fiscal 2010, primarily due to an increase of $1.0 million in personnel-related expenses as a result of an increase in stock-based compensation and cash bonuses, as well as an increase of $0.3 million in professional services expenses as a result of an increase in the use of outside consultants. These increases were partially offset by a decrease of $0.2 million in bad debt expense.

Interest Expense, net

Interest expense, net decreased by $0.6 million, or 68%, to $0.3 million in fiscal 2011 from $0.9 million in fiscal 2010. The decrease was primarily a result of a decrease in the outstanding principal amount of borrowings under our credit facilities during fiscal 2011 due to our repayment of all our outstanding notes payable and the conversion of our bridge notes into convertible preferred stock in fiscal 2011.

Other Income (Expense), net

Other income (expense), net changed by $0.1 million in fiscal 2011 from income of $0.1 million during fiscal 2010 to an expense of $0.1 million in fiscal 2011. This change was due primarily to a $0.1 million increase in the fair value of our convertible preferred stock warrants.

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Quarterly Results of Operations

The following unaudited quarterly consolidated statements of operations for the eight quarters in the period ended January 31, 2012 have been prepared on a basis consistent with our audited annual consolidated financial statements and include, in the opinion of management, all normal recurring adjustments necessary for the fair presentation of the financial information contained in those statements. The following consolidated quarterly financial data should be read in conjunction with our annual consolidated financial statements and the related notes included elsewhere in this prospectus.

	Three Months Ended							
	April 30, 2010	July 31, 2010	October 31, 2010	January 31, 2011	April 30, 2011	July 31, 2011	October 31, 2011	January 31, 2012
	(in thousands, unaudited)							
Consolidated statement of operations data:								
Revenue	$ 5,244	$ 5,762	$ 9,037	$ 9,961	$ 9,903	$ 11,505	$ 13,717	$ 15,521
Cost of revenues	2,219	2,389	3,386	3,510	4,007	4,191	4,834	5,460
Gross profit	3,025	3,373	5,651	6,451	5,896	7,314	8,883	10,061
Operating expenses:								
Research and development	1,142	1,114	1,362	1,534	1,503	1,521	1,837	1,867
Sales and marketing	2,002	1,687	2,155	3,042	3,429	3,545	4,251	4,981
General and administrative	1,291	1,501	1,391	2,266	2,131	2,040	2,176	2,214
Total operating expenses	4,435	4,302	4,908	6,842	7,063	7,106	8,264	9,062
Income (loss) from operations	(1,410)	(929)	743	(391)	(1,167)	208	619	999
Interest expense, net	(108)	(72)	(37)	(53)	(37)	(31)	(31)	(35)
Other income (expense), net	(31)	54	(66)	(18)	91	110	56	(20)
Income (loss) before provision for income taxes	(1,549)	(947)	640	(462)	(1,113)	287	644	944
Provision for income taxes	28	27	33	79	42	232	160	190
Net income (loss)	$ (1,577)	$ (974)	$ 607	$ (541)	$ (1,155)	$ 55	$ 484	$ 754

We experienced significant revenue growth commencing in the third quarter of fiscal 2011, with an increase in revenue of 57% compared to the second quarter of fiscal 2011 and sequential revenue growth since the first quarter of fiscal 2012. We have sustained this strong revenue performance primarily as a result of a significant increase in consumer demand for multi-screen video services, our continued growth into the North American telecommunications and cable services market and, to a lesser extent, the emergence of new OTT content providers that utilized our solution. In addition, we prospectively adopted new accounting guidance for multiple element revenue arrangements entered into or materially modified on or after February 1, 2011, which had a positive impact on our revenue when compared to historical periods as discussed in Note 1 of our consolidated financial statements. Although we have not historically experienced a significant impact from seasonality in our business due to our recent growth, we anticipate that we may experience seasonality in the future, with seasonally slower business in the first quarter of each fiscal year. Gross profit as a percentage of revenue, or gross margin, similarly significantly improved commencing in the third quarter of fiscal 2011, increasing from 59% in the second quarter of fiscal 2011 to 63% and 65% in the third and fourth quarter of fiscal 2011, respectively. This increase was primarily caused by improved margins from our new generation of converged encoder products, sales of which

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increased throughout the fiscal year. However, our gross margin declined from 65% in the fourth quarter of fiscal 2011 to 60% in the first quarter of fiscal 2012 primarily as a result of two large transactions with strategic customers with low average selling prices. Gross margins then increased from 60% in the first quarter of fiscal 2012 to 64%, 65% and 65% in the second, third and fourth quarter of fiscal 2012 primarily due to the absence of the two large transactions from the first quarter, which normalized average selling prices, and an increase in higher margin software-only transactions.

To accommodate our growth and to continue our strategic investments for future growth, our operating expenses increased in the third and fourth quarter of fiscal 2011 and fiscal 2012. Increases in operating expenses have been largely attributable to increasing our sales and marketing capabilities, growing our investment in research and development and increases in our general and administrative expenses. Our sales and marketing expenses increased as we hired additional sales personnel worldwide to further expand our relationships with channel partners and direct customers and as we paid more sales commissions and bonuses associated with increased sales during these periods. Our research and development expenses increased as we continued to focus our efforts on developing our next generation solutions. We also increased the number of our general and administrative personnel and incurred additional stock-based compensation expense in these later quarterly periods, which led to higher general and administrative expenses.

Liquidity and Capital Resources

Since inception, we have funded our operations primarily with proceeds from issuances of convertible preferred stock and borrowings under our credit facilities. Since inception, we have raised an aggregate of $95.1 million, net of issuance cost, from the sale of our convertible preferred stock, including the conversion of convertible promissory notes. We have also funded purchases of equipment and other general corporate services with proceeds from our borrowings under our credit facilities.

We have incurred operating losses since inception, except for the year ended January 31, 2012, have an accumulated deficit of $78.8 million and a total stockholders deficit of $26.7 million as of January 31, 2012. However, we became profitable in fiscal 2012 with net income of $0.1 million. During fiscal 2012, we obtained $16.3 million, net of issuance costs, of additional financing through the issuance of Series I redeemable convertible preferred stock. Further, as of January 31, 2012, we had $27.4 million in cash and cash equivalents and borrowings outstanding of $1.0 million as of January 31, 2012. Since inception, we have relied primarily on the proceeds from equity offerings and debt proceeds to finance our operations. We believe that our existing cash and cash equivalents as of January 31, 2012 will be sufficient to fund our operations and capital expenditures for at least the next 12 months. However, management may in the future elect to finance operations by utilizing our credit facilities or selling equity securities. If additional funding is required, there can be no assurance that additional funds will be available to us on acceptable terms on a timely basis, if at all, or that we will generate sufficient cash from operations to adequately fund our operating needs or sustain profitability. If we are unable to raise additional capital or generate sufficient cash from operations to adequately fund our operations, we will need to curtail planned activities to reduce costs. Doing so will likely have an unfavorable effect on our ability to execute on our business plan.

Cash Flows

The following summary of our cash flows for the periods indicated and has been derived from our financial statements which are included elsewhere in this prospectus (in thousands):

	Year Ended January 31,		
	2010	**2011**	**2012**
Cash provided by (used in) operating activities	$ (3,493)	$ 3,657	$ 2,381
Cash provided by (used in) investing activities	(819)	(1,310)	(2,847)
Cash provided by (used in) financing activities	2,025	3,489	17,973

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Cash Flows from Operating Activities

Our primary uses of cash from operating activities have been for personnel costs, purchases of inventory and costs related to our facilities. In the past, we experienced negative cash flows from operating activities as we expanded our business and generated operating losses. Our cash flows from operating activities will continue to be affected principally by our working capital requirements and the extent to which we increase spending on personnel and sales and marketing activities as our business grows.

Cash provided by operating activities of $2.4 million in fiscal 2012 reflected net income of $0.1 million, non-cash charges of $1.6 million for depreciation and amortization and $1.7 million for stock-based compensation. Our net operating assets (liabilities), excluding cash and cash equivalents, decreased from net operating liabilities of $9.1 million as of January 31, 2011 to $8.2 million as of January 31, 2012. The decrease in net operating liabilities was primarily due to a decrease of $3.4 million for deferred revenue and an increase of $1.3 million for other assets, partially offset by a decrease of $2.6 million for deferred inventory costs and an increase of $1.4 million for accounts payable and accrued liabilities. Deferred revenue decreased during fiscal 2012 primarily due to the timing of revenue recognition, including continued amortization of pre-existing deferred revenue in prior periods, and fewer transactions subject to deferral as a result of the new revenue recognition rules adopted during fiscal 2012, while the decrease for other assets was primarily due to initial public offering related costs incurred during fiscal 2012. The increases in deferred inventory costs and accounts payable and accrued liabilities were primarily the result of our increases in sales and shipments and the related increase in unit volume to meet increased demand.

