UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2014

OR

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

For the transition period from__________ to __________

Commission File Number: 0-21393

SEACHANGE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**04-3197974** **(IRS Employer Identification No.)**

50 Nagog Park, Acton, MA 01720
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (978) 897-0100

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

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

The number of shares outstanding of the registrant's Common Stock on December 2, 2014 was 32,594,069.

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PART I. FINANCIAL INFORMATION

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	October 31, 2014 (Unaudited)	January 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 94,572	$ 115,734
Marketable securities	6,025	5,555
Accounts and other receivables, net of allowance for doubtful accounts of $410 and $327 at October 31, 2014 and January 31, 2014, respectively	22,906	30,203
Unbilled receivables	6,153	5,511
Inventories	4,067	6,632
Prepaid expenses and other current assets	5,522	5,242
Total current assets	139,245	168,877
Property and equipment, net	16,519	18,530
Marketable securities, long-term	7,784	6,814
Investments in affiliates	3,051	1,051
Intangible assets, net	8,923	12,855
Goodwill	43,383	45,150
Other assets	896	836
Total assets	$ 219,801	$ 254,113
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,316	$ 6,640
Other accrued expenses	10,851	12,332
Deferred revenues	19,058	24,030
Total current liabilities	35,225	43,002
Deferred revenue	1,525	1,598
Other liabilities	937	936
Taxes payable	1,991	2,503
Deferred tax liabilities	1,516	1,633
Total liabilities	41,194	49,672
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, $0.01 par value;100,000,000 shares authorized; 32,672,300 shares issued and 32,632,516 outstanding at October 31, 2014, and 33,037,671 shares issued and 32,997,887 outstanding at January 31, 2014	327	330
Additional paid-in capital	219,012	221,932
Treasury stock, at cost; 39,784 common shares	(1)	(1)
Accumulated loss	(37,032)	(15,688)
Accumulated other comprehensive loss	(3,699)	(2,132)
Total stockholders' equity	178,607	204,441
Total liabilities and stockholders' equity	$ 219,801	$ 254,113

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

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SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited, amounts in thousands, except per share data)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Revenues:				
Product	$ 7,311	$13,822	$ 21,109	$ 44,809
Service	22,659	23,949	63,047	65,894
Total revenues	29,970	37,771	84,156	110,703
Cost of revenues:				
Product	2,779	3,016	6,188	7,495
Service	12,094	13,480	35,970	40,736
Amortization of intangible assets	258	320	795	947
Stock-based compensation expense	46	67	132	191
Total cost of revenues	15,177	16,883	43,085	49,369
Gross profit	14,793	20,888	41,071	61,334
Operating expenses:				
Research and development	9,932	10,212	31,729	30,007
Selling and marketing	3,447	3,948	10,509	11,283
General and administrative	3,841	4,184	11,895	13,664
Amortization of intangible assets	994	842	3,325	2,512
Stock-based compensation expense	1,136	588	2,447	2,234
Earn-outs and change in fair value of earn-outs	—	(94)	—	(60)
Professional fees - other	124	603	477	1,524
Severance and other restructuring costs	1,186	76	1,878	922
Total operating expenses	20,660	20,359	62,260	62,086
(Loss) income from operations	(5,867)	529	(21,189)	(752)
Other expenses, net	(676)	(178)	(594)	(955)
(Loss) income before income taxes and equity income in earnings of affiliates	(6,543)	351	(21,783)	(1,707)
Income tax benefit	(348)	(423)	(415)	(784)
Equity income in earnings of affiliates, net of tax	—	24	19	44
(Loss) income from continuing operations	(6,195)	798	(21,349)	(879)
(Loss) income from discontinued operations, net of tax	(114)	(221)	5	(744)
Net (loss) income	$ (6,309)	$ 577	$(21,344)	$ (1,623)
Net (loss) income	$ (6,309)	$ 577	$(21,344)	$ (1,623)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(1,476)	1,215	(1,561)	527
Unrealized gain (loss) on marketable securities	6	2	(6)	(7)
Comprehensive (loss) income	$ (7,779)	$ 1,794	$(22,911)	$ (1,103)
Net (loss) income per share:				
Basic (loss) income per share	$ (0.19)	$ 0.02	$ (0.65)	$ (0.05)
Diluted (loss) income per share	$ (0.19)	$ 0.02	$ (0.65)	$ (0.05)
Net (loss) income per share from continuing operations:				
Basic (loss) income per share	$ (0.19)	$ 0.02	$ (0.65)	$ (0.03)
Diluted (loss) income per share	$ (0.19)	$ 0.02	$ (0.65)	$ (0.03)
Net (loss) income per share from discontinued operations:				
Basic (loss) income per share	$ (0.00)	$ (0.00)	$ 0.00	$ (0.02)
Diluted (loss) income per share	$ (0.00)	$ (0.00)	$ 0.00	$ (0.02)
Weighted average common shares outstanding:				
Basic	32,628	32,813	32,805	32,636
Diluted	32,628	33,595	32,805	32,636

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

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SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013
Cash flows from operating activities:		
Net loss	$ (21,344)	$ (1,623)
Net (income) loss from discontinued operations	(5)	744
Adjustments to reconcile net loss to net cash (used in) provided by operating activities from continuing operations:		
Depreciation of property and equipment	2,809	3,345
Amortization of intangible assets	4,120	3,459
Stock-based compensation expense	2,579	2,425
Other	342	730
Changes in operating assets and liabilities:		
Accounts receivable	6,640	6,334
Unbilled receivables	(976)	(4,217)
Inventories	1,853	(859)
Prepaid expenses and other assets	(465)	6,412
Accounts payable	(1,235)	(1,642)
Accrued expenses	(1,882)	(5,657)
Deferred revenues	(4,600)	(3,964)
Other	489	651
Net cash (used in) provided by operating activities from continuing operations	(11,675)	6,138
Net cash provided by (used in) operating activities from discontinued operations	5	(744)
Total cash (used in) provided by operating activities	(11,670)	5,394
Cash flows from investing activities:		
Purchases of property and equipment	(1,470)	(1,834)
Purchases of marketable securities	(7,160)	(6,911)
Proceeds from sale and maturity of marketable securities	5,633	8,698
Proceeds from sale of equity investments	235	1,128
Investment in affiliate	(2,000)	—
Acquisition of businesses and payment of contingent consideration, net of cash acquired	—	(4,018)
Other investing activities, net	—	21
Net cash used in investing activities from continuing operations	(4,762)	(2,916)
Net cash provided by investing activities from discontinued operations	—	4,000
Total cash (used in) provided by investing activities	(4,762)	1,084
Cash flows from financing activities:		
Repurchases of common stock	(5,504)	—
Proceeds from issuance of common stock relating to stock option exercises	—	1,037
Total cash (used in) provided by financing activities	(5,504)	1,037
Effect of exchange rate changes on cash	774	(129)
Net (decrease) increase in cash and cash equivalents	(21,162)	7,386
Cash and cash equivalents, beginning of period	115,734	106,721
Cash and cash equivalents, end of period	$ 94,572	$114,107
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 648	$ 933
Supplemental disclosure of non-cash activities:		
Transfer of items originally classified as inventories to equipment	$ 552	$ 866
Issuance of common stock for settlement of contingent consideration related to acquisitions	$ —	$ 1,560
Asset held for sale reclassified to asset held for use and reclassified from current assets to property and equipment	$ —	$ 465

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

SEACHANGE INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Business and Basis of Presentation

The Company

SeaChange International, Inc. and its consolidated subsidiaries (collectively "SeaChange", "we", or the "Company") is an industry leader in the delivery of multi-screen video. Our products and services facilitate the aggregation, licensing, management and distribution of video (primarily movies and television programming) and television advertising content to cable television system operators, telecommunications and media companies.

Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of SeaChange International, Inc. and its subsidiaries ("SeaChange" or the "Company") and are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reports as well as rules and regulations of the Securities and Exchange Commission ("SEC"). All intercompany transactions and balances have been eliminated. Certain information and footnote disclosures normally included in financial statements prepared under U.S. GAAP have been condensed or omitted pursuant to such regulations. However, we believe that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying financial statements include all adjustments necessary to present a fair presentation of the consolidated financial statements for the periods shown. These consolidated financial statements should be read in conjunction with our most recently audited financial statements and related footnotes included in our Annual Report on Form 10-K ("Form 10-K") as filed with the SEC. The balance sheet data as of January 31, 2014 that is included in this Form 10-Q was derived from our audited financial statements. We have reclassified certain fiscal 2014 data to conform to our fiscal 2015 presentation.

The preparation of these financial statements in conformity with U.S. GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Interim results are not necessarily indicative of the operating results for the full fiscal year or any future periods and actual results may differ from our estimates. During the three and nine months ended October 31, 2014, there have been no material changes to our significant accounting policies that were described in our fiscal 2014 Form 10-K, as filed with the SEC.

2. Fair Value Measurements

Definition and Hierarchy

The applicable accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a framework for measuring fair value and expands required disclosure about the fair value measurements of assets and liabilities. This guidance requires us to classify and disclose assets and liabilities measured at fair value on a recurring basis, as well as fair value measurements of assets and liabilities measured on a non-recurring basis in periods subsequent to initial measurement, in a fair value hierarchy.

The fair value hierarchy is broken down into three levels based on the reliability of inputs and requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required, as well as the assets and liabilities that we value using those levels of inputs:

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not very active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation Techniques

When developing fair value estimates for certain financial assets and liabilities, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted market prices, market comparables and discounted cash flow projections. Financial instruments include money market funds, U.S. treasury notes or bonds and U.S. government agency bonds.

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly. In periods of market inactivity, the observability of prices and inputs may be reduced for certain instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

The following tables set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of October 31, 2014 and January 31, 2014:

		Fair Value at October 31, 2014 Using		
	October 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Amounts in thousands)			
Financial assets:				
Money market accounts (a)	$ 2,046	$ 2,046	$ —	$ —
Available for sale marketable securities:				
Current marketable securities:				
U.S. treasury notes and bonds - conventional	501	501	—	—
U.S. government agency issues	5,524	—	5,524	—
Non-current marketable securities:				
U.S. treasury notes and bonds - conventional	3,519	3,519	—	—
U.S. government agency issues	4,265	—	4,265	—
Total	$ 15,855	$ 6,066	$ 9,789	$ —

		Fair Value at January 31, 2014 Using		
	January 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Amounts in thousands)			
Financial assets:				
Money market accounts (a)	$ 3,463	$ 3,463	$ —	$ —
Available for sale marketable securities:				
Current marketable securities:				
U.S. treasury notes and bonds - conventional	3,545	3,545	—	—
U.S. government agency issues	2,010	—	2,010	—
Non-current marketable securities:				
U.S. government agency issues	6,814	—	6,814	—
Total	$ 15,832	$ 7,008	$ 8,824	$ —

(a) Money market funds and U.S. treasury bills are included in cash and cash equivalents on the accompanying consolidated balance sheet and are valued at quoted market prices for identical instruments in active markets.

Available-For-Sale Securities

We determine the appropriate classification of debt investment securities at the time of purchase and re-evaluate such designation as of each balance sheet date. Our investment portfolio consists of money market funds, U.S. treasury notes and bonds, and U.S. government agency notes and bonds as of October 31, 2014 and January 31, 2014. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. All cash equivalents are carried at cost, which approximates fair value. Our marketable securities are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of tax, reported in stockholders' equity as a component of accumulated other comprehensive loss. The amortization of premiums and accretion of discounts to maturity are computed under the effective interest method and are included in other expenses, net, in our consolidated statements of operations and comprehensive (loss) income. Interest on securities is recorded as earned and is also included in other expenses, net. Any realized gains or losses would be shown in the accompanying consolidated statements of operations and comprehensive (loss) income in other expenses, net. We provide fair value measurement disclosures of available-for-sale securities in accordance with one of three levels of fair value measurement mentioned above.

The following is a summary of cash, cash equivalents and available-for-sale securities, including the cost basis, aggregate fair value and gross unrealized gains and losses, for cash equivalents, short- and long-term marketable securities portfolio as of October 31, 2014 and January 31, 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Amounts in thousands)			
October 31, 2014:				
Cash	$ 92,526	$ —	$ —	$ 92,526
Cash equivalents	2,046	—	—	2,046
Cash and cash equivalents	94,572	—	—	94,572
U.S. treasury notes and bonds - short-term	501	—	—	501
U.S. treasury notes and bonds - long-term	3,520	—	(1)	3,519
U.S. government agency issues - short-term	5,517	7	—	5,524
U.S. government agency issues - long-term	4,258	7	—	4,265
Total cash, cash eqivalents and marketable securities	$108,368	$ 14	$ (1)	$108,381
January 31, 2014:				
Cash	$112,271	$ —	$ —	$112,271
Cash equivalents	3,463	—	—	3,463
Cash and cash equivalents	115,734	—	—	115,734
U.S. treasury notes and bonds - short-term	3,540	5		3,545
U.S. government agency issues - short-term	2,005	5	—	2,010
U.S. government agency issues - long-term	6,806	8	—	6,814
Total cash, cash eqivalents and marketable securities	$128,085	$ 18	$ —	$128,103

The following is a schedule of the contractual maturities of available-for-sale investments as of October 31, 2014 (amounts in thousands):

	Estimated Fair Value
Maturity of one year or less	$ 6,025
Maturity between one and five years	7,784
Total	$ 13,809

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3. Inventories

Inventories consist primarily of hardware and related component parts and are stated at the lower of cost (on a first-in, first-out basis) or market. Inventories consist of the following:

	October 31, 2014	January 31, 2014
	(Amounts in thousands)	
Components and assemblies	$ 1,707	$ 2,201
Finished products	2,360	4,431
Total inventory	$ 4,067	$ 6,632

4. Goodwill and Intangible Assets

Goodwill

Changes in the carrying amount of goodwill for the nine months ended October 31, 2014 were as follows:

	Goodwill
	(Amounts in thousands)
Balance at January 31, 2014	$ 45,150
Cumulative translation adjustment	(1,767)
Balance at October 31, 2014	$ 43,383

We are required to perform impairment tests related to our goodwill annually, which we perform during the third quarter of each fiscal year or sooner if an indicator of impairment occurs. There was no impairments of goodwill determined as a result of the annual impairment test analysis completed during the third quarter of fiscal 2015, see *"Critical Accounting Policies and Significant Judgment and Estimates – Goodwill,"* in Part I, Item 2 of this Form 10-Q for more information. While no impairment charges resulted from our annual test, impairment charges may occur in the future as a result of changes in projected growth and other factors.