Cash provided by operating activities of $3.7 million in fiscal 2011 reflected a net loss of $2.5 million, partially offset by non-cash charges of $1.0 million for depreciation and amortization and $0.8 million for stock-based compensation. Our net operating assets (liabilities), excluding cash and cash equivalents, increased from net operating liabilities of $4.9 million as of January 31, 2010 to net operating liabilities of $9.1 million as of January 31, 2011. The increase was primarily a result of an increase of $5.2 million for accounts payable and accrued liabilities and $4.3 million for deferred revenue, partially offset by an increase of $3.8 million in accounts receivable and $2.0 million of deferred inventory costs. The increases in accounts receivable and deferred revenue during fiscal 2011 were primarily the result of increases in sales and shipments of our IP video processing and distribution solution for multi-screen video services and our growth into the North American telecommunications and cable services markets. Similarly, the increases in accounts payable, accrued liabilities and deferred inventory costs were primarily the result of our increases in sales and shipments and the related increase in unit volume to meet the increased demand.

Cash used in operating activities of $3.5 million in fiscal 2010 reflected a net loss of $9.2 million and a decrease in deferred revenue of $0.9 million, partially offset by decreases in other assets of $2.2 million and inventory of $1.0 million and non-cash charges of $0.8 million for depreciation and amortization. The decrease in other assets was principally due to a decrease in the research and development tax credit from our subsidiary in France due to funds received. Our deferred revenue decreased as a result of the timing of revenue recognition for our sales during fiscal 2009 and 2010 as a result of a decrease of product shipments at the end of fiscal 2010 and continued amortization of pre-existing deferred revenue in fiscal 2010.

Cash Flows from Investing Activities

Our investing activities consisted solely of our capital expenditures and amounted to $0.8 million, $1.3 million and $2.8 million in fiscal years 2010, 2011 and 2012 , respectively, for purchases of equipment.

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Cash Flows from Financing Activities

To date, we have financed our operations primarily with proceeds from issuances of convertible preferred stock and borrowings under our credit facilities.

In fiscal 2012, cash provided by financing activities was $18.0 million, primarily as a result of cash proceeds of $16.3 million received from the issuance of Series I redeemable convertible preferred stock and $1.0 million from our revolving line of credit.

In fiscal 2011, cash provided by financing activities was $3.5 million, primarily as a result of cash proceeds of $6.2 million received from the issuance of Series H convertible preferred stock, partially offset by the cash payments of $2.7 million on notes payable.

In fiscal 2010, cash provided by financing activities was $2.0 million, primarily as a result of our receipt of $5.0 million in proceeds from the issuance of Series G convertible preferred stock and $1.0 million from the issuance of bridge loans. These proceeds were partially offset by the repayment in cash of other debt obligations of $4.0 million.

Contractual Obligations

The following summarizes our contractual obligations as of January 31, 2012:

	Payments Due by Period (in thousands)				
Contractual Obligations:	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More Than 5 Years**	**Total**
Operating lease obligations	$ 1,036	$ 1,753	$	$	$ 2,789
Line of credit	$ 1,000	$	$	$	$ 1,000
	$ 2,036	$ 1,753	$	$	$ 3,789

Contingent Fees

We have entered into an arrangement with outside legal counsel and other third parties to pay certain contingent fees up to $3.0 million upon an initial public offering or other liquidity event. Upon successful completion of an initial public offering or other liquidity event, such costs would be charged against the gross proceeds of the offering.

Off-Balance Sheet Arrangements

As of January 31, 2012, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Risk

Most of our sales are denominated in U.S. dollars, and therefore, our revenues are not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of

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the countries in which our operations are located, and may be subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro relative to the U.S. dollar. We have a large research and development facility in France and pay our employees located in France in Euros. To date, we have not entered into any hedging contracts. During fiscal 2012, a 10% appreciation or depreciation in the value of the U.S. dollar relative to the other currencies in which our expenses are denominated would have had an estimated impact of approximately $1.3 million on our financial position and results of operations.

Interest Rate Sensitivity

We had cash and cash equivalents of $27.4 million as of January 31, 2012. Our cash and cash equivalents are held primarily in cash deposits and money market funds. We hold our cash and cash equivalents for working capital purposes. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future interest income. During fiscal 2012, a 10% appreciation or depreciation in overall interest rates would not have had a material impact on our interest income.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820) Fair Value Measurements and Disclosures*, to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, and the activity in Level 3 fair value measurements. Certain provisions of this update went into effect for us beginning in the year ended January 31, 2012. The adoption of the provisions did not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income*, which requires an entity to present total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements and eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. This guidance is effective for us beginning in the first quarter of the year ending January 31, 2013. Retrospective adoption is required and early adoption is permitted. The adoption of the standard will have no impact on our financial position or results of operations, but will result in a change in the presentation of our basic consolidated financial statements.

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BUSINESS

Overview

We are a leading provider of software-based IP video processing and distribution solutions that enable the delivery of high-quality video to consumers. Based on our unique video compression and advanced IP video networking technologies, our solution is designed to enable service providers and content providers to offer high-quality video anytime, anywhere across a broad array of video formats, networks, consumer devices and operating systems. We refer to this video experience as TV without Boundaries and believe it is one of the fastest growing components of the $3.0 billion video infrastructure market. Our software-based solution runs on industry-standard hardware and include encoders, transcoders and network media processors, all controlled through our network management system.

We enable service providers and content providers to deliver linear broadcast and on-demand video services to their customers via multiple screens, such as tablets, mobile handsets, netbooks, laptops, PCs and TVs. This high-quality video can be delivered to end users either across service providers managed networks or outside the boundaries of their networks over the open Internet, referred to as over-the-top, or OTT. Our customers include mobile and wireline telecommunications service providers, cable multiple system operators, or MSOs, direct broadcast satellite service providers, or DBSs, and content providers, which includes broadcasters and content publishers, owners, aggregators and licensees. We distribute our products and solutions globally through a network of channel partners, which includes leading telecommunications systems integrators throughout the world, as well as our own direct sales force.

We differentiate our solution by offering flexibility and scalability to our customers. Our software is pre-loaded on standards-based servers and is pre-configured based upon each customer s requirements. Our software-based products enable differentiated features and revenue-enhancing applications along with a high quality of experience and carrier-class reliability. We provide additional flexibility to our customers by offering continuous software enhancements and reconfigurations to adapt to the rapidly evolving consumer device landscape. Our solution conforms to international telecommunications standards. In addition, we work closely with our network of technology partners to support a wide range of video platforms, formats and features.

We were incorporated in Delaware on January 5, 2000. Our company is based in South San Francisco, California, with our research and development center located in the metropolitan area of Rennes, France, and further international presence in Australia, Austria, Brazil, China, England, India, Japan, Singapore and the United Arab Emirates. We have sold our solution to over 300 end-customers to date in over 50 countries. Our customers include the top global service providers, including nine of the top ten global broadband service providers, which includes three of the top four U.S. cable service providers and eight of the top ten global mobile service providers.

Industry Background

In the early 1990s, consumers began to experience the first digital TV technology evolution when it became possible to transmit significantly more TV channels while utilizing the same amount of bandwidth compared to analog TV. As a result, new service offerings emerged such as direct broadcast satellite TV and digital cable TV, and the channel offerings available to consumers grew from a few channels to hundreds of channels. In the mid 2000s, the second wave of digital TV technology evolution began, fueled by new connected devices and increased access to broadband Internet through wireless and wireline networks. As this technology matured, it became possible for service providers and content providers to deliver video content to a broad array of devices over mobile and broadband networks. This new era of digital TV technology enables service providers and content providers to deliver, and consumers to enjoy, a high-quality video experience anytime, anywhere.

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Consumer Video Trends

We believe the growth in demand for TV without Boundaries is being driven by several key consumer trends, including the following:

Demand for quality The emergence of new high definition, or HD, standards for broadcast TV, the broad availability of cost-effective Blu-ray disc players, which is the new HD standard for stored video, and HD flat-screen TVs, and the availability of numerous HD Pay-TV services has resulted in consumers expecting and demanding a higher quality video experience. Mobile devices and tablets are also improving screen resolution to allow for the display of HD video to meet consumer demands. As a result of these trends, consumers are increasingly demanding higher definition video that is free from video artifacts, including re-buffering, blockiness and cut screen.

Demand for anytime access to video content The availability of cost-effective digital video recorders enabling time-shifting as well as on-demand services offered by service providers has made consumers increasingly accustomed to accessing video content anytime they choose. Time-shifting catch-up TV and on-demand are features and services that allow consumers to choose when they watch video content that would otherwise only be available at fixed timeframes scheduled by the service provider. According to IMS Research, a third-party research firm, total worldwide video on-demand households grew from 41.7 million at the end of 2009 to 53.9 million at the end of 2010, a growth rate of 29.3%, and is expected to grow to 157.3 million at the end of 2016, a 2010 to 2016 CAGR of 19.5%.

Demand for anywhere access to video content The proliferation of video-enabled mobile devices, such as tablets, smartphones, netbooks and laptops, is driving demand for video services irrespective of the consumer s location. According to Gartner Inc., or Gartner, worldwide smartphone production reached 476.8 million units in 2011, and is expected to climb to 1.1 billion units in 2015, a CAGR of 26.0%.[1] Media tablets, a new category of video-enabled device, are also expected to contribute to the growth in video consumption. Gartner estimates that in 2011, there were 63.6 million media tablets shipped and that shipments will grow to 326.3 million in 2015, a CAGR of 50.5%.[2]

Demand for advanced video services in the home Video consumption growth is also occurring in the home. The rise in IPTV set top boxes and OTT set top boxes is expected to continue to drive demand. According to Gartner, IPTV set top boxes and OTT set top boxes shipped were 39.5 million in 2011 and are expected to grow to 119.1 million in 2015, representing a CAGR of 31.8%.[3]

As a result of these consumer trends, video consumption has moved beyond the home and a standard TV to an Internet-enabled TV, tablet, PC and mobile device, which we refer to as multi-screen video. In addition, the number of consumers who have access to high-quality video content is increasing as broadband devices and connections increase. According to Gartner, the total number of consumer fixed broadband connections worldwide was 532.7 million in 2011 and is expected to reach in excess of 691.0 million in 2015, a CAGR of 6.7%.[4]

These consumer trends raise new challenges impacting how service providers and content providers address the delivery of video services to consumers with the goal of providing high-quality content anytime, anywhere, on any device, or TV without Boundaries.

1 Gartner Forecast Analysis: Mobile Phones and Consumer Electronics, Worldwide, 4Q11 Update January 27, 2012.
2 Gartner Emerging Technology Analysis: Mobile Business Intelligence July 13, 2011.
3 Gartner Forecast Analysis: Mobile Phones and Consumer Electronics, Worldwide, 4Q11 Update, January 27, 2012.
4 Gartner Forecast: Consumer Fixed Voice, Internet and Broadband Services, Worldwide, 2009 2016, 1Q12 Update, February 24, 2012.

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Key Video Market Segments

Service providers and content providers are addressing evolving consumer demands for video through different market segments. The key video market segments include:

Managed Subscription Video and IPTV (Digital Pay-TV) Digital Pay-TV is operated over a managed network and is characterized by having a high quality of consumer experience and a high standard of security, interactivity and reliability. Digital Pay-TV is the largest video segment by far with 407.8 million subscribers at the end of 2010 and is expected to grow to 785.4 million subscribers at the end of 2016, according to IMS Research, a CAGR of 11.5%. Currently, MSOs have maintained the largest percentage of Digital Pay-TV consumers. As traditional telecommunications service providers have sought growth in average revenue per user and as they attempt to defend against voice, data and video service bundles offered by MSOs, traditional telecommunications service providers have broadened their suite of services to include Digital Pay-TV.

According to Cisco Visual Networking Index Global IP Traffic Forecast 2010 2015, or Cisco VNI, Managed IP Video traffic is expected to grow from an estimated 6,839 petabytes, or PB, transmitted per month in 2011 to an estimated 14,848 PB transmitted per month in 2015, a CAGR of 21%.

Source: Cisco VNI, 2011

Mobile Video The combination of advanced, user-friendly mobile devices coupled with the proliferation of 3G, 4G and Wi-Fi broadband networks, along with innovative business models that support the creation and deployment of video-enabled applications and services, has accelerated the demand for mobile video.

According to the Cisco Visual Networking Index Mobile Data Traffic Forecast, 2011 2016, or Cisco Mobile VNI, mobile video is expected to grow from an estimated 597 PB in 2011 to 10,804 PB in 2016, a CAGR of 78%.

Source: Cisco Mobile VNI 2012

Over-the-Top Video As more consumers obtain access to broadband connectivity, it is now possible for broadcasters and content publishers, owners, aggregators and licensees to target consumers directly over the open Internet infrastructure with an acceptable video and service quality. OTT can be delivered through any broadband network, such as cable, DSL, 3G and Wi-Fi. Recently, content providers, such as Hulu and Netflix, have gained broad consumer adoption due to these trends. Many broadcasters and content owners, such as BBC, CBS and ESPN, and sports leagues, such as the NBA and MLB, have each created a very significant video presence online.

According to Cisco VNI, OTT video consumed on PCs and TVs is expected to grow at a 43% CAGR to 2014.

Source: Cisco, VNI 2011

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Service Provider and Content Provider Trends

Service providers and content providers must continue to launch innovative new service offerings in order to address evolving consumer trends and video delivery models. Key trends have emerged that impact the way service providers and content providers operate.

- ***Service providers*** Traditional Pay-TV service providers, including MSOs and DBSs, have been challenged, first by traditional telecommunications service providers, who have gained market share from Pay-TV, and most recently by OTT providers, who have launched successful services, such as Apple iTunes, Amazon, Google, Hulu, Netflix and Vudu. Traditional telecommunications service providers are competing with MSOs and DBSs by offering new bundled services where consumers can enjoy a single service package and monthly bill covering broadband Internet, voice and video services, or triple play, and additionally bundling mobile as a fourth service, or quad play. Service providers who also operate mobile networks can leverage their dual-network presence to offer innovative services. For example, Verizon launched My FiOS, an extension of its FiOS network, to its mobile subscribers. In reaction to this competitive threat, MSOs and DBSs are launching innovative services that deliver video content to PCs and mobile devices. For example, Time Warner Cable launched TWC TV, which allows Time Warner subscribers to control devices using an iPad or iPhone throughout the digital home, and watch live television on their iPad or iPhone as well. Broadband service providers have also been engaged in commercial battles with content delivery network service providers, such as Akamai, Level3 and Limelight, and are starting to offer competing solutions for efficient video delivery on their own network.

- ***Content providers*** Content providers include broadcasters and content publishers, owners, aggregators and licensors. As wireless and wireline broadband becomes more readily available, content providers of all types have adopted new business models to capitalize on the demand for video services as well as the direct access to consumers enabled by the Internet. Broadcasters and content owners, including Disney, BBC, ESPN and HBO, have broadened their means of distribution to consumers beyond the linear broadcast business model to include direct OTT distribution. In addition, new business models from emerging content providers, including Apple iTunes, Amazon, Google, Hulu, Netflix and Vudu, have circumvented traditional service provider and programmer distribution channels to reach consumers directly via OTT delivery. Those OTT providers compete with traditional service providers by offering aggressive pricing, à la carte services and innovative new advertising models.

Limitations of Existing Technologies

Existing technologies designed to enable video delivery are largely either engineered solely for broadcast-centric applications serving standard TVs, or engineered solely for web delivery of content. Products designed only for broadcast-centric applications do not address the growing diversity of devices and networks, and products designed only for web delivery of content do not address the technical requirements of traditional broadcast TV or provide the quality, reliability and manageability expected by service providers. Although the video delivery models of service providers and content providers historically have had different demands, their offerings are converging in the marketplace. As a result of this convergence, service providers and content providers face the following challenges when delivering video to consumers:

- ***Quality of experience*** Consumers are increasingly demanding a high level of quality for video on whatever device they are using and wherever they choose to access video. As consumers increasingly demand TV without Boundaries, there is a greater requirement for service providers and content providers to deliver the same quality of experience historically delivered only through traditional broadcast services, but do so now across multiple devices and networks. We believe current technologies have not adequately addressed the numerous video delivery challenges of providing video services across multiple devices and networks, which can degrade the consumer experience through video artifacts, including re-buffering, blockiness and cut screen.

Wide array of video formats There are an increasing number of content formats, including 3GPP, Adobe HTTP Dynamic Streaming, Apple HTTP Live Streaming, Microsoft Smooth Streaming or MPEG-DASH. Content must be properly transcoded into these formats in order to be delivered across the network and displayed on a consumer s device. For each different format, this process requires a unique set of algorithms, network packaging, security and access protocols. We believe current hardware-based products do not have the capabilities to address the full spectrum of video formats necessary to create a comprehensive multi-screen delivery solution.

Rapidly evolving complex video delivery ecosystem The process of delivering video through various network technologies, with a rapidly evolving array of device formats, operating systems and display formats and resolutions, has become extremely complex. Existing hardware-based products fail to adequately address the complexities of this ever-changing video delivery landscape and do not answer the technical needs for ad and subscription-based service models. In addition, the hardware-based approach complicates service provider s goal of increasingly using virtual networks where software runs on commercial hardware in a centralized datacenter.

Efficiency of delivery The large bandwidth requirement for the transfer of video and the capability for advanced devices, such as tablets, smartphones, laptops and netbooks to consume new video services through the Internet is a tremendous burden on network capacity. As video delivery moves from single screen to multi-screen, service providers are required to send video in multiple formats across their network in order to accommodate multiple devices, which further consumes network resources. As a result, service providers must seek a solution that reduces the burden on their network and minimizes costly network upgrades. Similarly, content providers must seek a solution that reduces costs incurred from content delivery network providers. As video delivery expands to multiple screens and formats, existing technologies are not optimized for the efficient delivery of this new trend of services.