Intangible Assets

Intangible assets, net, consisted of the following:

		As of October 31, 2014			As of January 31, 2014		
	Weighted average remaining life (Years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
		(Amounts in thousands)					
Finite-lived intangible assets:							
Customer contracts	6.0	$31,656	$ (24,172)	$7,484	$32,593	$ (22,344)	$10,249
Non-compete agreements	0.3	2,628	(2,593)	35	2,772	(2,632)	140
Completed technology	5.1	10,969	(9,565)	1,404	11,461	(9,195)	2,266
Trademarks, patents and other	—	7,121	(7,121)	—	7,151	(7,151)	—
Total finite-lived intangible assets		$52,374	$ (43,451)	$8,923	$53,977	$ (41,322)	$12,655
Indefinite-lived intangible assets:							
Trade names	—	$ 200	$ (200)	$ —	$ 200	$ —	$ 200
Total intangible assets		$52,574	$ (43,651)	$8,923	$54,177	$ (41,322)	$12,855

As of October 31, 2014, the estimated future amortization expense for our finite-lived intangible assets for the remainder of fiscal year 2015, the four succeeding fiscal years and thereafter is as follows (amounts in thousands):

Fiscal Year Ended January 31,	Estimated Amortization Expense
2015 (for the remaining three months)	$ 919
2016	3,353
2017	2,283
2018	1,428
2019	699
2020 and thereafter	241
Total	$ 8,923

During the third quarter of fiscal 2015, we fully amortized our trade name intangible assets as they are no longer used.

5. Commitments and Contingencies

Indemnification and Warranties

We provide indemnification, to the extent permitted by law, to our officers, directors, employees and agents for liabilities arising from certain events or occurrences while the officer, director, employee or agent is, or was, serving at our request in such capacity. With respect to acquisitions, we provide indemnification to, or assume indemnification obligations for, the current and former directors, officers and employees of the acquired companies in accordance with the acquired companies' bylaws and charters. As a matter of practice, we have maintained directors' and officers' liability insurance including coverage for directors and officers of acquired companies.

We enter into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of these agreements require us to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to our products. From time to time, we also indemnify customers and business partners for damages, losses and liabilities they may suffer or incur relating to personal injury, personal property damage, product liability, and environmental claims relating to the use of our products and services or resulting from the acts or omissions of us, our employees, authorized agents or subcontractors. From time to time we have received requests from customers for indemnification of patent litigation claims. Management cannot reasonably estimate any potential losses, but these claims could result in material liability for us. There are no current pending legal proceedings, in the opinion of management that would have a material adverse effect on our financial position, results from operations and cash flows. There is no assurance that future legal proceedings arising from ordinary course of business or otherwise, will have a material adverse effect on our financial position, results from operations or cash flows.

We warrant that our products, including software products, will substantially perform in accordance with our standard published specifications in effect at the time of delivery. In addition, we provide maintenance support to our customers and therefore allocate a portion of the product purchase price to the initial warranty period and recognize revenue on a straight line basis over that warranty period related to both the warranty obligation and the maintenance support agreement. When we receive revenue for extended warranties beyond the standard duration, it is deferred and recognized on a straight line basis over the contract period. Related costs are expensed as incurred.

Revolving Line of Credit/Demand Note Payable

We renewed our letter agreement with JP Morgan Chase Bank, N.A. ("JP Morgan") for a demand discretionary line of credit and a Demand Promissory Note in the aggregate amount of $20.0 million (the "Line of Credit"), effective November 26, 2014. Borrowings under the Line of Credit will be used to finance working capital needs and for general corporate purposes. We currently do not have any borrowings nor do we have any financial covenants under this line.

6. Severance and Other Restructuring Costs

During the three and nine months ended October 31, 2014, we incurred restructuring charges of $1.2 million and $1.9 million, respectively, related to severance costs for terminated employees, which includes a $1.2 million charge related to the resignation of our former CEO in October 2014.

The following table shows the change in balances of our severance liability for three and nine months ended October 31, 2014. These amounts are reported as a component of other accrued expenses on the consolidated balance sheet as of October 31, 2014 (amounts in thousands):

	Three Months Ended October 31, 2014	Nine Months Ended October 31, 2014
Accrual balance at the beginning of the period	$ 213	$ 229
Severance charges accrued	1,186	1,878
Severance costs paid	(185)	(893)
Accrual balance as of October 31, 2014	$ 1,214	$ 1,214

7. Stock Repurchase Program

On September 4, 2013, our Board of Directors authorized the repurchase of up to $25.0 million of our common stock through a share repurchase program which would have terminated on January 31, 2015. On May 31, 2014, this program was amended to increase the authorized repurchase amount to $40.0 million and extend the termination date to April 30, 2015. Under the program, we are authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. This share repurchase program does not obligate us to acquire any specific number of shares and may be suspended or discontinued at any time. All repurchases are expected to be funded from our current cash and investment balances. The timing and amount of shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements, and alternative investment opportunities. Any shares repurchased by us under the share repurchase program will reduce the number of shares outstanding. Pursuant to the share repurchase program, we executed a Rule 10b5-1 plan in June 2014 to repurchase shares. We did not repurchase any shares of our common stock during the three months ended October 31, 2014. During the nine months ended October 31, 2014, we used $5.5 million of cash in connection with the repurchase of 591,520 shares of our common stock (an average price of $9.31 per share). As of October 31, 2014, $34.5 million remained available under the existing share repurchase authorization.

8. Stock Incentive Plans

2011 Compensation and Incentive Plan

In July 2011, our stockholders approved the adoption of our 2011 Compensation and Incentive Plan (the “2011 Plan”). Under the 2011 Plan, as amended in July 2013, the number of authorized shares of common stock is equal to 5,300,000 shares plus the number of shares that expired, terminated, surrendered or forfeited awards subsequent to July 20, 2011 under the Amended and Restated 2005 Equity Compensation and Incentive Plan (the “2005 Plan”). Following approval of the 2011 Plan, we terminated the 2005 Plan. The 2011 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, restricted stock units (“RSUs”), deferred stock units (“DSUs”) and other equity based non-stock option awards as determined by the plan administrator by officers, employees, consultants, and directors of the Company.

Effective February 1, 2014, SeaChange gave its non-employee members of the Board of Directors the option to receive DSUs in lieu of RSUs beginning with the annual grant for fiscal 2015. These DSUs shall fully vest one year from the grant date. The number of units subject to the DSUs is determined as of the first day of the applicable fiscal year and the shares underlying the DSUs are not vested and issued until the earlier of the director ceasing to be a member of the Board of Directors (provided such time is subsequent to the first day of the succeeding fiscal year) or immediately prior to a change in control.

We may satisfy awards upon the exercise of stock options or vesting of RSUs with newly issued shares or treasury shares. The Board of Directors is responsible for the administration of the 2011 Plan and determining the terms of each award, award exercise price, the number of shares for which each award is granted and the rate at which each award vests. In certain instances the Board of Directors may elect to modify the terms of an award.

Option awards may be granted to employees at an exercise price per share of not less than 100% of the fair market value per common share on the date of the grant. RSUs, DSUs and other equity-based non-stock option awards may be granted to any officer, employee, director, or consultant at a purchase price per share as determined by the Board of Directors. Option awards granted under the 2011 Plan generally vest over a period of three years and expire ten years from the date of the grant.

As discussed in our Current Report on Form 8-K ("Form 8-K") furnished October 21, and filed October 22, 2014, we appointed a new CEO on October 20, 2014, at which time he was granted 500,000 stock options to purchase the Company's common stock. These stock options have an exercise price equal to our closing stock price on October 20, 2014, and will vest in approximately equal increments based upon the closing price of SeaChange's common stock. We recorded the fair value of these stock options using the Monte Carlo simulation model, since the stock option vesting is variable depending on the closing price of our traded common stock. The model simulated the daily trading price of the market-based stock options' expected term to determine if the vesting conditions would be triggered during the term. As a result, the fair value of these stock options was estimated at $1.7 million. We incurred stock compensation expense of approximately $33,000 since the date of grant.

9. Accumulated Other Comprehensive Loss

The following shows the changes in the components of accumulated other comprehensive loss for the nine months ended October 31, 2014:

	Foreign Currency Translation Adjustment	Changes in Fair Value of Available-for-Sale Investments	Total
Balance at January 31, 2014	$ (2,150)	$ 18	$(2,132)
Other comprehensive loss	(1,561)	(6)	(1,567)
Balance at October 31, 2014	$ (3,711)	$ 12	$(3,699)

Comprehensive loss consists of net (loss) income and other comprehensive (loss) income, which includes foreign currency translation adjustments and changes in unrealized gains and losses on marketable securities available for sale. For purposes of comprehensive (loss) income disclosures, we do not record tax expense or benefits for the net changes in the foreign currency translation adjustments, as we intend to permanently reinvest all undistributed earnings of our foreign subsidiaries.

10. Segment Information, Significant Customers and Geographic Information

Segment Information

Our operations are organized into one reportable segment. Operating segments are defined as components of an enterprise evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assess performance. Our reportable segment was determined based upon the nature of the products offered to customers, the market characteristics of each operating segment and the Company's management structure.

Significant Customers

The following summarizes revenues by significant customer where such revenue exceeded 10% of total revenues for the indicated period:

	Three Months Ended Octcober 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Customer A	18%	15%	19%	15%
Customer B	15%	20%	15%	25%
Customer C	N/A	N/A	N/A	10%

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Geographic Information

The following table summarizes revenues by customers' geographic locations for the periods presented:

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
	(Amounts in thousands, except percentages)							
Revenues by customers' geographic locations:								
North America(1)	$15,673	52%	$21,508	57%	$49,170	58%	$ 61,068	55%
Europe and Middle East	10,272	34%	13,324	35%	26,970	32%	39,663	36%
Latin America	1,475	5%	2,629	7%	4,653	6%	7,724	7%
Asia Pacific and other international locations	2,550	9%	310	1%	3,363	4%	2,248	2%
Total	$29,970		$37,771		$84,156		$110,703	

(1) Includes total revenues for the United States for the periods shown as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
	(Amounts in thousands, except percentages)			
U.S. Revenue	$14,608	$18,461	$46,055	$54,099
% of total revenues	48.7%	48.9%	54.7%	48.9%

11. Income Taxes

We recorded an income tax benefit from continuing operations of $0.3 million and $0.4 million for the three and nine months ended October 31, 2014, respectively. Our effective tax rate is lower than the U.S. federal statutory rate as we did not record tax benefits on our year-to-date losses in certain jurisdictions, including the United States, where we continue to maintain a full valuation allowance against deferred tax assets. Additionally, the rate is impacted by the geographic jurisdiction in which the worldwide income or loss will be incurred, resulting in the difference between the federal statutory rate of 35% and the forecasted effective tax rate. The tax benefit for the nine months ended October 31, 2014 includes the reversal of tax reserves for uncertain tax positions due to the expiration of the Irish statute of limitations. The statute of limitations varies in each jurisdiction we operate in. In any given year, a jurisdiction's statute of limitations may lapse without examination and any tax reserves for uncertain tax positions recorded in a corresponding year will result in the reduction of the liability for unrecognized tax benefits for that year.

Our effective tax rate in fiscal 2015 and in future periods may fluctuate on a quarterly basis as a result of changes in the valuation of our deferred tax assets, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles, or interpretations thereof. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits. We make adjustments to our unrecognized tax benefits when: i) facts and circumstance regarding a tax position change, causing a change in management's judgment regarding that tax position; ii) a tax position is effectively settled with a tax authority; and/or iii) the statute of limitations expires regarding a tax position.

We file income tax returns in U.S. federal jurisdiction, various state jurisdictions, and various foreign jurisdictions. We are no longer subject to U.S. federal examinations before fiscal 2010. However, the taxing authorities still have the ability to review the propriety of certain tax attributes created in closed years if such tax attributes are utilized in an open tax year. Presently, we are undergoing an IRS audit for the fiscal years 2010 through 2012.

12. Net (Loss) Income Per Share

Net (loss) income per share is presented in accordance with authoritative guidance which requires the presentation of "basic" and "diluted" earnings per share. Basic net (loss) income per share is computed by dividing earnings available to common shareholders by the weighted-average shares of common stock outstanding during the period. For the purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding during the period and the weighted average number of shares of potential dilutive shares of common stock, such as stock options and RSUs, calculated using the treasury stock method. Basic and diluted net (loss) income per share was the same for three and nine months ended October 31, 2014 and for the nine months ended October 31, 2013 as the impact of potential dilutive shares outstanding was anti-dilutive.