Traditionally, service and content providers deployed point solutions to distribute video to each class of device. As these delivery models converge to meet evolving consumer demands for TV without Boundaries and operators need to significantly scale their services, this silo approach to video delivery presents inherent limitations and increased costs for service and content providers. Traditional video delivery systems for service providers have focused on quality of experience without the need to address a wide array of network technologies or growing number of devices and operating systems. Current video delivery systems designed to address mobile and OTT video services have focused on addressing multiple network technologies and different devices and operating systems, without supporting traditional TV delivery or addressing the consumer demand for quality of experience. As these services converge and service providers and content providers attempt to address the needs of their end users in a single solution, the delivery of video increasingly requires new architectures that can accommodate delivery of high-quality video across multiple networks to multiple devices with the flexibility to adapt to a rapidly evolving market. In addition, solutions focused exclusively on OTT video delivery typically handle multiple devices but often lack the quality, scalability and reliability that a service provider offering a subscription or ad-based premium video service requires.

The Envivio Solution

Our software-based solution is capable of delivering a true converged multi-screen service across mobile, broadband and managed networks, allowing service providers and content providers to offer consumers the same high-quality experience across multiple devices and networks through a single converged solution. We utilize a unified software architecture to provide a flexible video delivery platform to service and content providers that can evolve with the market needs. Our solution is designed to eliminate the need for separate point solutions for each screen so that service providers and content providers are able to benefit from scale and avoid the added costs of maintaining several hardware platforms and the related maintenance, redundancy, staff and support that they would otherwise incur

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with separate point solutions for each screen. We believe our solution offers the following key benefits to our customers:

Provides a high-quality video experience We have designed a solution that enables the delivery of video to consumers to multiple screens while maintaining a high-quality video experience through advanced adaptive streaming technologies. Irrespective of whether video is delivered across mobile networks, managed video networks or OTT, our solution enhances the consumer s experience by reducing video artifacts, including re-buffering, blockiness and cut screen. We believe the combination of our technological sophistication and the flexibility of our solution enables both service providers and content providers to deliver a high quality of experience to consumers who demand TV without Boundaries.

Addresses complexities of multi-screen video delivery Our solution addresses the complexities of the service provider and content provider ecosystems by providing a platform to effectively enable delivery of video over mobile and IP networks to a wide array of device and operating system combinations in a number of display formats and resolutions. We provide our solution on a single platform, which is easy to deploy, easy to maintain and simple to upgrade, rather than a complex series of disparate point solutions.

Provides scale with carrier-class reliability Our solution is designed to meet the stringent requirements of service providers and is highly reliable, highly scalable and meets top industry certifications.

Ingests and delivers video in a broad array of formats Our software-based solution is compatible with all major video formats across all major codecs, resolutions, frame rates, bitrates and transport profiles. We accommodate the transport of video through different networks, such as broadband and mobile networks, or traditional cable and satellite broadcast networks. In addition, our converged video delivery solution transcodes content into a wide array of professional video formats, such as 3GPP, Adobe HTTP Dynamic Streaming, Apple HTTP Live Streaming and Microsoft Smooth Streaming.

Leverages existing datacenter infrastructure for enhanced video delivery As service providers are increasingly consolidating their network and IT infrastructure and deploying cloud-based services, they are looking for ways to reduce the number of hardware elements throughout their network. Using our proprietary software-based solution, service providers can leverage their existing datacenter infrastructure to deliver enhanced video services without having to deploy additional costly hardware elements.

Optimizes video distribution architecture Our solution is designed to optimize bandwidth and to ensure that video is delivered to the consumer in a highly efficient manner. We allow service providers to send video using a single format across their network, irrespective of the number of target devices they want to reach. Our solution adapts video content at each edge location distributed throughout the network, eliminating the need to repetitively deliver the same video in different formats from the core of the network to the edge. Service providers, therefore, operate much more efficiently by lowering bandwidth usage, lowering power consumption, reducing potential network bottlenecks and associated costs.

Enables new service monetization Our solution also allows paid or ad-supported services to be delivered to multi-screens. Our video content protection and linear ad-insertion technologies are tailored for multiple devices, allowing service providers to offer subscription-based or ad-based business models for multiple devices.

Our Growth Strategy

Our objective is to become the leading multi-screen IP video processing and distribution solution to service providers and content providers. The key elements of our growth strategy are:

Capitalize on our early commercial leadership We believe that we have an early lead in time-to-market and commercialization of our software-based, multi-screen solution. Many of our

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competitors focus on traditional Pay-TV or single-screen solutions. We intend to exploit our lead in commercialization of our video processing and distribution solutions to expand our footprint of customers across leading service providers and content providers, and, where possible, expand the breadth of services that we enable our customers to deliver.

Continued innovation of our software-based, multi-screen solution We believe our software-based architecture is fundamentally different than competing architectures. We focus our development efforts on advanced, proprietary video processing technologies, such as video encoding algorithms, video pre-processing and filtering, content protection and advanced network optimizations, differentiating our software-based solution from our competitors technologies. We intend to leverage our core IP video technology strength to develop new products with enhanced software-based capabilities to further demonstrate the value of our solution and increase our long-term revenue opportunities.

Increase our share of our customers network footprint We intend to increase our market share by selling additional products into our existing customers networks. Typically, the initial order from a new customer covers video delivery for only a small portion of their possible service offering. We intend to expand our relationships with these customers by offering additional products, including the addition of mobile or IPTV capabilities or the extension of our services to new geographies or content offerings, as they realize the benefits of our unique, converged software-based, multi-screen architecture. We have many current customers that are well positioned to leverage their existing mobile and broadband networks as well as programming to deliver a TV without Boundaries experience.

Maximize our sales distribution capabilities to add new customers We have direct relationships with the world s largest systems integrators and intend to further leverage our relationships with these leading systems integrators to expand our market presence. We intend to further broaden our customer and geographic presence through expanded channel partnerships with new and existing partners. We also intend to further develop our direct sales capabilities to capitalize on the emerging and rapidly growing OTT market.

Extend our solution through complementary products We believe that we occupy a key position in the video delivery ecosystem, which provides an opportunity for us to extend our solutions by offering adjacent and complementary products. We intend to develop new products and features for our customers through internal development, potential acquisitions and partnerships.

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Our Technology and Products

Our innovative video processing and delivery solution is based on a suite of products built upon a proprietary software platform that our engineers have developed over more than a decade. By combining this proprietary software platform with the latest generation of industry-standard servers and other third-party products, we have created an innovative suite of video processing and distribution products addressing multi-screen video applications.

Core Technologies

We believe our portfolio of compression and distribution technologies is more advanced than those of our competitors. Our software platform is the foundation of our video processing and distribution products and incorporates the following core technologies:

Modular software architecture Our core competencies are in developing advanced media compression and video over IP technologies, where we deliver a carrier grade, multi-screen solution. We accomplish this by leveraging our contribution to the MPEG-4 standard and our rights to MPEG-4 related patents. Our modular software architecture provides a common platform of capabilities and features that allows our products to perform critical video processing and distribution functions, including ingest, processing, packaging, protection and encryption, network optimizations and monitoring. In addition, our software-based architecture allows customers to enable features or add capacity through the input of a simple security or license key.

Envivio Genesis Envivio Genesis is a video transport technology that simultaneously supports multiple streams of video at various bit rates and resolutions through one unified broadcast format. It is compatible with most consumer devices and significantly reduces backbone bandwidth requirements for multi-screen services when compared with delivering a separate format for each device. This efficiency means that only a single core content delivery backbone or satellite uplink is needed to distribute Genesis-formatted content to the edge of the service provider s internal network, where it is then efficiently reprocessed by our Network Media Processor. Genesis can also carry picture preview, subtitles, ad-insertion triggers and other synchronized and proprietary metadata to improve the quality of experience.

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Multi-core video compression We have developed a patented set of video processing and compression algorithms designed to optimize performance on industry-standard, multi-core hardware chipsets. These algorithms are central to all of our encoder and transcoder products. Due to the evolution in the number and speed of CPU cores, our encoding products have constantly increased their transcoding capacity. We believe that our video compression technology is designed to optimize bandwidth utilization while maintaining the highest possible level of video quality. This allows for a reduction in the cost to deliver video, or an increase in the video quality at a specified network capacity.

Products

Our unified video headend solution and unified delivery infrastructure for live and on-demand multi-screen video delivery are built on our encoding, transcoding and video distribution products. A headend is the hub of a television system at the central location of the network. The headend receives video feeds for multiple channels and transmits video to subscribers. Our product suite, which includes 4Caster, Muse, Halo and 4Manager, enables video headends to be tailored by our customers to serve various combinations of tablets, mobile handsets, netbooks, laptops, PCs and TVs.