The following table sets forth our computation of basic and diluted net (loss) income per common share (amounts in thousands, except per share amounts):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Net (loss) income from continuing operations	$ (6,195)	$ 798	$(21,349)	$ (879)
Net (loss) income from discontinued operations	(114)	(221)	5	(744)
Net (loss) income	$ (6,309)	$ 577	$(21,344)	$ (1,623)
Weighted average shares used in computing net (loss) income per share - basic	32,628	32,813	32,805	32,636
Effect of dilutive shares:				
Stock options	—	376	—	—
Restricted stock units	—	406	—	—
Dilutive potential common shares	—	782	—	—
Weighted average shares used in computing net (loss) income per share - diluted	32,628	33,595	32,805	32,636
Net (loss) income per share - basic:				
(Loss) income from continuing operations	$ (0.19)	$ 0.02	$ (0.65)	$ (0.03)
(Loss) income from discontinued operations	(0.00)	(0.00)	0.00	(0.02)
Net (loss) income per share - basic	$ (0.19)	$ 0.02	$ (0.65)	$ (0.05)
Net (loss) income per share - diluted:				
(Loss) income from continuing operations	$ (0.19)	$ 0.02	$ (0.65)	$ (0.03)
(Loss) income from discontinued operations	(0.00)	(0.00)	0.00	(0.02)
Net (loss) income per share - diluted	$ (0.19)	$ 0.02	$ (0.65)	$ (0.05)

The number of common shares used in the computation of diluted net (loss) income per share for the three and nine months ended October 31, 2014 and 2013 does not include the effect of the following potentially outstanding common shares because the effect would have been anti-dilutive (amounts in thousands):

	Three Months Ended October 31,		Nine Months Ended Occtober 31,	
	2014	2013	2014	2013
Stock options	1,007	557	318	942
Restricted stock units	263	2	212	484
Total	1,270	559	530	1,426

13. Recent Accounting Standard Updates

We consider the applicability and impact of all Accounting Standards Updates. Updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

Recent Accounting Guidance Not Yet Effective

Accounting For Share-Based Payments- Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates No. ("ASU") 2014-12,*"Compensation - Stock Compensation (Topic 718) – Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period."* ASU 2014-12 requires that a performance target which affects vesting and that could be achieved after the requisite service period be treated as a performance condition by applying existing guidance in Topic 718 as it relates to awards with performance conditions. The amendment also specifies the period over which compensation costs should be recognized. The amendment is effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-12 on our consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09,*"Revenue from Contracts with Customers (Topic 606),"* to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and the International Financial Reporting Standards. This guidance supersedes previously issued guidance on revenue recognition and gives a five step process an entity should follow so that the entity recognizes revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new guidance will be effective for our fiscal 2018 reporting period and must be applied either retrospectively during each prior reporting period presented or retrospectively with the cumulative effect of initially applying this guidance recognized at the date of the initial application. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this ASU on our consolidated financial statements.

Reporting Discontinued Operations and Disposals of Components of an Entity

In April 2014, the FASB issued ASU 2014-08,*"Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,"* which changes the criteria for reporting discontinued operations while enhancing disclosures in this area. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. This guidance also expands the disclosures required when an entity reports a discontinued operation or when it disposes of or classifies as held for sale an individually significant component that does not meet the definition of a discontinued operation. This new guidance will be effective prospectively on disposals (or classifications of held for sale) of components of an entity that occur within our fiscal year beginning on February 1, 2015. Early adoption is permitted but only for disposals (or classification as held for sale) that have not been reported in financial statements previously issued or available for issuance. We do not anticipate material impacts on our financial statements upon initial adoption. This guidance could have a material impact on our disclosure requirements if we dispose of, or classify as held for sale, an individually significant component of our business that does not meet the definition of a discontinued operation.

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

Forward-Looking Statements

This Form 10-Q contains or incorporates forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which involve risks and uncertainties. The following information should be read in conjunction with the unaudited consolidated financial information and the notes thereto included in this Form 10-Q. You should not place undue reliance on these forward-looking statements. Actual events or results may differ materially due to competitive factors and other factors referred to in Part I, Item 1A. "Risk Factors" in our Form 10-K for our fiscal year ended January 31, 2014 and elsewhere in this Form 10-Q. These factors may cause our actual results to differ materially from any forward-looking statement. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate, and management's beliefs and assumptions. We undertake no obligation to update or revise the statements in light of future developments. In addition, other written or oral statements that constitute forward-looking statements may be made by us or on our behalf. Words such as "expect," "anticipate," "intend," "plan," "believe," "could," "estimate," "may," "target," "project," or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict.

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Business Overview

We are an industry leader in the delivery of multi-screen video headquartered in Acton, Massachusetts. Our products and services facilitate the aggregation, licensing, management and distribution of video (primarily movies and television programming) and television advertising content for cable television system operators, telecommunications and media companies. We currently operate under one reporting segment.

Our focus for the remainder of fiscal 2015 will be:

- Increasing our next generation product revenues from sales to new customers by expanding to new and adjacent markets and increasing our selling efforts into new geographical areas;
- Upgrading our existing customers to next generation products; and
- Enabling our customers in their capacity as service providers to increase average revenue per subscriber, reduce operating and capital expenses, and lower customer churn with quality products and superior customer service.

We continue to experience fluctuations in our revenues from quarter to quarter due to the following factors:

- Budgetary approvals by our customers for capital purchases;
- The ability of our customers to process the purchase order within their organization in a timely manner;
- Availability of the product;
- The time required to deliver and install the product and for the customer to accept the product and services;
- Declines in sales of legacy products; and
- Uncertainty caused by potential consolidation in the industry.

In addition, many customers may delay or reduce capital expenditures. This, together with other factors, could result in reductions in sales of our products, longer sales cycles, difficulties in collection of accounts receivable, a longer period of time before we may recognize revenue attributable to a sale, excess and obsolete inventory, gross margin deterioration, slower adoption of new technologies and increased price competition.

Our operating results are significantly influenced by a number of factors, including the mix of products sold and services provided, pricing and costs of materials used in our products. We price our products and services based upon our costs and consideration of the prices of competitive products and services in the marketplace. We expect our financial results to vary from quarter to quarter and our historical financial results are not necessarily indicative of future performance. We believe that international revenues will continue to be a significant portion of our business. Therefore, we expect that movements in foreign exchange rates will have an impact on our financial condition and results of operations.

Results of Operations

The following discussion summarizes the key factors our management believes are necessary for an understanding of our consolidated financial statements.

Revenues

The following table summarizes information about our revenues for the three and nine months ended October 31, 2014 and 2013:

	Three Months Ended October 31,		Increase/ (Decrease)	Increase/ (Decrease)	Nine Months Ended October 31,		Increase/ (Decrease)	Increase/ (Decrease)
	2014	2013	$ Amount	% Change	2014	2013	$ Amount	% Change
	(Amounts in thousands, except for percentage data)							
Software Revenues:								
Product	$ 7,311	$13,822	$ (6,511)	(47.1%)	$21,109	$ 44,809	$ (23,700)	(52.9%)
Service	22,659	23,949	(1,290)	(5.4%)	63,047	65,894	(2,847)	(4.3%)
Total revenues	29,970	37,771	(7,801)	(20.7%)	84,156	110,703	(26,547)	(24.0%)
Cost of product revenues	3,037	3,336	(299)	(9.0%)	6,983	8,442	(1,459)	(17.3%)
Cost of service revenues	12,140	13,547	(1,407)	(10.4%)	36,102	40,927	(4,825)	(11.8%)
Total cost of revenues	15,177	16,883	(1,706)	(10.1%)	43,085	49,369	(6,284)	(12.7%)
Gross profit	$14,793	$20,888	$ (6,095)	(29.2%)	$41,071	$ 61,334	$ (20,263)	(33.0%)
Gross product profit margin	58.5%	75.9%		(17.4%)	66.9%	81.2%		(14.2%)
Gross service profit margin	46.4%	43.4%		3.0%	42.7%	37.9%		4.8%
Gross profit margin	49.4%	55.3%		(5.9%)	48.8%	55.4%		(6.6%)

Product Revenue. Product revenue for the three and nine months ended October 31, 2014 decreased $6.5 million, or 47%, and $23.7 million, or 53%, respectively, over the same periods of fiscal 2014. There was a 61% and 64% decrease in legacy product revenue, respectively, for the three and nine month periods, primarily related to the decline in our legacy middleware, VOD streamer and video products.

Service Revenue. Service revenue decreased $1.3 million, or 5% for the three months ended October 31, 2014 when compared to the same period of fiscal 2014. Service revenue for the nine months ended October 31, 2014 decreased $2.8 million, or 4%, as compared to the same period of fiscal 2014, primarily due to lower video gateway software service revenue.

For the three months ended October 31, 2014 and 2013, two customers accounted for 33% and 35% of our total revenues, respectively. For the nine months ended October 31, 2014 and 2013 these same two customers accounted for 34% and 40% of our total revenues, respectively. We believe that a significant amount of our revenues will continue to be derived from a limited number of customers.

International sales accounted for 51% of total revenues in the three months ended October 31, 2014 and 2013, respectively. For the nine months ended October 31, 2014 and 2013, international sales accounted for 45% and 51% of total revenues. We believe that international product and service revenues will continue to be a significant portion of our business in the future.

Gross Profit and Margin. Cost of product revenues consists primarily of the cost of purchased material components and subassemblies, labor and overhead relating to the final assembly and testing of complete systems and related expenses, and labor and overhead costs related to software development contracts. Our gross profit margin decreased approximately six percentage points for the three months ended October 31, 2014, and seven percentage points for the nine months ended October 31, 2014, as compared to the same periods of the prior fiscal year. These decreases in gross profit margin were primarily due to the following:

- A 17 percentage point decrease in gross product profit margin to 59% for the three months ended October 31, 2014 and a 14 percentage point decrease in gross product profit margin to 67% for the first nine months of fiscal 2015, primarily due to a higher mix of third-party products and lower legacy middleware license revenue, which carries high margins; and
- A three percentage point increase in gross service profit margin to 46% for the third quarter of fiscal 2015 and a five percentage point increase in gross service profit margin to 43% for the first nine months of fiscal 2015, compared to the same periods of fiscal 2014, primarily due to a mix of lower video gateway software service revenue, as mentioned above, which carry lower margins.

Operating Expenses

Research and Development

The following table provides information regarding the change in research and development expenses during the periods presented:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Research and development expenses	$9,932	$ 10,212	$ (280)	(2.7%)	$31,729	$30,007	$ 1,722	5.7%
% of total revenue	33.1%	27.0%			37.7%	27.1%		

Research and development expenses consist primarily of employee costs, which include salaries, benefits and related payroll taxes, depreciation of development and test equipment and an allocation of related facility expenses. For the three months ended October 31, 2014, research and development costs decreased $0.3 million for the three month period and increased $1.7 million for the nine month period ended October 31, 2014, as compared to the same periods of fiscal 2014. The increase for the nine months was primarily related to our investment in our gateway software product lines.

Selling and Marketing

The following table provides information regarding the change in selling and marketing expenses during the periods presented:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Selling and marketing expenses	$ 3,447	$ 3,948	$ (501)	(12.7%)	$10,509	$11,283	$ (774)	(6.9%)
% of total revenue	11.5%	10.5%			12.5%	10.2%		

Selling and marketing expenses consist primarily of payroll costs, which include salaries and related payroll taxes, benefits and commissions, travel expenses and certain promotional expenses. Selling and marketing expenses decreased $0.5 million, or 13%, in the third quarter of fiscal 2015 and decreased $0.8 million, or 7%, in the first nine months of fiscal 2015, when compared to the same periods of fiscal 2014. These reductions were primarily related to lower employee related costs due to a reduction in headcount and to lower commissions.

General and Administrative

The following table provides information regarding the change in general and administrative expenses during the periods presented:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
General and administrative expenses	$ 3,841	$ 4,184	$ (343)	(8.2%)	$11,895	$13,664	$ (1,769)	(12.9%)
% of total revenue	12.8%	11.1%			14.1%	12.3%		

General and administrative expenses consist primarily of employee costs, which include salaries and related payroll taxes and benefit-related costs, legal and accounting services and an allocation of related facilities expenses. General and administrative expenses decreased $0.3 million, or 8%, in the third quarter of fiscal 2015, as compared to the same periods in fiscal 2014 primarily due to a decrease in employee costs due to lower headcount.

Amortization of Intangible Assets

The following table provides information regarding the change in amortization of intangible assets expenses during the periods presented:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Amortization of intangible assets	$ 1,252	$ 1,162	$ 90	7.7%	$4,120	$ 3,459	$ 661	19.1%
% of total revenue	4.2%	3.1%			4.9%	3.1%		

Amortization expense is primarily related to the costs of acquired intangible assets. Amortization is also based on the future economic value of the related intangible assets which is generally higher in the earlier years of the assets' lives.

Stock-based Compensation Expense

The following table provides information regarding the change in stock-based compensation expense during the periods presented:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Stock-based compensation expense	$ 1,182	$ 655	$ 527	80.5%	$2,579	$ 2,425	$ 154	6.4%
% of total revenue	3.9%	1.7%			3.1%	2.2%		

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Stock-based compensation expense is related to the issuance of stock grants to our employees, executives and members of our Board of Directors. Stock-based compensation expense increased $0.5 million during the three months ended October 31, 2014 and $0.2 million during the nine months ended October 31, 2014, as compared to the same periods of fiscal 2014. These increases are related to additional stock compensation expense recorded as a result of our separation agreement with the former CEO, as discussed in our Form 8-K filed on October 22, 2014.

Professional Fees - Other

The following table provides information regarding the change in professional fees expenses associated with acquisitions, divestitures, litigation and strategic alternatives during the periods presented:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Professional fees - other	$ 124	$ 603	$ (479)	(79.4%)	$ 477	$ 1,524	$ (1,047)	(68.7%)
% of total revenue	0.4%	1.6%			0.6%	1.4%		

Professional fees in the third quarter and first nine months of fiscal 2015 decreased $0.5 million and $1.0 million, respectively, when compared to the same period of fiscal 2014 primarily due to a decrease in costs related to patent litigation.

Severance and Other Restructuring Costs

The following table provides information regarding the change in severance and other restructuring costs during the periods presented:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Severance and other restructuring costs	$ 1,186	$ 76	$ 1,110	>100%	$ 1,878	$ 922	$ 956	>100%
% of total revenue	4.0%	0.2%			2.2%	0.8%		

Severance and other restructuring costs increased $1.1 million for the three months ended October 31, 2014 and $1.0 million for the nine months ended October 31, 2014, as compared to the same period of 2013, primarily due to the separation agreement with our former CEO.