Our hardware can be easily reconfigured by our customers to deliver content to consumers on a broad array of devices with additional software options that expand device support as new devices are introduced and add support for premium features and applications. Our suite of products consists of the following:

Envivio 4Caster Our 4Caster standards-based appliance delivers video to mobile, PC and TV from a single platform. We have designed 4Caster to optimize live and on-demand workflows for video delivery commensurate with the characteristics of both legacy and current network infrastructures by encoding video input in multiple codecs, resolutions, bit rates and formats. 4Caster utilizes pre-processing techniques to clean and optimize video sources before encoding. 4Caster is designed to perform high-quality compression and content encryption to secure high-value content from the headend to the edge device that meets the requirements of content owners for quality, content protection and digital rights management. Our 4Caster product is available in various models to fit the specific requirements of our customers.

Envivio Muse Muse is our new multi-screen software architecture designed for live or file-based video transcoding and distribution to multiple devices. It is designed to significantly improve efficiency and operations compared to architectures that require separate broadcast and multi-screen headend equipment. Muse is available on industry-standard blade servers or our 4Caster appliances and enables service providers running large-scale operations to leverage their existing datacenter infrastructure to deliver enhanced video services. Muse also enables advanced functionality, such as ad-insertion and content protection for mobile devices that facilitates service monetization and enables immersive end user experiences.

Envivio Halo Our Halo Network Media Processor performs final content adaptation for consumer devices, including protected adaptive bitrate streams compatible with Apple iOS, Android 3.0 and Microsoft Smooth Streaming enabled consumer devices. We introduced Halo to our customers in November 2010. Halo Network Media Processors can be added by network operators as needed, locally or distributed, to support new devices without impacting the headend. When launching a multi-screen service, Halo allows our customers to significantly reduce bandwidth usage on the network infrastructure.

Envivio 4Manager Our 4Manager network management system is specifically engineered to manage next generation video headends for mobile TV, OTT and IPTV, while continuing to support traditional broadcast distribution networks. 4Manager allows service providers to monitor and control all headend appliances with a simple yet comprehensive web-based user interface using a customizable layout. 4Manager is designed to maximize video headend availability and reliability by reporting system malfunctions and can automatically switch away from a defective unit, minimizing service disruption. This allows service providers to reduce operational costs and provide a high quality of service for their customers.

We target three primary applications with our products, consisting of multi-screen, IPTV and mobile applications. In fiscal 2011, we derived 46%, 22% and 32% of our total revenue from sales of our products targeting multi-screen, IPTV and mobile applications, respectively. In fiscal 2012, we derived 80%, 10% and 10% of our total revenue from sales of our products targeting multi-screen, IPTV and mobile applications, respectively.

Services

We offer a suite of services in support of our products, including:

On-site project assessment Complete review of content sources, existing systems and middleware to determine the proper interface and adaptation equipment necessary for our customer to deliver an optimized consumer quality of experience.

Systems integration Configure all the equipment with our solution according to network design and plan. We can test and integrate additional third-party equipment and validate predefined use cases in our labs.

On-site delivery Install all equipment and test the operational environment, including redundancy and system monitoring as well as administer technical training to validate predefined use cases in an operational environment.

Operational and customer support Provide different grades of service level agreements and support contracts according to requirements.

Research and Development

Our investment in research and development is critical to our business as we seek to develop new video processing and delivery solutions and support emerging technology. Our research and

development lab is located in the metropolitan area of Rennes, France, where we believe we have ample access to talented video engineers and can benefit from a cost-effective, stable workforce. We have assembled a team of 47 engineers, substantially all of whom are software engineers, as of January 31, 2012, with expertise in various fields, including video compression, IP video protocols and user interface. Our success in developing new products and solutions depends on a variety of factors, including market demand for new products, product performance, adequate manufacturing processes and effective sales and marketing efforts. Research and development expenses totaled $4.9 million, $5.2 million and $6.7 million for fiscal 2010, 2011 and 2012, respectively.

Sales and Marketing

We primarily sell our video delivery solutions to our customers indirectly through our channel partners, and, to a lesser extent, directly through our internal sales force.

Channel sales As part of our sales efforts, we have developed relationships with channel partners, primarily with large Tier-1 systems integrators, including telecommunications equipment manufacturers. As of January 31, 2012, we had over 20 active channel partnerships, including relationships with large telecommunications equipment providers throughout the world. We utilize our channel partners to assist with our sales into new Tier-1 customers and to manage our sales into Tier-2 and Tier-3 customers. These channel partners often act as a general contractor for network deployments and will use our products to fulfill the video infrastructure elements of a deployment. We may seek to selectively add distribution partners, particularly in additional regions outside North America, to complement or expand our business.

Direct sales Our direct sales team sells our products and solutions to service providers and content providers globally. As of January 31, 2012, we had a sales force consisting of 40 employees worldwide. Our direct sales force has historically been focused on cultivating and selling into large service providers in major international markets. Even when we are partnering with a systems integrator or other channel partner, our internal sales force directly markets to prospective end-customers and carefully articulates our product benefits as a key component of an end-to-end solution. We maintain meaningful relationships with large service providers and intend to grow our direct sales efforts to become a larger portion of our total sales in the future.

Our marketing efforts are focused on building our brand awareness and qualifying sales leads for new and existing customers. We employ a team of marketing professionals and utilize our network of channel partners for additional marketing efforts. As of January 31, 2012, we had 14 marketing professionals globally. Our marketing team is responsible for branding, product marketing and managing our channel marketing programs. Our marketing team actively contributes to industry-related standards organizations, markets the Envivio brand at industry conferences and contributes to publications and other services to continuously promote our brand and products.

Customers and Channel Partners

We sell our video processing and delivery solution directly and indirectly through our channel partners to end-customers that include wireline and mobile telecommunications service providers, MSOs, DBSs, broadcasters and other content providers. An end-customer deployment of our solution can involve a varying amount of hardware and software depending on the size and requirements of the network. As of January 31, 2012, we had over 300 end-customers in over 50 countries. Our customers include the top global service providers, including nine of the top ten global broadband service providers, which include three of the top four U.S. cable service providers, and eight of the top ten global mobile service providers.

In fiscal 2012, one of our customers directly accounted for 18% of our total revenue. In fiscal 2011, three of our customers, who are our channel partners, directly accounted for 11%, 12% and 12%, respectively, of our total revenue. In fiscal 2010, one of these large customers accounted for 13% of our total revenue. In addition, two other customers accounted for 15% and 12% of our total revenue in fiscal 2010.

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We derived 8%, 23%, and 29% of our revenue from sales to customers located in the United States in fiscal years 2010, 2011 and 2012, respectively, and 92%, 77%, and 71% of our revenue from international sales in fiscal years 2010, 2011 and 2012, respectively. We derived 31%, 24%, and 21% of our revenue from sales to customers located in the Asia Pacific region in fiscal years 2010, 2011 and 2012, respectively. We derived 56%, 44% and 40% of our revenue from sales to customers located in EMEA in fiscal years 2010, 2011 and 2012 respectively.

Manufacturing, Production and Suppliers

We outsource the manufacturing, assembly and testing of our encoding products to FutureQuest Incorporated, a manufacturer located in California. All of our products are manufactured on a purchase order basis whereby we detail the types and quantities of each of our products to be manufactured and the associated delivery terms. We have predefined minimum quantities and lead times in our purchase orders to minimize any product supply shortages that we may encounter due to unexpected fluctuations in demand or manufacturing capacity. We believe that our manufacturing and logistics processes allow us to preserve our working capital, reduce manufacturing costs and optimize fulfillment while maintaining product quality and flexibility. Our operations group oversees the manufacturing process and maintains relationships with our manufacturing partner and other component suppliers. Historically, we have not experienced significant delays in fulfilling customer orders and we maintain a good track record of on-time delivery. In addition, we have not experienced any significant manufacturing capacity constraints. In the future, we may need to add manufacturing partners to satisfy our production needs.

We source the components included in our products from various suppliers. We have not historically had any material issues procuring desired quantities of components necessary for production as a majority are standard off-the-shelf components and are, therefore, typically neither susceptible to supply shortages nor material lead times. However, any unpredicted shortages to the availability of components may require us to decrease our manufacturing output for a temporary period.

Competition

The market for our solution is highly competitive and fragmented. With the rapid adoption of video-enabled mobile devices, ubiquitous broadband connectivity and the growing consumer demand for TV without Boundaries, the market for our products is attracting competition. As a result, we expect competition in our markets to intensify in the future as existing and new competitors introduce products to meet this demand. We believe the principal competitive factors in our market include the following:

- Technological leadership;
- Maintaining a high quality of video across a wide array of networks and devices including mobile, OTT and IPTV;
- Product performance, price, reliability and total cost of ownership;
- Domain expertise in video and communications, as well as close relationships with service providers;
- Interoperability with existing headend products and network infrastructure;
- Advanced management systems for video delivery solution reliability and manageability; and
- Comprehensive customer support.