Other Expenses, Net

The table below provides detail regarding our other expenses, net:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Loss on sale of equity investment	$ —	$ (25)	$ 25	(100.0%)	$ —	$ (363)	$ 363	(100.0%)
Interest income, net	38	35	3	8.6%	168	152	16	10.5%
Foreign exchange loss	(717)	(139)	(578)	>100%	(765)	(689)	(76)	11.0.%
Miscellaneous income (loss)	3	(49)	52	>(100%)	3	(55)	58	>(100%)
	$ (676)	$ (178)	$ (498)		$ (594)	$ (955)	$ 361	

For the three months ended October 31, 2014, other expenses, net increased, as compared to the same period of fiscal 2014 primarily due to a change in exchange rates between the U.S. Dollar and foreign currencies during the periods presented. For the nine months ended October 31, 2014, other expenses, net decreased $0.4 million, as compared to the same period of fiscal 2014, due to a decrease in loss on sale of equity investments.

Income Tax Benefit

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount	Increase/ (Decrease) % Change
	(Amounts in thousands, except for percentage data)							
Income tax benefit	$ (348)	$ (423)	$ 75	(17.7%)	$ (415)	$ (784)	$ 369	(47.1%)
% of total revenue	(1.2%)	(1.1%)			(0.5%)	(0.7%)		

We recorded an income tax benefit from continuing operations of $0.3 million and $0.4 million for the three and nine months ended October 31, 2014, respectively. Our effective tax rate is lower than the U.S. federal statutory rate as we did not record tax benefits on our year-to-date losses in certain jurisdictions, including the United States, where we continue to maintain a full valuation allowance against deferred tax assets. Additionally, the rate is impacted by the geographic jurisdiction in which the worldwide income or loss will be incurred, resulting in the difference between the federal statutory rate of 35% and the forecasted effective tax rate. The tax benefit for the nine months ended October 31, 2014 includes the reversal of tax reserves for uncertain tax positions due to the expiration of the Irish statute of limitations. The statute of limitations varies in each jurisdiction we operate in. In any given year, a jurisdiction’s statute of limitations may lapse without examination and any tax reserves for uncertain tax positions recorded in a corresponding year will result in the reduction of the liability for unrecognized tax benefits for that year.

Our effective tax rate in fiscal 2015 and in future periods may fluctuate on a quarterly basis as a result of changes in the valuation of our deferred tax assets, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles, or interpretations thereof. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits. We make adjustments to our unrecognized tax benefits when: i) facts and circumstance regarding a tax position change, causing a change in management’s judgment regarding that tax position; ii) a tax position is effectively settled with a tax authority; and/or iii) the statute of limitations expires regarding a tax position.

We continue to maintain a valuation allowance against deferred tax assets where realization is not certain. We periodically evaluate the likelihood of the realization of deferred tax assets and reduce the carrying amount of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized.

Non-GAAP Measures.

We define non-GAAP (loss) income from operations as U.S. GAAP operating (loss) income plus stock-based compensation expenses, amortization of intangible assets, earn-outs and change in fair value of earn-outs, professional fees associated with acquisitions, divestitures, litigation and strategic alternatives and severance and other restructuring costs. We define adjusted EBITDA as U.S. GAAP operating (loss) income before depreciation expense, amortization of intangible assets, stock-based compensation expense, earn-outs and change in fair value of earn-outs, professional fees associated with acquisitions, divestitures, litigation and strategic alternatives, and severance and other restructuring costs. We discuss non-GAAP (loss) income from operations in our quarterly earnings releases and certain other communications as we believe non-GAAP operating (loss) income from operations and adjusted EBITDA are both important measures that are not calculated according to U.S. GAAP. We use non-GAAP (loss) income from operations and adjusted EBITDA in internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our Board of Directors, determining a component of bonus compensation for executive officers and other key employees based on operating performance and evaluating short-term and long-term operating trends in our operations. We believe that non-GAAP (loss) income from operations and adjusted EBITDA financial measures assist in providing an enhanced understanding of our underlying operational measures to manage the business, to evaluate performance compared to prior periods and the marketplace, and to establish operational goals. We believe that these non-GAAP financial adjustments are useful to investors because they allow investors to evaluate the effectiveness of the methodology and information used by management in our financial and operational decision-making.

Non-GAAP (loss) income from operations and adjusted EBITDA are non-GAAP financial measures and should not be considered in isolation or as a substitute for financial information provided in accordance with U.S. GAAP. These non-GAAP financial measures may not be computed in the same manner as similarly titled measures used by other companies. We expect to continue to incur expenses similar to the financial adjustments described above in arriving at non-GAAP (loss) income from operations and adjusted EBITDA, and investors should not infer from our presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring.

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The following table includes the reconciliations of our U.S. GAAP (loss) income from operations, the most directly comparable U.S. GAAP financial measure, to our non-GAAP (loss) income from operations and the reconciliation of our U.S. GAAP (loss) income from operations to our adjusted EBITDA for the three and nine months ended October 31, 2014 and 2013 (amounts in thousands, except per share and percentage data):

	Three Months Ended October 31, 2014			Three Months Ended October 31, 2013		
	GAAP As Reported	Adjustments	Non-GAAP	GAAP As Reported	Adjustments	Non-GAAP
Revenues:						
Products	$ 7,311	$ —	**$ 7,311**	$ 13,822	$ —	**$ 13,822**
Services	22,659	—	**22,659**	23,949	—	**23,949**
Total revenues	29,970	—	**29,970**	37,771	—	**37,771**
Cost of revenues:						
Products	2,779	—	**2,779**	3,016	—	**3,016**
Services	12,094	—	**12,094**	13,480	—	**13,480**
Amortization of intangible assets	258	(258)	**—**	320	(320)	**—**
Stock-based compensation	46	(46)	**—**	67	(67)	**—**
Total cost of revenues	15,177	(304)	**14,873**	16,883	(387)	**16,496**
Gross profit	14,793	304	**15,097**	20,888	387	**21,275**
Gross profit percentage	49.4%	1.0%	**50.4%**	55.3%	1.0%	**56.3%**
Operating expenses:						
Research and development	9,932	—	**9,932**	10,212	—	**10,212**
Selling and marketing	3,447	—	**3,447**	3,948	—	**3,948**
General and administrative	3,841	—	**3,841**	4,184	—	**4,184**
Amortization of intangible assets	994	(994)	**—**	842	(842)	**—**
Stock-based compensation expense	1,136	(1,136)	**—**	588	(588)	**—**
Earn-outs and change in fair value of earn-outs	—	—	**—**	(94)	94	**—**
Professional fees - other	124	(124)	**—**	603	(603)	**—**
Severance and other restructuring costs	1,186	(1,186)	**—**	76	(76)	**—**
Total operating expenses	20,660	(3,440)	**17,220**	20,359	(2,015)	**18,344**
(Loss) income from operations	$ (5,867)	$ 3,744	**$ (2,123)**	$ 529	$ 2,402	**$ 2,931**
(Loss) income from operations percentage	(19.6%)	12.4%	**(7.1%)**	1.4%	6.3%	**7.8%**
Weighted average common shares outstanding:						
Basic	32,628	32,628	**32,628**	32,813	32,813	**32,813**
Diluted	32,628	32,854	**32,628**	33,595	33,595	**33,595**
Operating (loss) income per share:						
Basic	$ (0.19)	$ 0.12	**$ (0.07)**	$ 0.02	$ 0.07	**$ 0.09**
Diluted	$ (0.19)	$ 0.12	**$ (0.07)**	$ 0.02	$ 0.07	**$ 0.09**

Adjusted EBITDA:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013
(Loss) income from operations	**$ (5,867)**	**$ 529**
Depreciation expense	891	1,042
Amortization of intangible assets	1,252	1,162
Stock-based compensation expense	1,182	655
Earn-outs and changes in fair value	—	(94)
Professional fees - other	124	603
Severance and other restructuring	1,186	76
Adjusted EBITDA	**$ (1,232)**	**$ 3,973**
Adjusted EBITDA %	**(4.1%)**	**10.5%**

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	Nine Months Ended October 31, 2014			Nine Months Ended October 31, 2013		
	GAAP As Reported	Adjustments	Non-GAAP	GAAP As Reported	Adjustments	Non-GAAP
Revenues:						
Products	$ 21,109	$ —	**$ 21,109**	$ 44,809	$ —	**$ 44,809**
Services	63,047	—	**63,047**	$ 65,894	—	**65,894**
Total revenues	84,156	—	**84,156**	110,703	—	**110,703**
Cost of revenues:						
Products	6,188	—	**6,188**	7,495	—	**7,495**
Services	35,970	—	**35,970**	40,736	—	**40,736**
Amortization of intangible assets	795	(795)	—	947	(947)	—
Stock-based compensation	132	(132)	—	191	(191)	—
Total cost of revenues	43,085	(927)	**42,158**	49,369	(1,138)	**48,231**
Gross profit	41,071	927	**41,998**	61,334	1,138	**62,472**
Gross profit percentage	48.8%	1.1%	**49.9%**	55.4%	1.0%	**56.4%**
Operating expenses:						
Research and development	31,729	—	**31,729**	30,007	—	**30,007**
Selling and marketing	10,509	—	**10,509**	11,283	—	**11,283**
General and administrative	11,895	—	**11,895**	13,664	—	**13,664**
Amortization of intangible assets	3,325	(3,325)	—	2,512	(2,512)	—
Stock-based compensation expense	2,447	(2,447)	—	2,234	(2,234)	—
Earn-outs and change in fair value of earn-outs	—	—	—	(60)	60	—
Professional fees - other	477	(477)	—	1,524	(1,524)	—
Severance and other restructuring costs	1,878	(1,878)	—	922	(922)	—
Total operating expenses	62,260	(8,127)	**54,133**	62,086	(7,132)	**54,954**
(Loss) income from operations	$ (21,189)	$ 9,054	**$ (12,135)**	$ (752)	$ 8,270	**$ 7,518**
(Loss) income from operations percentage	(25.2%)	10.7%	**(14.4%)**	(0.7%)	7.5%	**6.8%**
Weighted average common shares outstanding:						
Basic	32,805	32,805	**32,805**	32,636	32,636	**32,636**
Diluted	32,805	33,031	**32,805**	32,636	33,485	**33,485**
Operating (loss) income per share:						
Basic	$ (0.65)	$ 0.28	**$ (0.37)**	$ (0.02)	$ 0.25	**$ 0.23**
Diluted	$ (0.65)	$ 0.28	**$ (0.37)**	$ (0.02)	$ 0.25	**$ 0.23**

Adjusted EBITDA:

	2014	2013
Loss from operations	**$ (21,189)**	**$ (752)**
Depreciation expense	2,809	3,345
Amortization of intangible assets	4,120	3,459
Stock-based compensation expense	2,579	2,425
Earn-outs and changes in fair value	—	(60)
Professional fees - other	477	1,524
Severance and other restructuring	1,878	922
Adjusted EBITDA	**$ (9,326)**	**$ 10,863**
Adjusted EBITDA %	**(11.1%)**	**9.8%**

In managing and reviewing our business performance, we exclude a number of items required by U.S. GAAP. Management believes that excluding these items is useful in understanding the trends and managing our operations. We provide these supplemental non-GAAP measures in order to assist the investment community to see SeaChange through the "eyes of management," and therefore enhance the understanding of SeaChange's operating performance. Non-GAAP financial measures should be viewed in addition to, not as an alternative to, our reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures reflect adjustments based on the following items:

Amortization of Intangible Assets. We incur amortization expense of intangible assets related to various acquisitions that have been made in recent years. These intangible assets are valued at the time of acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by management after the acquisition. We believe that exclusion of these expenses allows comparisons of operating results that are consistent over time for the Company's newly-acquired and long-held businesses.

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Stock-based Compensation Expense. We incur expenses related to stock-based compensation included in our U.S. GAAP presentation of cost of revenues, selling and marketing expense, general and administrative expense and research and development expense. Although stock-based compensation is an expense we incur and is viewed as a form of compensation, the expense varies in amount from period to period, and is affected by market forces that are difficult to predict and are not within the control of management, such as the market price and volatility of our shares, risk-free interest rates and the expected term and forfeiture rates of the awards.

Earn-outs and Change in Fair Value of Earn-outs. Earn-outs and the change in the fair value of the earn-outs are considered by management to be non-recurring expenses to the former shareholders of the businesses we acquire. We also incur expenses due to changes in fair value related to contingent consideration that we believe would otherwise impair comparability among periods.

Professional Fees - Other. We have excluded the effect of legal and other professional costs associated with our acquisitions, divestitures, litigation and strategic alternatives because the amounts are considered significant non-operating expenses.

Severance and Other Restructuring. We incur charges due to the restructuring of our business, including severance charges and facility reductions resulting from our restructuring and streamlining efforts and any changes due to revised estimates, which we generally would not have otherwise incurred in the periods presented as part of our continuing operations.

Depreciation Expense. We incur depreciation expense related to capital assets purchased to support the ongoing operations of the business. These assets are recorded at cost and are depreciated using the straight-line method over the useful life of the asset. Purchases of such assets may vary significantly from period to period and without any correlation to underlying operating performance. Management believes that exclusion of depreciation expense allows comparisons of operating results that are consistent across past, present and future periods.

Off-Balance Sheet Arrangements

We do 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. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Liquidity and Capital Resources

The following table includes key line items of our consolidated statements of cash flows:

	Nine Months Ended October 31,		Increase/ (Decrease)
	2014	2013	$ Amount
	(Amounts in thousands)		
Total cash (used in) provided by operating activities	$(11,670)	$5,394	$ (17,064)
Total cash (used in) provided by investing activities	(4,762)	1,084	(5,846)
Total cash (used in) provided by financing activities	(5,504)	1,037	(6,541)
Effect of exchange rate changes on cash	774	(129)	903
Net (decrease) increase in cash and cash equivalents	$(21,162)	$7,386	$ (28,548)

Historically, we have financed our operations and capital expenditures primarily with cash on-hand. Cash, cash equivalents, restricted cash, and marketable securities decreased from $128.1 million at January 31, 2014 to $108.4 million at October 31, 2014.

Operating Activities

Below are key line items affecting cash from operating activities:

	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount
	(Amounts in thousands)		
Net loss from continuing operations	$(21,349)	$ (879)	$ (20,470)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities from continuing operations	9,850	9,959	(109)
Net (loss) income including adjustments	(11,499)	9,080	(20,579)
Decrease in accounts receivable	5,664	2,117	3,547
Decrease (increase) in inventory	1,853	(859)	2,712
(Increase) decrease in prepaid expenses and other current assets	(465)	6,412	(6,877)
Decrease in accrued expenses	(1,882)	(5,657)	3,775
Decrease in deferred revenues	(4,600)	(3,964)	(636)
All other, net	(746)	(991)	245
Net cash (used in) provided by operating activities from continuing operations	(11,675)	6,138	(17,813)
Net cash provided by (used in) operating activities from discontinued operations	5	(744)	749
	$(11,670)	$ 5,394	$ (17,064)

We used net cash in continuing operating activities of $11.7 million for the nine months ended October 31, 2014. This cash used in operating activities was primarily the result of our net loss, including adjustments, of $11.5 million and a $0.2 million net decrease in working capital during fiscal 2015.

Investing Activities

Cash flows from investing activities are as follows:

	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount
	(Amounts in thousands)		
Purchases of property and equipment	$(1,470)	$(1,834)	$ 364
Purchases of marketable securities	(7,160)	(6,911)	(249)
Proceeds from sale and maturity of marketable securities	5,633	8,698	(3,065)
Proceeds from sale of equity investments	235	1,128	(893)
Investment in affiliate	(2,000)	—	(2,000)
Acquisition of businesses and payment of contingent consideration, net of cash acquired	—	(4,018)	4,018
Other investing activities, net	—	21	(21)
Net cash used in investing activities from continuing operations	(4,762)	(2,916)	(1,846)
Net cash provided by investing activities from discontinued operations	—	4,000	(4,000)
	$(4,762)	$ 1,084	$ (5,846)

We used $4.8 million of cash in investing activities from continuing operations primarily related to the purchase of capital assets of $1.5 million, an investment in an affiliate of $2.0 million and a net use of cash of $1.5 million related to the net purchases of marketable securities.

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Financing Activities

Cash flows from financing activities are as follows:

	Nine Months Ended October 31, 2014	Nine Months Ended October 31, 2013	Increase/ (Decrease) $ Amount
	(Amounts in thousands)		
Repurchases of our common stock	$(5,504)	$ —	$ (5,504)
Proceeds from issuance of common stock relating to stock option exercises	—	1,037	(1,037)
	$(5,504)	$1,037	$ (6,541)

We used $5.5 million in cash in our financing activities from continuing operations for the purchase of stock under a stock repurchase plan during fiscal 2015.

Effect of exchange rate changes increased cash and cash equivalents by $0.8 million for the nine months ended October 31, 2014, due to the translation of European subsidiaries' cash balances, which use the Euro as their functional currency, to U.S. dollars.

We renewed our letter agreement with JP Morgan Chase Bank, N.A. ("JP Morgan") for a demand discretionary line of credit and a Demand Promissory Note in the aggregate amount of $20.0 million (the "Line of Credit"), effective November 26, 2014. Borrowings under the Line of Credit will be used to finance working capital needs and for general corporate purposes. We currently do not have any borrowings nor do we have any financial covenants under this line.

We believe that existing funds combined with available borrowings under the line of credit and cash provided by future operating activities are adequate to satisfy our working capital, potential acquisitions and capital expenditure requirements and other contractual obligations for the foreseeable future, including at least the next 12 months. However, if our expectations are incorrect, we may need to raise additional funds to fund our operations, to take advantage of unanticipated strategic opportunities or to strengthen our financial position.

In addition, we actively review potential acquisitions that would complement our existing product offerings, enhance our technical capabilities or expand our marketing and sales presence. Any future transaction of this nature could require potentially significant amounts of capital or could require us to issue our stock and dilute existing stockholders. If adequate funds are not available, or are not available on acceptable terms, we may not be able to take advantage of market opportunities, to develop new products or to otherwise respond to competitive pressures.

On September 4, 2013, our Board of Directors authorized the repurchase of up to $25.0 million of our common stock through a share repurchase program which would have terminated on January 31, 2015. On May 31, 2014, this program was amended to increase the authorized repurchase amount to $40.0 million and extend the termination date to April 30, 2015. Under the program, we are authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. This share repurchase program does not obligate us to acquire any specific number of shares and may be suspended or discontinued at any time. All repurchases are expected to be funded from our current cash and investment balances. The timing and amount of shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements, and alternative investment opportunities. Any shares repurchased by us under the share repurchase program will reduce the number of shares outstanding. Pursuant to the share repurchase program, we executed a Rule 10b5-1 plan in June 2014 to repurchase shares. We did not repurchase any of our common stock during the three months ended October 31, 2014. During the nine months ended October 31, 2014, we used $5.5 million of cash in connection with the repurchase of 591,520 shares of our common stock (an average price of $9.31 per share). As of October 31, 2014, $34.5 million remained available under the existing share repurchase authorization.

Effects of Inflation

Management believes that financial results have not been significantly impacted by inflation and price changes in materials we use in manufacturing our products.

Contractual Obligations

There have been no significant changes to our contractual obligations since January 31, 2014. Refer to our Form 10-K for the fiscal year ended January 31, 2014 for additional information regarding our contractual obligations.

Critical Accounting Policies and Significant Judgment and Estimates

The accounting and financial reporting policies of SeaChange are in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis, including those related to revenue recognition, allowance for doubtful accounts, acquired intangible assets and goodwill, stock-based compensation, impairment of long-lived assets and accounting for income taxes. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Besides the annual impairment test of our goodwill, there have been no significant changes in our critical accounting policies during the nine months ended October 31, 2014, as compared to those disclosed in our fiscal 2014 Form 10-K.

Goodwill

In connection with acquisitions of operating entities, we recognize the excess of the purchase price over the fair value of the net assets acquired as goodwill. Goodwill is not amortized, but is evaluated for impairment annually in our third quarter beginning August 1st. Goodwill may be tested for impairment on an interim basis, in addition to the annual evaluation, if an event occurs or circumstances change which would more likely than not reduce the fair value of the Company below its carrying amount.

The process of evaluating goodwill for impairment requires several judgments and assumptions to be made to determine the fair value of the Company, including the method used to determine fair value, discount rates, expected levels of cash flows, revenues and earnings, and the selection of comparable companies used to develop market-based assumptions. We may employ three generally accepted approaches for valuing businesses: the market approach, the income approach, and the asset-based (cost) approach to arrive at the fair value. The choice of which approach and methods to use in a particular situation depends on the facts and circumstances.

We chose to use the market approach and the income approach to determine the value of the Company. The market approach provides value indications through a comparison with guideline public companies or guideline transactions. The valuation multiple is an expression of what investors believe to be a reasonable valuation relative to a measure of financial information such as revenues, earnings or cash flows. The income approach provides value indications through an analysis of its projected earnings, discounted to present value. We employed a weighted-average cost of capital rate. The estimated weighted-average cost of capital was based on the risk-free interest rate and other factors such as equity risk premiums and the ratio of total debt to equity capital. In performing the annual impairment test, we took steps to ensure appropriate and reasonable cash flow projections and assumptions were used.

Our projections for the next five years included increased operating expenses in line with the expected revenue growth based on current market and economic conditions and our historical knowledge. Historical growth rates served as only one input to the projected future growth used in the goodwill impairment analysis. These historical growth rates were adjusted based on other inputs regarding anticipated customer contracts. The forecasts have incorporated any changes to the revenue and operating expense resulting from the second quarter of fiscal 2015. We estimated the operating expenses based on a rate consistent with the current experience and estimated revenue growth over the next five years. A failure to execute as forecasted over the next five years could have an adverse effect on our annual impairment test. Future adverse changes in market conditions or poor operating results of the Company could result in losses, thereby possibly requiring an impairment charge in the future.

The table below shows the amount of goodwill and other indefinite-lived intangible assets relating to continued operations as of October 31, 2014:

	Goodwill	Trade Names
	(Amounts in thousands)	
Balance at January 31, 2014	$ 45,150	$ 200
Amortization of indefinite-lived assets (1)	—	(200)
Cumulative translation adjustment	(1,767)	—
Balance at October 31, 2014	$ 43,383	$ —

(1) During the third quarter of fiscal 2015, we fully amortized our trade name intangible assets as they are no longer used.

We determined that based on "Step 1" of our annual impairment test, the fair value of the Company's goodwill balance exceeded its carrying value. In aggregate, there was excess fair value over and above the carrying value of the net assets ranging from $84.8 million to $103.8 million, or 45.8% to 56.1% of the carrying value of our net assets.

Key data points included in the calculation of market capitalization of $240.2 million as of August 1, 2014 were as follows:

- Shares outstanding as of August 1, 2014 were 32,587,345; and
- $7.37 closing price as of August 1, 2014.

Accordingly, since no impairment indicators existed as of August 1, 2014, our annual impairment test date, and the implied fair value of our goodwill exceeded the carrying value of our net assets, we determined that our goodwill was not at risk of failing "Step 1" and was appropriately stated in our consolidated financial statements as of August 1, 2014.

To validate our conclusions and determine the reasonableness of our annual impairment test, we performed the following:

- Reconciled our estimated enterprise value to market capitalization comparing the calculated fair value to our market capitalization as of August 1, 2014, our annual impairment test date;
- Prepared a fair value calculation using two market approach methodologies (the guideline public companies method and the guideline transaction method) and one income approach methodology (discounted cash flow method);
- Reviewed our historical operating performance for the current fiscal year;
- Performed a sensitivity analysis on key assumptions such as weighted-average cost of capital and terminal growth rates; and
- Reviewed market participant assumptions.

We also monitor economic, legal and other factors as a whole between annual impairment tests to ensure that there are no indicators that make it more likely than not that there has been a decline in our fair value below our carrying value. Specifically, we monitor industry trends, our market capitalization, recent and forecasted financial performance and the timing and nature of any restructuring activities. We do not believe that there are any indicators of impairment as of October 31, 2014. If these estimates or the related assumptions change, we may be required to record non-cash impairment charges for these assets in the future.

Recent Accounting Standard Updates

We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

Recent Accounting Guidance Not Yet Effective

Accounting For Share-Based Payments - Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued ASU No. 2014-12, *"Compensation - Stock Compensation (Topic 718) – Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period."* ASU 2014-12 requires that a performance target which affects vesting and that could be achieved after the requisite service period be treated as a performance condition by applying existing guidance in Topic 718 as it relates to awards with performance conditions. The amendment also specifies the period over which compensation costs should be recognized. The amendment is effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-12 on our consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09,*"Revenue from Contracts with Customers (Topic 606),"* to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and the International Financial Reporting Standards. This guidance supersedes previously issued guidance on revenue recognition and gives a five step process an entity should follow so that the entity recognizes revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new guidance will be effective for our fiscal 2018 reporting period and must be applied either retrospectively during each prior reporting period presented or retrospectively with the cumulative effect of initially applying this guidance recognized at the date of the initial application. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this ASU on our consolidated financial statements.

Reporting Discontinued Operations and Disposals of Components of an Entity

In April 2014, the FASB issued ASU 2014-08,*"Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,"* which changes the criteria for reporting discontinued operations while enhancing disclosures in this area. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. This guidance also expands the disclosures required when an entity reports a discontinued operation or when it disposes of or classifies as held for sale an individually significant component that does not meet the definition of a discontinued operation. This new guidance will be effective prospectively on disposals (or classifications of held for sale) of components of an entity that occur within our fiscal years beginning on February 1, 2015. Early adoption is permitted but only for disposals (or classification as held for sale) that have not been reported in financial statements previously issued or available for issuance. We do not anticipate material impacts on our financial statements upon initial adoption. This guidance could have a material impact on our disclosure requirements if we dispose of, or classify as held for sale, an individually significant component of our business that does not meet the definition of a discontinued operation.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

We face exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results. Our foreign currency exchange exposure is primarily associated with product sales arrangements or settlement of intercompany payables and receivables among subsidiaries and its parent company, and/or investment/equity contingency considerations denominated in the local currency where the functional currency of the foreign subsidiary is the U.S. dollar.

Substantially all of our international product sales are payable in U.S. dollars or in the case of our operations in the Netherlands, payable in local currencies, providing a natural hedge for receipts and local payments. In light of the high proportion of our international businesses, we expect the risk of any adverse movements in foreign currency exchange rates could have an impact on our translated results within the consolidated statements of operations and comprehensive (loss) income and the consolidated balance sheets. For the first nine months of fiscal 2015, we generated a foreign currency translation loss of $1.6 million, which decreased the equity section of our consolidated balance sheet over the prior year.

Our principal currency exposures relate primarily to the U.S. dollar, the Euro and the Philippine peso. All foreign currency gains and losses are included in other expenses, net, in the accompanying consolidated statements of operations and comprehensive (loss) income. For the nine months ended October 31, 2014, we recorded approximately $0.8 million in losses due to the international subsidiary translations and cash settlements of revenues and expenses.

Interest Rate Risk

Exposure to market risk for changes in interest rates relates primarily to our investment portfolio of marketable debt securities of various issuers, types and maturities and to our borrowings under our demand note payable. We do not use derivative instruments in our investment portfolio, and our investment portfolio only includes highly liquid instruments. Our cash and marketable securities include cash equivalents, which we consider to be investments purchased with original maturities of 90 days or less. There is risk that losses could be incurred if we were to sell any of our securities prior to stated maturity. Given the short maturities and investment grade quality of the portfolio holdings at October 31, 2014, a sharp change in interest rates should not have a material adverse impact on the fair value of our investment portfolio. However, our long term marketable securities, which are carried at the lower of cost or market value, have fixed interest rates, and therefore are subject to changes in fair value.