Currently, we compete with companies focused on more traditional broadcast delivery, including Harmonic Inc. We also compete with companies focused on multi-screen encoding, including Cisco Systems, Inc. (through its acquisition of Inlet Technologies LLC) and RGB Networks, Inc. (through its acquisition of RipCode, Inc.). Due to the evolving competitive landscape and growing market opportunity, we expect to encounter direct competition in the future from one or more larger traditional network infrastructure providers that may currently be one of our systems integrators, such as Motorola Mobility

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(in the process of being acquired by Google Inc.) and Ericsson AB. These network equipment companies may provide, as a package, encoding solutions in combination with other equipment that they traditionally sell to service providers.

We believe we compete favorably based on video quality across all screens, product performance, architecture and reliability and our expertise in seamlessly integrating new features and product updates to adapt to the dynamic requirements of service providers and content providers and evolving technological landscape. We also believe that we offer competitive service and prices. However, some of our current and potential competitors have significantly greater financial, marketing and other resources and may be able to devote greater resources to the development, sale and support of their products.

Conditions in our market could change rapidly as a result of technological advancements in video compression and delivery or from continuing market consolidation. The development of alternative technologies could decrease the demand for our products. We cannot be certain that we will be able to compete successfully against our current or future competitors, which may negatively affect our results of operations in the future.

Intellectual Property

Our intellectual property is a key element of the success of our business. We rely on a combination of intellectual property rights, including patents, trade secrets, copyrights and trademarks, as well as customary confidentiality and other contractual protections. As of January 31, 2012, we had eight issued U.S. patents and five issued European patents. Our patents will expire on various dates from 2022 to 2028. In particular, we have patented key technologies related to the implementation of our 4Caster product. The key patents that protect the optimal implementation of the MPEG-4 algorithms on a generic multi-core computer platform include the following patents that were all issued in the United States: (i) our patent covering image coding or decoding device and method involving multithreading of processing operations over a plurality of processors, and corresponding computer program and synchronization signal, which expires in 2024; (ii) our patent covering image encoding or decoding method and device, with parallelization of processing over several processors and coprocessors, and corresponding computer-readable storage medium, which expires in 2028; (iii) our patent covering multiple-reference motion estimation method and device, coding method and device, computer program products and corresponding storage means, which expires in 2025; and (iv) our patent covering method and device for detecting transitions in a video sequence, method and device for coding, computer program products and corresponding storage means, which expires in 2025. In addition, we have four patent applications pending in the United States and one patent application pending in Europe. We have rights to 12 patents licensed to us by France Telecom. We own the registered trademark for Envivio in the United States, Hong Kong and the European Community and have protection for the Envivio trademark through the Madrid Protocol in China, France, Japan and South Korea. We also have one trademark application pending with the U.S. Patent and Trademark office.

Our core intellectual property is our video processing software platform. Our video processing technology is not materially dependent on any third-party technology. We protect our intellectual property primarily with patents and by generally requiring our employees and independent contractors with knowledge of our proprietary information to execute nondisclosure and assignment of intellectual property agreements. However, the steps we have taken to protect our technology may not be successful in preventing misuse by unauthorized parties in the future. In addition, if any of our products, patents or patent applications is found to conflict with any patents held by third parties, we could be prevented from selling our products, our patents may be declared invalid or our patent applications may not result in issued patents.

Employees

As of January 31, 2012, our total headcount was 146 full-time employees. We had 47 research and development employees, 72 sales and marketing employees and 27 employees in general administrative

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and human resources. As of January 31, 2012, our headcount was 45 employees in the United States, 77 in France, 10 in China and 14 throughout several other countries around the world.

None of our employees is represented by a labor union or is covered by a collective bargaining agreement. We have never experienced any work stoppages, and we consider our relations with our employees to be good.

Facilities

Our corporate headquarters is located at 400 Oyster Point Boulevard, Suite 325, South San Francisco, California in an office consisting of approximately 10,329 square feet. The lease for this office expires in December 2012. In addition to our headquarters, we have a facility in the metropolitan area of Rennes, France consisting of approximately 1,085 square meters used primarily for research and development, sales and support. This lease expires October 31, 2013. We also have a representative office in Beijing, China. Additional sales and support functions are located in regional offices in Tokyo, Japan and Singapore. We believe that our current facilities are suitable and adequate to meet our current needs. We plan to add new facilities or expand our existing facilities as necessary. We do not foresee any issues finding available space to accommodate our future expansion plans.

Insurance

From time to time, our products may malfunction or have undetected errors. We have purchased insurance coverage to protect against specific claims related to the use of our products. We believe our current insurance coverage is adequate to protect against claims resulting from federal, state or local laws.

Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not currently a party to any material legal proceedings.

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MANAGEMENT

Executive Officers and Directors

Our executive officers and directors, and their ages and positions as of April 1, 2012 are as set forth below:

Name	Age	Position(s)
Julien Signès	42	President, Chief Executive Officer and Director
Erik E. Miller	51	Chief Financial Officer
Kevin P. O Keefe	57	Chief Operating Officer
Anne M. Lynch	56	Vice President, Human Resources
Gianluca U. Rattazzi	59	Chairman of the Board
Kevin E. Dillon(1)	57	Director
Corentin du Roy de Blicquy(2)	36	Director
Marcel Gani(1)	59	Director
Edward A. Gilhuly	52	Director
Terry D. Kramer(2)(3)	52	Director
Clifford B. Meltzer(3)	57	Director
R. David Spreng(1)(2)(3)	50	Director

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nominating and Corporate Governance Committee

Executive Officers

Julien Signès is one of our founders and has served as our President since our inception in January 2000 and our Chief Executive Officer since April 2005. Mr. Signès is responsible for the business strategy, executive duties and leadership of Envivio. Mr. Signès received an M.S. degree in Software and Electrical Engineering from Ecole Polytechnique and Ecole Nationale Supérieure des Télécommunications. Our board of directors has concluded that Mr. Signès should serve on our board of directors due to his experience gained while developing video processing and distribution technologies with France Telecom as well as his experience as a co-founder of Envivio and his tenure with Envivio, which brings industry experience, strategic perspective to our technology development, historic company knowledge as well as continuity to the board of directors.

Erik E. Miller has served as our Chief Financial Officer since February 2010. From January 2008 to July 2009, Mr. Miller served as Chief Financial Officer at SigNav Pty. Ltd., a component supplier to the wireless industry, where he was responsible for finance and administration functions; and from March 2006 to January 2008, Mr. Miller served as Chief Financial Officer at Tangler Pty. Ltd., a social networking company, where he was responsible for finance and administrative functions. Mr. Miller received a B.S. degree in Business Administration from the University of California, Berkeley.

Kevin P. O Keefe has served as our Chief Operating Officer since June 2010. From July 2008 to June 2010, Mr. O Keefe served as Vice President of Field Operations at MaxiScale, Inc., a cloud-scale file serving and storage platform solutions company, where he was responsible for business development, customer service and sales; from July 2007 to June 2008, Mr. O Keefe served as General Partner at Capital Ten Partners LLC, a special purpose acquisition company, where he was responsible for identifying acquisition targets; from July 2006 to April 2007, Mr. O Keefe served as Vice President, Marketing and Sales at Fabric7, Inc., a manufacturer of computer servers, where he was responsible for all aspects of business development, customer service, marketing and sales; from December 2004 to July 2006, Mr. O Keefe served as Director, Sales at Storage Technology Corporation, a manufacturer of data storage, where he was responsible for sales and services in the New York and New Jersey region. Mr. O Keefe received a B.S. degree in Economics from the University of Pennsylvania s Wharton School.

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Anne M. Lynch has served as our Vice President, Human Resources since January 2011. From May 1995 to August 2008, Ms. Lynch served as Vice President, Human Resources at Harmonic Inc., a provider of broadcast video products, and Directeur General of Harmonic Europe, where she was responsible for all human resources functions. From August 2008 to October 2010, Ms. Lynch was pursuing a graduate degree. Ms. Lynch received a B.A. degree in Languages from Clarke University and a Master of Arts degree in Business Leadership and Ethics from St. Mary s College of California.

Directors

Gianluca U. Rattazzi has served as our Chairman of the Board since July 2007 and served as our Executive Chairman, an executive officer position, from June 2010 until January 2012. From March 2007 to April 2010, Mr. Rattazzi served as President and Chief Executive Officer at MaxiScale, Inc., a cloud-scale file serving and storage platform solutions company, where he was responsible for strategy and execution. From March 2000 to March 2007, Mr. Rattazzi served as Co-Founder and Executive Chairman at BlueArc Corporation, a network storage provider firm where he was responsible for product and strategy management. Mr. Rattazzi previously served on the board of directors of Socket Mobile, Inc. from June 1998 to April 2009. Mr. Rattazzi received M.S. degrees in Electrical Engineering and Computer Science from the University of California, Berkeley and a Doctorate in Chemistry from the University of Rome. Our board of directors has concluded that Mr. Rattazzi should serve on our board of directors due to his background as a technologist, as well as a senior manager of, board member of, founder of, and investor in numerous technology companies. Mr. Rattazzi has founded companies, serving as Chief Executive Officer throughout all stages of growth of these companies, including through their start-up phase, the completion of an initial public offering of common stock and continuing to serve as Chief Executive Officer of the publicly traded corporation. His background provides a broad perspective to our board of directors into managing a corporation, strategic leadership and industry experience.

Kevin E. Dillon has served as a member of our board of directors since September 2008. Since January 2005, Mr. Dillon has served as General Partner at Atlantic Bridge, a private equity firm with offices in Dublin and London. Mr. Dillon received a B.A. degree in Economics and Law from University of Cape Town, a LLB degree in Commercial Law from University of Cape Town, a B. Comm. degree in Accounting from University of South Africa, a B. Comm. degree in Taxation from University of Cape Town, and a LLM degree in law from Golden Gate University School of Law. Our board of directors has concluded that Mr. Dillon should serve on our board of directors due to his background as an executive in the technology sector and his experience of venture capital investing in technology companies, which provides a diversity of experience for his service on our board of directors and valuable insight into our industry.

Corentin du Roy de Blicquy has served as a member of our board of directors since February 2007. Mr. du Roy de Blicquy is a Principal at HarbourVest Partners (U.K.) Limited, a subsidiary of global private equity manager HarbourVest Partners, LLC. He has been with HarbourVest since March 2003. Mr. du Roy de Blicquy received a B.S. degree in Business Administration from Paris IX Dauphine University. He received the Chartered Financial Analyst designation in 2002. Our board of directors has concluded that Mr. du Roy de Blicquy should serve on our board of directors due to his experience investing in technology companies as well as his financial background, which brings industry experience and financial expertise to the board of directors.

Marcel Gani has served as a member of our board of directors since May 2011. Mr. Gani is currently an independent consultant. From September 2005 to September 2009, he was a lecturer at the Leavey School of Business, Santa Clara University in Accounting and Finance. From 2005 to 2006 he served as Chief of Staff at Juniper Networks, Inc., a network infrastructure company. From February 1997 to December 2004, Mr. Gani served as Chief Financial Officer of Juniper Networks, Inc. Mr. Gani became Juniper s Executive Vice President and Chief Financial Officer in July 2002. From January 1996 to January 1997, Mr. Gani served as Vice President and Chief Financial Officer of NVIDIA Corporation, a 3D graphic processor company. Mr. Gani holds an M.B.A. from the University of Michigan. Mr. Gani serves

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on the advisory board of the Zell Lurie Institute for entrepreneurial studies at the University of Michigan. Mr. Gani also serves on the board of directors and is the chair of the audit committee of Xsigo Systems, a privately held company. Our board of directors has concluded that Mr. Gani should serve on our board of directors due to his extensive financial and accounting expertise and his experience in managing the financial and administrative departments of large publicly traded technology companies. His background provides perspective to our board of directors in managing a publicly traded company and strong leadership for the audit committee of our board of directors.

Edward A. Gilhuly has served as a member of our board of directors since December 2011. Since May 2006, Mr. Gilhuly has served as managing partner at Sageview Capital, a private investment firm. Prior to founding Sageview Capital, Mr. Gilhuly was at Kohlberg Kravis Roberts & Co (KKR) from September 1986 until October 2005, where he became partner in January 1995 and oversaw the KKR s European business from December 1998 to December 2004. He also served on KKR s Investment Committee from its inception in January 2000 until his departure in October 2005. Since August 2009, Mr. Gilhuly has served on the board of directors of Cinedigm Digital Cinema Corp., a publicly traded digital cinema services company. Mr. Gilhuly also served on the board of directors of Legrande SA, a publicly traded electrical installations and information networks company, from December 2002 to May 2011, and MedCath Corporation, a publicly traded health care provider, from August 1998 to April 2008. Mr. Gilhuly also serves on the board of two private companies. Mr. Gilhuly received a B.A. degree in Economics and History from Duke University and a M.B.A. from Stanford University. Our board of directors has concluded that Mr. Gilhuly should serve on our board of directors due to his significant experience in private equity and finance and experience of having served on over 20 corporate boards, which experience will provide valuable insight and perspective to our board of directors.

Terry D. Kramer has served as a member of our board of directors since May 2011. In April 2011, Mr. Kramer was appointed Entrepreneur in Residence at Harvard Business School and also a member of its California Research Center Advisory Board. From January 2005 to July 2010, Mr. Kramer served in various management positions with Vodafone Group Plc, a telecommunications company, serving initially as the Chief of Staff to the Group CEO from January 2005 to December 2006, then Group Human Resources Director and Chief of Staff from December 2006 to July 2007, then as Group Strategy and Human Resources Director and Chief of Staff from July 2007 to July 2008, then as Group Strategy and Business Improvement Director from July 2008 to July 2009 and finally as Regional President, Vodafone Americas from August 2009 to July 2010. From the period of 1988 to 2000, Mr. Kramer worked for AirTouch Communications, a predecessor organization of Vodafone, in a variety of roles including Vice President, Strategy, Corporate Development and Human Resources, President, AirTouch Paging and Vice President/General Manager of AirTouch Cellular, Southwest Market. Mr. Kramer received a B.A. degree in Economics from UCLA and an M.B.A. from Harvard University. Our board of directors has concluded that Mr. Kramer should serve on our board of directors due to his background as an executive in the telecommunications industry and experience in corporate strategy and human resources management. His background provides a broad perspective to our board of directors in strategic matters and strong leadership for the compensation committee of our board of directors.

Clifford B. Meltzer has served as a member of our board of directors since February 2010. Since October 2009, Mr. Meltzer has served in various capacities at CA Technologies, an IT management company, initially as Corporate Senior Vice President from October 2009 to June 2010, and since June 2010 as Chief Development Officer. From April 2008 to October 2009, Mr. Meltzer served as Vice President at Apple Inc., a computer company. From October 2003 to April 2008, Mr. Meltzer served as Senior Vice President at Cisco Systems, Inc., a networking company. Mr. Meltzer received a B.S. degree in Mathematics from the University of Rochester and a M.S. degree in Computer Science from the University of Rochester. Our board of directors has concluded that Mr. Meltzer should serve on our board of directors due to his background as an executive in the technology sector, which gives him in-depth knowledge of, and exposure to, current technology and industry trends and developments, and provides our board of directors with valuable insight into our industry and target markets.

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R. David Spreng has served as a member of our board of directors since August 2004. Since 1998, Mr. Spreng has served as Managing General Partner at Crescendo Ventures, a venture capital firm. Mr. Spreng received a B.S.B. degree in Accounting from University of Minnesota-Twin Cities. Our board of directors has concluded that Mr. Spreng should serve on our board of directors due to his experience in building companies from the earliest stages of growth to mature technology companies, as a seasoned investor in various technology companies, and his insight into capital formation and operational development matters. In addition, Mr. Spreng served on the board of directors of Compellent Technologies, Inc., a publicly traded network storage solutions company, from December 2006 until its sale to Dell Inc. in February 2011. Our board of directors found Mr. Spreng s experience as a recent director of a public company also provides valuable perspective to our board of directors.

Board Composition

Our board of directors is currently composed of nine members, seven of whom are independent. Julien Signès and Gianluca Rattazzi are not independent as they currently serve or have served as executive officers. Our restated certificate of incorporation and bylaws provide that the number of our directors, which is currently nine members, shall be fixed from time to time by a resolution of the majority of our board of directors. Each officer serves at the discretion of the board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Classified Board

Upon completion of this offering, our board of directors will consist of nine members. Upon completion of this offering, our bylaws will provide for a board of directors consisting of not fewer than five and not more than 11 directors. The authorized number of directors may be changed by resolution of our board of directors. In accordance with our amended and restated certificate of incorporation to be filed in connection with this offering, immediately after this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- The Class I directors will be Edward A. Gilhuly, Corentin du Roy de Blicquy and Julien Signès, and their terms will expire at the annual general meeting of stockholders to be held in 2013;
- The Class II directors will be Kevin Dillon, Gianluca Rattazzi and David Spreng, and their terms will expire at the annual general meeting of stockholders to be held in 2014; and
- The Class III directors will be Marcel Gani, Terry Kramer and Clifford Meltzer, and their terms will expire at the annual general meeting of stockholders to be held in 2015.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change of control.

Corporate Governance

We believe our corporate governance initiatives comply with the Sarbanes-Oxley Act and the rules and regulations of the SEC adopted thereunder. In addition, we believe our corporate governance initiatives comply with the rules of the Nasdaq Global Market. After this offering, our board of directors will continue to evaluate our corporate governance principles and policies.