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures. We evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Form 10-Q. Jay A. Samit, our Chief Executive Officer, and Anthony C. Dias, our Chief Financial Officer, reviewed and participated in this evaluation. Based upon that evaluation, Messrs. Samit and Dias concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report and as of the date of the evaluation.

Changes in internal control over financial reporting. As a result of the evaluation completed by us, and in which Messrs. Samit and Dias participated, we have concluded that there were no changes during the fiscal quarter ended October 31, 2014 in our internal control over financial reporting, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We enter into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of these agreements require us to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to our products. From time to time, we also indemnify customers and business partners for damages, losses and liabilities they may suffer or incur relating to personal injury, personal property damage, product liability, and environmental claims relating to the use of our products and services or resulting from the acts or omissions of us, our employees, authorized agents or subcontractors. Management cannot reasonably estimate any potential losses, but these claims could result in material liability for us.

ITEM 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Form 10-K for the fiscal year ended January 31, 2014, which could materially affect our business, financial condition or future results. The risks described in our Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock Repurchase Program

On September 4, 2013, our Board of Directors authorized the repurchase of up to $25.0 million of our common stock, par value $0.01 per share, through a share repurchase program which would have terminated on January 31, 2015. On May 31, 2014, this program was amended to increase the authorized repurchase amount to $40.0 million and extend the termination date to April 30, 2015. Under the program, management is authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. This share repurchase program does not obligate us to acquire any specific number of shares and may be suspended or discontinued at any time. All repurchases are expected to be funded from our current cash and investment balances. The timing and amount of shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements, and alternative investment opportunities. Any shares repurchased by us under the share repurchase program will reduce the number of shares outstanding. Pursuant to the share repurchase program, we executed a Rule 10b5-1 plan commencing in June 2014 to repurchase shares. We did not purchase any shares of our common stock during the three months ended October 31, 2014. To date, under this program 591,520 shares have been repurchased and $34.5 million of the $40.0 million authorized repurchase amount remains available for purchase.

ITEM 6. Exhibits

(a) Exhibits

See the Exhibit Index following the signature page to this Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, SeaChange International, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 5, 2014

SEACHANGE INTERNATIONAL, INC.

by: /s/ ANTHONY C. DIAS
Anthony C. Dias
Chief Financial Officer, Senior Vice President, Finance and Administration and Treasurer

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Index to Exhibits

No.	Description
10.1	Separation Agreement and Release of Claims, dated as of October 20, 2014, by and between SeaChange International, Inc. and Raghu Rau (filed as Exhibit 10.1 to Current Report on Form 8-K filed on October 22, 2014 (File No. 000-21393) and incorporated herein by reference).
10.2	Change-in-Control Severance Agreement, dated as of October 20, 2014, by and between SeaChange International, Inc. and Jay Samit (filed as Exhibit 10.2 to Current Report on Form 8-K filed on October 22, 2014 (File No. 000-21393) and incorporated herein by reference).
10.3	Indemnification Agreement, dated as of October 20, 2014, by and between SeaChange International, Inc. and Jay Samit (filed as Exhibit 10.3 to Current Report on Form 8-K filed on October 22, 2014 (File No. 000-21393) and incorporated herein by reference).
10.4	Offer Letter, dated as of October 16, 2014, by SeaChange International, Inc. to Jay Samit.
10.5	Form of Incentive Stock Option Agreement pursuant to the SeaChange International, Inc. 2011 Compensation and Incentive Plan (filed herewith).
10.6	Form of Deferred Stock Unit Award Grant Notice for Directors under the SeaChange International, Inc. 2011 Compensation and Incentive Plan (filed herewith).
10.7	Form of Non-Qualified Stock Option Agreement for Employees under the SeaChange International, Inc. 2011 Compensation and Incentive Plan (filed herewith).
31.1	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Execution Copy **EXHIBIT 10.4**

October 16, 2014

Jay Samit
2655 N Beverly Glen Blvd
Los Angeles, CA 90077

Dear Jay:

Congratulations! I am pleased to confirm our offer to you to become SeaChange International, Inc.'s Chief Executive Officer and a member of our Board of Directors. This position is based in SeaChange's office in Milpitas, CA.

The starting salary for this position is $500,000.00 which will be paid semi-monthly at the rate of $20,833.33. In FY2015 you will be eligible to participate in an annual bonus program approved by the Compensation Committee. In this program, you will be guaranteed a cash bonus of $125,000 and a fixed value RSU award equivalent to $187,500 (priced on the January 31, 2015 market close), vesting on January 31, 2016. This cash and RSU award will be granted after the financial close of FY2015, during Q1 of FY2016.

In FY2016 you will be eligible to participate in an annual bonus program approved by the Compensation Committee. The program will be based on the achievement of Company financial and strategic goals, as determined by the Compensation Committee, also applicable to other named executive officers of the Company. In this program, you will be eligible to receive an annual bonus (the "Annual Bonus") consisting of i) a cash bonus with a target value of $500,000 and ii) an RSU award, at target consisting of both a fixed value RSU award equivalent to $375,000 (priced based on market close on the last business day of the applicable fiscal year) and 53,571 RSU's, with both the cash bonus and RSU award to be granted after the financial close of FY2016, during Q1 of FY2017, based on meeting annual performance metrics and with the RSU component to be subject to one year vesting, with vesting to occur January 31, 2017. In FY2016 you will also be eligible for a Long Term Equity Award (the "LTI Award") of 150,000 RSUs to vest January 31, 2018 based upon the achievement of certain to be determined long term annual goals to be measured on an annual basis during the term of the award, subject to a cumulative adjustment at the end of the period should any one annual performance component not have been met. Each of the Annual Bonus and the LTI Award also requires remaining an employee in good standing at the time of payment.

In addition, subject to approval by the Compensation Committee, effective on the date of such approval, you will receive one-time grants of (i) a fixed value RSU award equivalent to $1,000,000, vesting over a 4 year period beginning on the first anniversary date of your employment (the "Initial RSU Award"), and (ii) an award of 500,000 non-qualified stock options (the "Initial Option Award") exercisable at the price of the Common Stock on the date of grant by the Compensation Committee, which will vest as follows:

- 166,667 shall vest on the date on which the closing price of SeaChange's Common Stock on a national stock exchange has exceeded $10.00 per share for twenty consecutive trading days;
- 166,666 shall vest on the date on which the closing price of SeaChange's Common Stock on a national stock exchange has exceeded $12.00 per share for twenty consecutive trading days; and
- 166,666 shall vest on the date on which the closing price of SeaChange's Common Stock on a national stock exchange has exceeded $14.00 per share for twenty consecutive trading days.

In compliance with the terms of SeaChange's Amended and Restated 2011 Compensation and Incentive Plan, none of the options shall vest prior to six months from the date of grant.

In addition to all of the above, you will be covered under a Change of Control Agreement. We have attached a copy of the agreement for your review.

To assist you with your temporary living expenses to be located near a SeaChange office, SeaChange will reimburse you for your accommodations and related expenses up to $4000.00 per month in a living allowance for a period of no less than eighteen (18) months from the date hereof, based on submission of receipts.

You will be eligible, on your start date, on the same basis as other employees of the Company, to participate in and to receive benefits under any Company group medical, dental, life, disability or other group insurance plans and 401K Plan.

This offer is contingent upon the satisfactory presentation of appropriate documentation of your legal right to work in the United States. Enclosed is a list of documentation which can be used. Your employment with SeaChange is also contingent upon a completed successful background check.

If your employment with SeaChange is terminated by SeaChange without Cause (other than on account of death or Disability) and you are not entitled to payment pursuant to your Change of Control Agreement in connection therewith, you will be entitled to (i) a one-time payment in an amount equal to the sum of 18 months of Base Salary, payable over 12 months in equal monthly installments, subject to applicable withholding, (ii) an amount of your Annual Bonus determined based on performance targets pro-rated to the date of termination and based on actual performance through date of termination (with the RSU portion of the Annual Award to be subject to vesting on the last day of the following fiscal year), (iii) the issuance of that amount of the LTI Award for which the performance criteria (other than service through January 31, 2018) have been satisfied prior to the date of termination, (iv) vesting of the Initial RSU Award in an amount pro-rated for your period of service through date of termination, and (v) vesting of the Initial Option Award to the extent the price but not time based criteria have been satisfied. For purposes of clarity, except as provided in the Change of Control Agreement, upon termination of employment, none of any then issued RSUs or Stock Options shall vest as a result of the termination of your employment except to the extent specified in this paragraph. Capitalized terms used in this paragraph not otherwise defined in this letter shall have the meanings assigned to such terms in the Change of Control Agreement.

With the exception of the matters outlined in the attached Change of Control Agreement, please be advised that neither this letter nor its terms, constitutes a contract of employment, or a guarantee of employment for a specific period of time.

We look forward to your acceptance.

Sincerely,

Thomas Olson
Chair, Board of Directors, SeaChange International, Inc.

ACKNOWLEDGED AND AGREED:

/s/ JAY SAMIT
Jay Samit
Date:

SEACHANGE INTERNATIONAL, INC.

Incentive Stock Option Agreement

SeaChange International, Inc., a Delaware corporation (the “Company”), hereby grants as <DATE> to <NAME> (the “Employee”), an option to purchase a maximum of <number> shares (the “Option Shares”) of its Common Stock, $.01 par value (“Common Stock”), at the price of $ per share, on the following terms and conditions:

1. Grant Under the 2011 Compensation and Incentive Plan. This option is granted pursuant to and is governed by the Company’s 2011 Compensation and Incentive Plan (the “Plan”) and, unless the context otherwise requires, terms used herein shall have the same meaning as in the Plan. Determinations made in connection with this option pursuant to the Plan shall be governed by the Plan as it exists on this date.

2. Grant as Incentive Stock Option; Other Options. This option is intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”). This option is in addition to any other options heretofore or hereafter granted to the Employee by the Company or any Subsidiary (as defined in the Plan), but a duplicate original of this instrument shall not effect the grant of another option.

3. Vesting of Option if Employment Continues. For the purpose of determining the vesting of the option granted hereunder, the vesting date will be <date> (the “Vesting Date”) and the option will vest over three years. If the Employee has continued to be employed by the Company or any Subsidiary on the following dates, the Employee may exercise this option for the number of shares of Common Stock set opposite the applicable date:

Less than one year from the Vesting Date	-	No Shares
One year from the Vesting Date	-	33.33%
Each subsequent quarter following one year from the Vesting Date	-	an additional 8.34% of the total number of shares granted

Notwithstanding the foregoing, in accordance with and subject to the provisions of the Plan, the Compensation Committee (the “Committee”) may, in its discretion, accelerate the date that any installment of this option becomes exercisable. The foregoing rights are cumulative and, while the Employee continues to be employed by the Company or any Subsidiary, this option may be exercised on or before the date which is 10 years from the date this option is granted. All of the foregoing rights are subject to Sections 4 and 5, as appropriate, if the Employee ceases to be employed by the Company or any Subsidiary.

4. Termination of Employment.

(a) Termination Other Than for Cause. If the Employee ceases to be employed by the Company or any Subsidiary, other than by reason of death or disability as defined in Section 5 or termination for Cause as defined in Section 4(c), no further installments of this option shall become exercisable, and this option shall terminate (and may no longer be exercised) after the passage of three months from the Employee's last day of employment, but in no event later than the scheduled expiration date. In such a case, the Employee's only rights hereunder shall be those which are properly exercised before the termination of this option.

(b) Termination for Cause. If the employment of the Employee is terminated for Cause (as defined in Section 4(c)), this option shall terminate upon the Employee's receipt of written notice of such termination and shall thereafter not be exercisable to any extent whatsoever.

(c) Definition of Cause. "Cause" shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of the Employee, after notice thereof, to render services to the Company or Subsidiary in accordance with the terms or requirements of his or her employment; (ii) disloyalty, gross negligence, willful misconduct, dishonesty or breach of fiduciary duty to the Company or Subsidiary; (iii) the commission of an act of embezzlement or fraud; (iv) deliberate disregard of the rules or policies of the Company or Subsidiary which results in direct or indirect loss, damage or injury to the Company or Subsidiary; (v) the unauthorized disclosure of any trade secret or confidential information of the Company or Subsidiary; or (vi) the commission of an act which constitutes unfair competition with the Company or Subsidiary or which induces any customer or supplier to breach a contract with the Company or Subsidiary.

5. Death; Disability.

(a) Death. If the Employee dies while in the employ of the Company or any Subsidiary, this option may be exercised, to the extent otherwise exercisable on the date of his or her death, by the Employee's estate, personal representative or beneficiary to whom this option has been assigned pursuant to Section 10, at any time within 180 days after the date of death, but not later than the scheduled expiration date.

(b) Disability. If the Employee ceases to be employed by the Company or any Subsidiary by reason of his or her disability (as defined in the Plan), this option may be exercised, to the extent otherwise exercisable on the date of the termination of his or her employment, at any time within 180 days after such termination, but not later than the scheduled expiration date.

(c) Effect of Termination. At the expiration of the 180-day period provided in paragraph (a) or (b) of this Section 5 or the scheduled expiration date, whichever is the earlier, this option shall terminate (and shall no longer be exercisable) and the only rights hereunder shall be those as to which the option was properly exercised before such termination.

6. Partial Exercise. This option may be exercised in part at any time and from time to time within the above limits, except that this option may not be exercised for a fraction of a share unless such exercise is with respect to the final installment of stock subject to this option and cash in lieu of a fractional share must be paid, in accordance with Paragraph 3(d) of the Plan, to permit the Employee to exercise completely such final installment. Any fractional share with respect to which an installment of this option cannot be exercised because of the limitation contained in the preceding sentence shall remain subject to this option and shall be available for later purchase by the Employee in accordance with the terms hereof.

7. Payment of Price.

(**a**) **Manner of Payment.** The option price shall be paid in the following manner:

(i) by either cash, check or fund transfer from the Employee's account maintained with a Company-designated third party commercial provider (the "Third Party Commercial Provider");

(ii) subject to paragraph 7(b) below, by delivery of shares of the Company's Common Stock having a fair market value (as determined by the Committee) equal as of the date of exercise to the option price;

(iii) by delivery of an assignment satisfactory in form and substance to the Company of a sufficient amount of the proceeds from the sale of the Option Shares and an instruction to the broker or selling agent to pay that amount to the Company; or

(iv) by any combination of the foregoing.

(b) Limitations on Payment by Delivery of Common Stock. If the Employee delivers Common Stock held by the Employee ("Old Stock") to the Company in full or partial payment of the option price, and the Old Stock so delivered is subject to restrictions or limitations imposed by agreement between the Employee and the Company, an equivalent number of Option Shares shall be subject to all restrictions and limitations applicable to the Old Stock to the extent that the Employee paid for the Option Shares by delivery of Old Stock, in addition to any restrictions or limitations imposed by this Agreement.

8. Method of Exercising Option. Subject to the terms and conditions of this Agreement, this option may be exercised (i) by written notice to the Company at its principal executive office, (ii) by written notice to such transfer agent as the Company shall designate or (iii) by notification of the Third Party Commercial Provider in accordance with the procedures approved by the Company and of which the Employee shall have ongoing access by means of accessing the Employee's account maintained with the Third Party Commercial Provider. Such notice shall state the election to exercise this option and the number of Option Shares for which it is being exercised and shall be signed (either in writing or by electronic transmission) by the person or persons so exercising this option. Such notice shall be accompanied by payment of the full purchase price of such shares, and the Company shall deliver a certificate or certificates representing such shares as soon as practicable after the notice shall be received. Such certificate or certificates shall be registered in the name of the person or persons so exercising this option (or, if this option shall be exercised by the Employee and if the Employee shall so request in the notice exercising this option, such certificate or certificates shall be registered in the name of the Employee and another person jointly, with right of survivorship). In the event this option shall be exercised, pursuant to Section 5 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise this option.

9. Option Not Transferable. This option is not transferable or assignable except by will or by the laws of descent and distribution. During the Employee's lifetime only the Employee can exercise this option.

10. No Obligation to Exercise Option. The grant and acceptance of this option imposes no obligation on the Employee to exercise it.

11. No Obligation to Continue Employment. Neither the Plan, this Agreement, nor the grant of this option imposes any obligation on the Company or any Subsidiary to continue the Employee in employment.

12. No Rights as Stockholder until Exercise. The Employee shall have no rights as a stockholder with respect to the Option Shares until such time as the Employee has exercised this option in accordance with Section 8. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to such date of exercise.

13. Capital Changes and Business Successions. The Plan contains provisions covering the treatment of options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

14. Early Disposition. The Employee agrees to notify the Company in writing immediately after the Employee transfers any Option Shares, if such transfer occurs on or before the later of (a) the date two years after the date of this Agreement or (b) the date one year after the date the Employee acquired such Option Shares. The Employee also agrees to provide the Company with any information concerning any such transfer required by the Company for tax purposes.

15. Withholding Taxes. If the Company or any Subsidiary in its discretion determines that it is obligated to withhold any tax in connection with the exercise of this option, or in connection with the transfer of, or the lapse of restrictions on, any Common Stock or other property acquired pursuant to this option, the Employee hereby agrees that the Company or any Subsidiary may withhold from the Employee's wages or other remuneration the appropriate amount of tax. At the discretion of the Company or Subsidiary, the amount required to be withheld may be withheld in cash from such wages or other remuneration or in kind from the Common Stock or other property otherwise deliverable to the Employee on exercise of this option. The Employee further agrees that, if the Company or any Subsidiary does not withhold an amount from the Employee's wages or other remuneration sufficient to satisfy the withholding obligation of the Company or Subsidiary, the Employee will make reimbursement on demand, in cash, for the amount underwithheld.

16. Arbitration. Any dispute, controversy, or claim arising out of, in connection with, or relating to the performance of this Agreement or its termination shall be settled by arbitration in the Commonwealth of Massachusetts, pursuant to the rules then obtaining of the American Arbitration Association. Any award shall be final, binding and conclusive upon the parties and a judgment rendered thereon may be entered in any court having jurisdiction thereof.

17. Provision of Documentation to Employee. By signing this Agreement (either in writing or by electronic transmission) the Employee acknowledges receipt of a copy of this Agreement and a copy of the Plan.

18. Miscellaneous.

(a) Notices. Except as explicitly provided for herein or in the Plan, all notices hereunder shall be in writing and shall be deemed given when sent by certified or registered mail, postage prepaid, return receipt requested, to the address set forth below. The addresses for such notices may be changed from time to time by written notice given in the manner provided for herein.

(b) Entire Agreement; Modification. This Agreement constitutes the entire agreement between the parties relative to the subject matter hereof, and supersedes all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. This Agreement may be modified, amended or rescinded only by a written agreement executed by both parties, either in writing or by electronic transmission.

(c) Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, subject to the limitations set forth in Section 9 hereof.

(e) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to the principles of the conflicts of laws thereof.

(f) Data Protection Waiver. The Employee understands and consents to the Company or its agents or independent contractors appointed to administer the Plan obtaining certain of the Employee's personal employment information required for the effective administration of the Plan and that such information may be transmitted outside of the country of the Employee's employment and/or residence. Information relating to the Employee's participation under the Plan may constitute personal data that is subject to the Company's policies on protection and use of personal data.

(g) Clawback. This option and any resulting payment or delivery of shares of the Company's Common Stock is subject to set-off, recoupment, or other recovery or "claw back" as required by applicable law or by a Company policy on the claw back of compensation, as amended from time to time.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company and the Employee have caused this instrument to be executed as of the date first above written.

EMPLOYEE	SEACHANGE INTERNATIONAL, INC.
Signature of Employee	By: Signature
Street Address	
City State Zip Code	

EXHIBIT 10.6

SEACHANGE INTERNATIONAL, INC.
DEFERRED STOCK UNIT AWARD GRANT NOTICE

DIRECTOR'S FY20____ ANNUAL DSU AWARD

SeaChange International, Inc., a company organized under the laws of Delaware (together with any successor thereto, the "***Company***"), pursuant to the SeaChange International, Inc. Amended and Restated 2011 Compensation and Incentive Plan, as amended from time to time (the "***Plan***"), hereby grants to the holder listed below ("***Holder***"), an award of deferred stock units ("***Deferred Stock Units***" or "***DSUs***"). Each Deferred Stock Unit represents the right to receive one common share of the Company (such shares, "***Common Stock***") on the date of termination of Holder's services with the Board (provided such termination occurs on or after the earlier of (i) February 1, 20____ or (ii) immediately prior to a Change in Control) that constitutes a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended and the Treasury Regulations promulgated thereunder (such termination, "***Termination of Directorship***"). This award of Deferred Stock Units is subject to all of the terms and conditions set forth herein and in the Deferred Stock Unit Award Agreement attached hereto as Exhibit A (the "***Deferred Stock Unit Award Agreement***") and the Plan, each of which is incorporated herein by reference.

Holder:

Grant Date:

Total Number of DSUs:

Vesting Schedule: The DSUs shall be fully vested on the earlier of (i) February 1, 20__ or (ii) immediately prior to a Change in Control.

Distribution Schedule: Each DSU shall entitle Holder to one share of Common Stock on the date of Termination of Directorship, provided such DSUs have vested prior to or on the date of Termination of Directorship.

By his or her signature and the Company's signature below, Holder agrees to be bound by the terms and conditions of the Plan, the Deferred Stock Unit Award Agreement and this Grant Notice. Holder has reviewed the Plan, the Deferred Stock Unit Award Agreement and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Deferred Stock Unit Award Agreement and the Plan. Holder hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator (as defined in the Plan) upon any questions arising under this Grant Notice, the Deferred Stock Unit Award Agreement or the Plan.

SEACHANGE INTERNATIONAL, INC.	HOLDER
By: ______________________	By: ______________________
Jay Samit	
Chief Executive Officer	

EXHIBIT A
TO DEFERRED STOCK UNIT AWARD GRANT NOTICE

SEACHANGE INTERNATIONAL, INC. DEFERRED STOCK UNIT AWARD AGREEMENT

Pursuant to the Deferred Stock Unit Award Grant Notice (the "***Grant Notice***") to which this Deferred Stock Unit Award Agreement (this "***Agreement***") is attached, SeaChange International, Inc., a company organized under the laws of Delaware (together with any successors thereto, the "***Company***"), has granted to Holder an award of deferred stock units ("***Deferred Stock Units***" or "***DSUs***") under the SeaChange International, Inc. Amended and Restated 2011 Compensation and Incentive Plan, as amended from time to time (the "***Plan***").

ARTICLE 1.

CERTAIN DEFINED TERMS

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Grant Notice or the Plan. As used herein, the term "stock unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of Common Stock (subject to adjustment as provided in Section 3(c) of the Plan) solely for purposes of the Plan and this Agreement. The Deferred Stock Units shall be used solely as a device for the determination of the payment to eventually be made to Holder pursuant to Section 2.3 hereof. The Deferred Stock Units shall not be treated as property or as a trust fund of any kind.

1.2 Incorporation of the Terms of the Plan. The DSUs are subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any conflict between the provisions of this Agreement and the Plan, the terms of the Plan shall control.

1.3 Change in Control. "Change in Control" shall mean the first to occur, after the date hereof, of any of the following:

(a) the members of the Board at the beginning of any consecutive 12-calendar-month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such 12-calendar-month period, shall be deemed to be an Incumbent Director;

(b) any consolidation or merger of the Company where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Securities Exchange Act), directly or indirectly, shares of Stock representing in the aggregate 50% or more of the combined voting power of the securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent company, if any);

(c) there shall occur (A) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportion as their ownership of the Company immediately prior to such sale or (B) the approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or

(d) Any corporation or other legal person, pursuant to a tender offer, exchange offer, purchase of stock (whether in a market transaction or otherwise) or other transaction or event acquires securities representing 40% or more of the combined voting power of the voting securities of the Company, or there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the U.S. Securities Exchange Act, disclosing that any "person" (as such term is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act) has become the "beneficial owner") (as such term is used in Rule 13d-3 under the Securities Exchange Act) of securities representing 40% or more of the combined voting power of the voting securities of the Company.

Notwithstanding the forgoing, none of the forgoing event(s) shall constitute a Change in Control unless such event(s) constitute a “change in ownership or effective control” or a change “in the ownership of a substantial portion of the assets,” in each case within the meaning of Section 409A(a)(2)(A)(v) of the Internal Revenue Code of 1086, as amended, and any regulations and other guidance in effect from time-to-time thereunder including, without limitation, Notice 2005-1.

ARTICLE 2.

GRANT OF DEFERRED STOCK UNITS

2.1 Grant of DSUs. In consideration of Holder’s past and/or continued service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the “***Grant Date***”), the Company grants to Holder an award of DSUs as set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement, subject to adjustments as provided in Section 3(c) of the Plan.

2.2 Vesting. Except as set forth in Section 3.2 herein, the DSUs will remain restricted and may not be sold, assigned, exchanged, pledged or otherwise transferred by the Holder until the DSUs have become vested pursuant to the terms of this Agreement. The DSUs will vest as provided on the cover page hereto. Upon Termination of Directorship, no further DSUs shall vest, and any portion of the DSU that has not become vested on or prior to the date of such cessation shall thereupon be forfeited.

2.3 Delivery upon Termination of Directorship. As soon as administratively practicable following the Termination of Directorship, with the exact date determined at the sole discretion of the Company, but in no event later than ninety (90) days after the date of such termination, the Company shall deliver to Holder (or any transferee permitted under Section 3.2 hereof or Section 10(a) of the Plan) a number of shares of Common Stock (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Company in its sole discretion) equal to the number of vested Deferred Stock Units subject to this award in which the Holder is vested as of such date. Notwithstanding the foregoing, in the event shares of Common Stock cannot be issued within ninety (90) days following the Termination of Directorship, then the shares of Common Stock shall be issued pursuant to the preceding sentence as soon as administratively practicable after the Administrator determines that shares of Common Stock can again be issued. Prior to actual payment pursuant to the DSUs, such DSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

2.4 Dividend Equivalents. Whenever cash dividends are paid on the Common Stock, additional DSUs shall be granted to Holder. The number of such additional DSUs shall be calculated by dividing (a) the dividends that would have been paid to Holder if the DSUs held by Holder on the relevant dividend record date had been Common Shares, by (b) the closing price of the Common Stock on NASDAQ or such other stock exchange where the majority of the trading volume and value of the Common Stock occurs on the date of payment of such dividend. If on such date of payment there is not a closing price of the Common Stock on any such exchange, then the opening price of the Common Stock on NASDAQ or such other stock exchange where the majority of the trading volume and value of the Common Stock occurs on the first available date thereafter shall be used for purposes of (b) above.

2.5 Rights as Stockholder. Holder (or any transferee permitted under Section 3.2 hereof or Section 10(a) of the Plan) shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the DSUs and any shares of Common Stock underlying the DSUs and deliverable hereunder unless and until such shares of Common Stock shall have been issued by the Company and held of record by Holder (or any transferee permitted under Section 3.2 hereof or Section 10(a) of the Plan) (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares of Common Stock are issued, except as provided in Section 3(c) of the Plan.

ARTICLE 3.

OTHER PROVISIONS

3.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan and this Agreement as are consistent herewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Holder, the Company and all other interested persons. No member of the Committee or the Board will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the DSUs.

3.2 Transferability. Except as set forth in Section 10(a) of the Plan, the DSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until the shares of Common Stock underlying the DSUs have been issued, and all restrictions applicable to such shares of Common Stock have lapsed. Neither the DSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of Holder or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

3.3 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Holder shall be addressed to Holder at Holder's last address reflected on the Company's records. By a notice given pursuant to this Section 3.3, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

3.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.5 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws of any jurisdiction.

3.6 Conformity to Securities Laws. Holder acknowledges that the Plan and this Agreement is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan and this Agreement shall be administered, and the DSUs are granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.7 Amendment. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator; *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the DSUs without the prior written consent of Holder.