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Our board of directors has adopted a code of business conduct and ethics that applies to each of our directors, officers and employees. The code addresses various topics, including:

- compliance with laws, rules and regulations, including the Foreign Corrupt Practices Act;
- conflicts of interest;
- insider trading;
- corporate opportunities;
- competition and fair dealing;
- equal employment and working conditions;
- record keeping;
- confidentiality;
- giving and accepting gifts;
- compensation or reimbursement to customers;
- protection and proper use of company assets; and
- payments to government personnel and political contributions.

Our board of directors also adopted a code of ethics for senior financial officers applicable to our Executive Chairman, Chief Executive Officer, Chief Financial Officer and other key management employees addressing ethical issues. Upon completion of this offering, the code of business conduct and ethics and the code of ethics will each be posted on our website. The code of business conduct and ethics and the code of ethics can only be amended by the approval of a majority of our board of directors. Any waiver to the code of business conduct and ethics for an executive officer or director or any waiver of the code of ethics may only be granted by our board of directors or our audit committee and must be timely disclosed as required by applicable law. Our board of directors also adopted whistleblower procedures that establish formal protocols for receiving and handling complaints from employees. Any concerns regarding accounting or auditing matters reported under these procedures will be communicated promptly to our audit committee.

Director Independence

In April 2012, our board of directors undertook a review of the independence of our directors and considered whether any director has a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, our board of directors determined that Kevin Dillon, Corentin du Roy de Blicquy, Clifford Meltzer, David Spreng, Terry Kramer, Marcel Gani and Edward Gilhuly, representing a majority of our directors, are independent directors as defined under the rules of Nasdaq.

Lead Director

Our board of directors intends to establish certain corporate governance principles in connection with this offering. Our board of directors determined as part of our corporate governance principles that one of our independent directors should serve as a lead director at any time when the title of chairman is held by an employee director. The board of directors has appointed Clifford Meltzer as lead director.

Role of the Board in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors does not have a standing risk management committee, but rather administers this oversight function directly through the board of directors as a whole, as well as through

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various board of directors standing committees that address risks inherent in their respective areas of oversight. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure. Our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. Our audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

Board Committees

We have established an audit committee, a compensation committee and a nominating and corporate governance committee. We believe that the composition of these committees meets the criteria for independence under, and the functioning of these committees complies with the applicable requirements of, the Sarbanes-Oxley Act, the current rules of Nasdaq and SEC rules and regulations. We intend to comply with future requirements as they become applicable to us. Each committee has the composition and responsibilities described below:

Audit committee David Spreng, Kevin Dillon and Marcel Gani serve on our audit committee. Mr. Gani is chairperson of this committee. Our audit committee assists our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions, and is directly responsible for the approval of the services performed by our independent accountants and reviewing of their reports regarding our accounting practices and systems of internal accounting controls. Our audit committee also oversees the audit efforts of our independent accountants and takes actions as it deems necessary to satisfy itself that the accountants are independent of management. Our audit committee is also responsible for monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters. Our board of directors has determined that Mr. Gani and Mr. Dillon are each an audit committee financial expert, as defined by the rules promulgated by the SEC, and has the requisite financial sophistication as defined under the applicable rules and regulations of Nasdaq.

Compensation committee David Spreng, Corentin du Roy de Blicquy and Terry Kramer serve on our compensation committee. Mr. Kramer is chairperson of this committee. Our compensation committee assists our board of directors in meeting its responsibilities with regard to oversight and determination of executive compensation and assesses whether our compensation structure establishes appropriate incentives for officers and employees. Our compensation committee reviews and makes recommendations to our board of directors with respect to our major compensation plans, policies and programs. In addition, our compensation committee reviews and makes recommendations for approval by the independent members of our board of directors regarding the compensation for our executive officers, establishes and modifies the terms and conditions of employment of our executive officers and administers our stock option plans. Following this offering, our compensation committee will be primarily and ultimately responsible for determining the compensation program for our executive officers.

Nominating and corporate governance committee Clifford Meltzer, Terry Kramer and David Spreng serve on our nominating and corporate governance committee. Mr. Meltzer is chairperson of this committee. Our nominating and corporate governance committee is responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of the board of directors. In addition, our nominating and corporate governance committee is responsible for overseeing our corporate governance guidelines, and reporting and making recommendations to the board of directors concerning corporate governance matters.

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Compensation Committee Interlocks and Insider Participation

Corentin du Roy de Blicquy, Terry Kramer and David Spreng served as members of our compensation committee during fiscal 2012. None of the members of our compensation committee is or has in the past served as an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of a board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Director Compensation

The compensation we pay our non-employee directors is reviewed by our compensation committee and ultimately approved, taking into account information from our compensation committee, by our full board of directors, which includes one employee director.

Commencing in August 2011, our board of directors established a cash compensation program for our non-employee directors who are not affiliated with one of our significant stockholders. This group of non-employee directors consisted of Terry Kramer, Marcel Gani and Clifford Meltzer. This cash compensation program consisted of the following cash payments:

Description of Board Service	**Cash Amount**
General Board Services	
Annual Retainer	$ 20,000
Meeting Fee	None
Committee Chair Services	
Annual Cash Retainer	
Audit Committee	$ 25,000
Compensation Committee	15,000
Nominating and Corporate Governance Committee	20,000
Meeting Fee (all committees)	None
Committee Member Services (Excluding Committee Chair)	
Annual Cash Retainer	
Audit Committee	$ 5,000
Compensation Committee	3,000
Nominating and Corporate Governance Committee	1,500
Meeting Fee (all committees)	None

Commencing upon the consummation of this offering, we will pay all of our non-employee directors cash compensation in accordance with the program described above.

In February 2012, we began to compensate Gianluca Rattazzi for his services as a non-employee director, including a $20,000 annual cash retainer consistent with the policy discussed above and an $80,000 annual retainer for his service as our non-executive Chairman of the Board.

We are also required to reimburse our non-employee directors for their reasonable out-of-pocket costs and travel expenses in connection with their attendance at board and committee meetings.

Under our 2012 Stock Incentive Plan, which will become effective in connection with this offering, our non-employee directors are eligible to receive automatic equity grants.

Initial Grants. Each non-employee director who first joins our board of directors after this offering, and who was not previously an employee, will automatically receive an equity grant under our 2012 Stock

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Incentive Plan on the date of election to our board of directors. Unless our board of directors or compensation committee otherwise provides, the grant will be a stock option for a number of shares equal to (i) $200,000 divided by (ii) the Black-Scholes value of an option as of the date of grant. Alternatively, our board of directors or compensation committee may provide for a grant of restricted stock units for a number of shares equal to (i) $200,000 divided by (ii) the fair market value of one share of our common stock, as defined under the plan, on the date of grant. This initial grant will vest monthly over a four-year period, subject to full acceleration upon a change of control.

Annual Grants. Our non-employee directors are also eligible to receive automatic annual equity grants under our 2012 Stock Incentive Plan. On the first business day following each regular annual stockholder meeting, beginning with the first meeting after this offering, each non-employee director who was not elected to our board of directors for the first time at that meeting and who has served on our board of directors for at least twelve months as of the date of the meeting, will receive an option for a number of shares equal to (i) $50,000 divided by (ii) the Black-Scholes value of an option on the date of grant. Alternatively, our board of directors or compensation committee may provide for a grant of restricted stock units for a number of shares equal to (i) $50,000 divided by (ii) the fair market value of one share of our common stock, as defined under the plan, on the date of grant. These annual grants will vest on the first anniversary of the date of grant, or immediately prior to the next regular annual stockholder meeting following the date of grant if the meeting occurs prior to the first anniversary date, subject to full acceleration upon a change of control.

Discretionary Grants. Our board of directors or compensation committee, in its discretion, may change and otherwise revise the terms of the awards granted to non-employee directors, including the aggregate value or number of shares subject to the awards or the type of award to be granted.

The following table sets forth a summary of the compensation earned by non-employee directors as of January 31, 2012:

Name	Fees Earned or Paid in Cash	Option Awards (1) (2)	Total
Kevin E. Dillon			
Corentin du Roy de Blicquy			
Marcel Gani	$ 33,750		$ 33,750
Edward A. Gilhuly			
Terry D. Kramer	27,375		27,375
Clifford B. Meltzer	18,750		18,750
R. David Spreng			

(1) Amounts listed in this column represent the stock-based compensation expense of awards recognized by us for fiscal 2012, rather than amounts paid to or realized by the named individual. Our assumptions with respect to the calculation of stock-based compensation expense are set forth above in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Stock-Based Compensation. There can be no assurance that options will be exercised (in which case no value will be realized by the individual) or that the value on exercise will approximate the compensation expense recognized by us.

(2) See the outstanding equity awards table below for the details of the option awards.

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The following table lists all outstanding equity awards held by non-employee directors as of January 31, 2012:

Name	Option Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Exercise Price of Options	Expiration Date of Options
Kevin E. Dillon					
Corentin du Roy de Blicquy					
Marcel Gani	5/20/2011	6,666(1)	33,334	$ 7.90	5/19/2021
Edward A. Gilhuly					
Terry D. Kramer	5/20/2011	6,666(1)	33,334		