3.8 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 3.2 hereof and Section 10(a) of the Plan, this Agreement shall be binding upon Holder and his or her heirs, executors, administrators, successors and assigns.

3.9 Exchange Act Limitations. Notwithstanding any other provision of the Plan or this Agreement, if Holder is subject to Section 16 of the Exchange Act, the Plan, the DSUs and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.10 Entire Agreement. The Plan, the Grant Notice and this Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Holder with respect to the subject matter hereof.

3.11 Section 409A.

(a) The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "***Section 409A***"). Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that any amounts payable hereunder will be immediately taxable to Holder under Section 409A, the Company reserves the right (without any obligation to do so or to indemnify Holder for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Company determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for the Company and/or (ii) take such other actions as the Company determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from Holder or any other individual to the Company or any of its affiliates, employees or agents. Holder shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Holder or for Holder's account in connection with this Agreement (including any taxes and penalties under Section 409A), and neither the Company nor any of its Affiliates shall have any obligation to indemnify or otherwise hold you harmless from any or all such taxes or penalties.

(b) Notwithstanding any provision to the contrary in this Agreement, if Holder is deemed at the time of his "separation from service" (within the meaning of Section 409A) to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then, unless the Board determines otherwise, delivery of the shares of Common Stock pursuant to this Agreement shall automatically be deferred until the earlier of (i) six months after Holder has ceased to be an employee of the Company or has otherwise separated from service with the Company or (ii) the date of Holder's death. Such deferral shall not affect the number of shares to be delivered.

3.12 Limitation on Holder's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Holder shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the DSUs, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to DSUs, as and when payable hereunder.

3.13 Withholdings. It is hereby understood and agreed by the Company and Holder that Holder shall be solely responsible for complying with all applicable laws, rules and regulations concerning taxes, social security contributions, pension fund contributions, unemployment contributions and similar matters in connection with any payments or benefits under this Agreement; *provided* that, if at any time the Company is required by applicable law to withhold any income or other taxes, then the Company shall be entitled to require payment by Holder of, or to deduct from any compensation paid to Holder, an amount equal to the minimum statutory amount required by applicable law to be withheld with respect to the grant of DSUs or the issuance of shares of Common Stock (with such payment to be made in such form as shall be determined by the Company, consistent with Section 10(f) of the Plan).

3.14 Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

3.15 Headings and Construction. Headings are given to the Sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “but not limited to”. The term “or” is not exclusive.

EXHIBIT 10.7

SEACHANGE INTERNATIONAL, INC.

Non-Qualified Stock Option Agreement
for Employees

SeaChange International, Inc., a Delaware corporation (the "Company"), hereby grants as of <date> to <name> (the "Employee"), an option to purchase a maximum of <number> shares (the "Option Shares") of its Common Stock, $.01 par value ("Common Stock"), at the price of $ per share, on the following terms and conditions:

1. Grant Under the 2011 Compensation and Incentive Plan. This option is granted pursuant to and is governed by the Company's 2011 Compensation and Incentive Plan (the "Plan") and, unless the context otherwise requires, terms used herein shall have the same meaning as in the Plan. Determinations made in connection with this option pursuant to the Plan shall be governed by the Plan as it exists on this date.

2. Grant as Non-Qualified Stock Option; Other Options. This option shall be treated for federal income tax purposes as a Non-Qualified Option (rather than an incentive stock option). This option is in addition to any other options heretofore or hereafter granted to the Employee by the Company or any Subsidiary (as defined in the Plan), but a duplicate original of this instrument shall not effect the grant of another option.

3. Vesting of Option if Employment Continues. For the purpose of determining the vesting of the option granted hereunder, the vesting date will be <date> (the "Vesting Date") and the option will vest over three years. If the Employee has continued to be employed by the Company or any Subsidiary on the following dates, the Employee may exercise this option for the number of shares of Common Stock set opposite the applicable date:

Less than one year from the Vesting Date	-	No Shares
One year from the Vesting Date	-	33.33%
Each subsequent quarter following one year from the Vesting Date	-	an additional 8.34% of the total number of shares granted

Notwithstanding the foregoing, in accordance with and subject to the provisions of the Plan, the Compensation Committee (the "Committee") may, in its discretion, accelerate the date that any installment of this option becomes exercisable. The foregoing rights are cumulative and, while the Employee continues to be employed by the Company or any Subsidiary, this option may be exercised on or before the date which is 10 years from the date this option is granted. All of the foregoing rights are subject to Sections 4 and 5, as appropriate, if the Employee ceases to be employed by the Company or any Subsidiary.

4. Termination of Employment.

(a) Termination Other Than for Cause. If the Employee ceases to be employed by the Company or any Subsidiary, other than by reason of death or disability as defined in Section 5 or termination for Cause as defined in Section 4(c), no further installments of this option shall become exercisable, and this option shall terminate (and may no longer be exercised) after the passage of three months from the Employee's last day of employment, but in no event later than the scheduled expiration date. In such a case, the Employee's only rights hereunder shall be those which are properly exercised before the termination of this option.

(b) Termination for Cause. If the employment of the Employee is terminated for Cause (as defined in Section 4(c)), this option shall terminate upon the Employee's receipt of written notice of such termination and shall thereafter not be exercisable to any extent whatsoever.

(c) Definition of Cause. "Cause" shall mean conduct involving one or more of the following: (i) the substantial and continuing failure of the Employee, after notice thereof, to render services to the Company or Subsidiary in accordance with the terms or requirements of his or her employment; (ii) disloyalty, gross negligence, willful misconduct, dishonesty or breach of fiduciary duty to the Company or Subsidiary; (iii) the commission of an act of embezzlement or fraud; (iv) deliberate disregard of the rules or policies of the Company or Subsidiary which results in direct or indirect loss, damage or injury to the Company or Subsidiary; (v) the unauthorized disclosure of any trade secret or confidential information of the Company or Subsidiary; or (vi) the commission of an act which constitutes unfair competition with the Company or Subsidiary or which induces any customer or supplier to breach a contract with the Company or Subsidiary.

5. Death; Disability.

(a) Death. If the Employee dies while in the employ of the Company or any Subsidiary, this option may be exercised, to the extent otherwise exercisable on the date of his or her death, by the Employee's estate, personal representative or beneficiary to whom this option has been assigned pursuant to Section 10, at any time within 180 days after the date of death, but not later than the scheduled expiration date.

(b) Disability. If the Employee ceases to be employed by the Company or any Subsidiary by reason of his or her disability (as defined in the Plan), this option may be exercised, to the extent otherwise exercisable on the date of the termination of his or her employment, at any time within 180 days after such termination, but not later than the scheduled expiration date.

(c) Effect of Termination. At the expiration of the 180-day period provided in paragraph (a) or (b) of this Section 5 or the scheduled expiration date, whichever is the earlier, this option shall terminate (and shall no longer be exercisable) and the only rights hereunder shall be those as to which the option was properly exercised before such termination.

6. Partial Exercise. This option may be exercised in part at any time and from time to time within the above limits, except that this option may not be exercised for a fraction of a share unless such exercise is with respect to the final installment of stock subject to this option and cash in lieu of a fractional share must be paid, in accordance with Paragraph 3(d) of the Plan, to permit the Employee to exercise completely such final installment. Any fractional share with respect to which an installment of this option cannot be exercised because of the limitation contained in the preceding sentence shall remain subject to this option and shall be available for later purchase by the Employee in accordance with the terms hereof.

7. Payment of Price.

(a) Manner of Payment. The option price shall be paid in the following manner:

(i) by either cash, check or fund transfer from the Employee's account maintained with a Company-designated third party commercial provider (the "Third Party Commercial Provider");

(ii) subject to paragraph 7(b) below, by delivery of shares of the Company's Common Stock having a fair market value (as determined by the Committee) equal as of the date of exercise to the option price;

(iii) by delivery of an assignment satisfactory in form and substance to the Company of a sufficient amount of the proceeds from the sale of the Option Shares and an instruction to the broker or selling agent to pay that amount to the Company; or

(iv) by any combination of the foregoing.

(b) Limitations on Payment by Delivery of Common Stock: If the Employee delivers Common Stock held by the Employee ("Old Stock") to the Company in full or partial payment of the option price, and the Old Stock so delivered is subject to restrictions or limitations imposed by agreement between the Employee and the Company, an equivalent number of Option Shares shall be subject to all restrictions and limitations applicable to the Old Stock to the extent that the Employee paid for the Option Shares by delivery of Old Stock, in addition to any restrictions or limitations imposed by this Agreement.

8. Method of Exercising Option. Subject to the terms and conditions of this Agreement, this option may be exercised (i) by written notice to the Company at its principal executive office, (ii) by written notice to such transfer agent as the Company shall designate or (iii) by notification of the Third Party Commercial Provider in accordance with the procedures approved by the Company and of which the Employee shall have ongoing access by means of accessing the Employee's account maintained with the Third Party Commercial Provider. Such notice shall state the election to exercise this option and the number of Option Shares for which it is being exercised and shall be signed (either in writing or by electronic transmission) by the person or persons so exercising this option. Such notice shall be accompanied by payment of the full purchase price of such shares, and the Company shall deliver a certificate or certificates representing such shares as soon as practicable after the notice shall be received. Such certificate or certificates shall be registered in the name of the person or persons so exercising this option (or, if this option shall be exercised by the Employee and if the Employee shall so request in the notice exercising this option, such certificate or certificates shall be registered in the name of the Employee and another person jointly, with right of survivorship). In the event this option shall be exercised, pursuant to Section 5 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise this option.

9. Option Not Transferable. This option is not transferable or assignable except by will or by the laws of descent and distribution. During the Employee's lifetime only the Employee can exercise this option.

10. No Obligation to Exercise Option. The grant and acceptance of this option imposes no obligation on the Employee to exercise it.

11. No Obligation to Continue Employment. Neither the Plan, this Agreement, nor the grant of this option imposes any obligation on the Company or any Subsidiary to continue the Employee in employment.

12. No Rights as Stockholder until Exercise. The Employee shall have no rights as a stockholder with respect to the Option Shares until such time as the Employee has exercised this option in accordance with Section 8. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to such date of exercise.

13. Capital Changes and Business Successions. The Plan contains provisions covering the treatment of options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

14. Withholding Taxes. If the Company or any Subsidiary in its discretion determines that it is obligated to withhold any tax in connection with the exercise of this option, or in connection with the transfer of, or the lapse of restrictions on, any Common Stock or other property acquired pursuant to this option, the Employee hereby agrees that the Company or any Subsidiary may withhold from the Employee's wages or other remuneration the appropriate amount of tax. At the discretion of the Company or Subsidiary, the amount required to be withheld may be withheld in cash from such wages or other remuneration or in kind from the Common Stock or other property otherwise deliverable to the Employee on exercise of this option. The Employee further agrees that, if the Company or any Subsidiary does not withhold an amount from the Employee's wages or other remuneration sufficient to satisfy the withholding obligation of the Company or Subsidiary, the Employee will make reimbursement on demand, in cash, for the amount underwithheld.

15. Arbitration. Any dispute, controversy, or claim arising out of, in connection with, or relating to the performance of this Agreement or its termination shall be settled by arbitration in the Commonwealth of Massachusetts, pursuant to the rules then obtaining of the American Arbitration Association. Any award shall be final, binding and conclusive upon the parties and a judgment rendered thereon may be entered in any court having jurisdiction thereof.

16. Provision of Documentation to Employee. By signing this Agreement (either in writing or by electronic transmission) the Employee acknowledges receipt of a copy of this Agreement and a copy of the Plan.

17. Miscellaneous.

(a) Notices. Except as explicitly provided for herein or in the Plan, all notices hereunder shall be in writing and shall be deemed given when sent by certified or registered mail, postage prepaid, return receipt requested, to the address set forth below. The addresses for such notices may be changed from time to time by written notice given in the manner provided for herein.

(b) Entire Agreement; Modification. This Agreement constitutes the entire agreement between the parties relative to the subject matter hereof, and supersedes all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. This Agreement may be modified, amended or rescinded only by a written agreement executed by both parties (either in writing or by electronic transmission).

(c) Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, subject to the limitations set forth in Section 9 hereof.

(e) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to the principles of the conflicts of laws thereof.

(f) Data Protection Waiver. The Employee understands and consents to the Company or its agents or independent contractors appointed to administer the Plan obtaining certain of the Employee's personal employment information required for the effective administration of the Plan and that such information may be transmitted outside of the country of the Employee's employment and/or residence. Information relating to the Employee's participation under the Plan may constitute personal data that is subject to the Company's policies on protection and use of personal data.

(g) Clawback. This option and any resulting payment or delivery of shares of the Company's Common Stock is subject to set-off, recoupment, or other recovery or "claw back" as required by applicable law or by a Company policy on the claw back of compensation, as amended from time to time.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company and the Employee have caused this instrument to be executed as of the date first above written.

______________________________	SEACHANGE INTERNATIONAL, INC.
Signature of Employee	
______________________________	By: ______________________________
Print Name of Employee	Signature
______________________________	______________________________
Street Address	Name of Officer
	______________________________
______________________________	Title
City State Zip Code	

CERTIFICATION

I, Jay A. Samit, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaChange International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 5, 2014

/s/ JAY A. SAMIT

Jay A. Samit
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Anthony C. Dias, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaChange International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 5, 2014

/s/ ANTHONY C. DIAS

Anthony C. Dias
Chief Financial Officer, Senior Vice President, Finance and Administration and
Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SeaChange International, Inc. (the "Company") on Form 10-Q for the period ending October 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay A. Samit, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAY A. SAMIT

Jay A. Samit
Chief Executive Officer

Dated: December 5, 2014

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SeaChange International, Inc. (the "Company") on Form 10-Q for the period ending October 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony C. Dias, Chief Financial Officer, Senior Vice President, Finance and Administration and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY C. DIAS

Anthony C. Dias
Chief Financial Officer, Senior Vice President,
Finance and Administration and
Treasurer

Dated: December 5, 2014